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Cabinet

Thursday, 24th January, 2019 at 5.30 pm
Conference Room, Parkside, Chart Way, Horsham

Councillors:	Ray Dawe	Leader
	Jonathan Chowen	Deputy Leader and Leisure and Culture
	Philip Circus	Waste, Recycling and Cleansing
	Brian Donnelly	Finance and Assets
	Gordon Lindsay	Local Economy
	Claire Vickers	Planning and Development
	Tricia Youtan	Community and Wellbeing

You are summoned to the meeting to transact the following business

Glen Chipp
Chief Executive

Agenda

	Page No.
1. Apologies for absence	
2. Minutes	
To approve as correct the minutes of the meeting held on 22 nd November 2018 <i>(Note: If any Member wishes to propose an amendment to the minutes they should submit this in writing to committeeservices@horsham.gov.uk at least 24 hours before the meeting. Where applicable, the audio recording of the meeting will be checked to ensure the accuracy of the proposed amendment.)</i>	
3. Declarations of Members' Interests	
To receive any declarations of interest from Members of the Cabinet	
4. Announcements	
To receive any announcements from the Leader, Cabinet Members or the Chief Executive	
5. Public Questions	
To receive questions from and provide answers to the public in relation to matters which in the opinion of the person presiding at the meeting are relevant to the business of the meeting	
6. Funding for Business Improvement District for Horsham Town Centre	3 - 16
To receive the report of the Cabinet Member for Local Economy	

7.	Council Lottery	17 - 28
	To receive the report of the Cabinet Member for Community and Wellbeing	
8.	Council Tax Reduction Scheme	29 - 32
	To receive the report of the Cabinet Member for Finance and Assets	
9.	Budget 2019/20 and the Medium Term Financial Strategy to 2022/23	33 - 76
	To receive the report of the Cabinet Member for Finance and Assets	
10.	Overview & Scrutiny Committee	
	To consider any matters referred to Cabinet by the Overview & Scrutiny Committee – there are no matters outstanding	
11.	Forward Plan	77 - 80
	To note the Forward Plan	
12.	To consider matters of special urgency	

Report to Cabinet

24th January 2019

By the Cabinet Member for Local Economy

DECISION REQUIRED



Not Exempt

A Business Improvement District for Horsham Town Centre

Executive Summary

Business Improvement Districts are business-led partnerships, which are created through a ballot process to deliver additional services to local businesses. All BIDs have a clear and focused role, contained within a Business Plan, which all eligible businesses are asked to vote upon in a ballot. The development of the plan needs to be led by the business community and should involve extensive consultation to ensure that it includes the priority improvement actions, which tend to include:

- Business cost reduction projects
- Car parking improvements
- Local priority improvement actions
- Marketing and promotional activities
- Public event management and development
- Public safety and security initiatives
- Streetscene improvements

The past few years has seen a significant change in the retail sector, with retailers on UK High Streets hit by weak sales, online competition and rising costs. The role for town centres across the country is changing:

“Forget retail for town centres, they need to become community hubs based on health, education, entertainment, leisure and arts and crafts” (Grimsey report)

With the need for town centres to adapt, the night time economy is becoming a central part of the future of the UK high street. It is essential that an attractive night time economy is established in Horsham Town Centre and is a strategy that can be effectively led by a BID organisation. This partnership can bring together local businesses, community groups and HDC in developing night time economy strategies that can reduce costs, boost business rate income, improve community wellbeing and create jobs. The BID will generate additional resources that can be targeted at developing the night time economy.

To take the next steps requires dedicated resources to determine the BID area, develop a business plan and campaign to champion the establishment of a BID. The key cost is the recruitment of a BID Project Manager. This should be an independent role which focuses on consulting with the town centre businesses on the key issues and projects and promoting the benefits of a BID to secure a positive result in the ballot. There are additional ancillary costs in the lead up to the ballot.

Resource		Cost
Staff	BID Project Manager	£33,000
Admin	Premises, IT etc.	£2,500
Marketing		£16,000
Legal	Ballot Costs	£2,500
Consultancy Support	Support for BID Project	£16,500
Total		£70,500

Recommendations

That the Cabinet is recommended:

- i) **that the £70,500 funding required to progress the BID to the ballot stage is agreed. This can then be put forward as a revenue growth bid in the current budget process.**

Reasons for Recommendations

- i) to ensure that the resources are put in place to progress a Business Improvement District for Horsham Town Centre

Background Papers:

Horsham BID Foundation Stage Report 2014: The Mosaic Partnership
The Grimsey Review 2: The Vanishing High Street 2018

Wards affected:

Horsham: Denne Neighbourhood Council

Horsham: Forest Neighbourhood Council

Horsham: Trafalgar Neighbourhood Council

Contact: Clare Mangan, Head of Economic Development 01403 215303.

Background Information

1 Introduction and Background

- 1.1 Business Improvement Districts are business-led partnerships which are created through a ballot process to deliver additional services to local businesses. Since the introduction of Business Improvement District legislation in 2003, over 250 Business Improvement Districts have been created across the UK. BIDs operate through the levy of a small percentage on National Non-Domestic Rates, with the actual levy percentage varying dependent on the area in question. In most towns and cities, the BID levy tends to lie between 1% and 1.5%.
- 1.2 All BIDs have a clear and focused role, contained within a Business Plan which all eligible businesses are asked to vote upon in a ballot. The development of the plan needs to be led by the business community and should involve extensive consultation to ensure that it includes the priority improvement actions, which tend to include:
- Business cost reduction projects
 - Car parking improvements
 - Local priority improvement actions
 - Marketing and promotional activities
 - Public event management and development
 - Public safety and security initiatives
 - Streetscene improvements
- 1.3 It is important to note that the intention of a BID is to add projects and activities to a town or city over and above those which are already taking place. A BID is not a mechanism for any public or private sector body to cease to provide established activities. The critical first step is in establishing a baseline SLA which is the activities the Council agrees to continue with.

1.4 What are BIDs delivering?

There are common themes across the country which businesses have identified as being a priority

Marketing/promotion

This theme is articulated through business led marketing strategies. Here the image of a place is important. For retailers and leisure businesses it means more visitors and more spend, for the office and commercial sector it means a more attractive offer for the workforce they need. In terms of activities, this can deliver:

- Events
- A more vibrant evening economy
- Special offers scheme
- Business and footfall data
- Welcome signs
- Regular market research
- Targeted promotions

- Loyalty cards

Attractive Town

Views of businesses canvassed during the BID process in areas such as Chelmsford and Lichfield highlighted the need for improvements to the local environment to make the town more attractive and accessible to customers. BIDs are delivering:

- Free parking offers, signage and promotion
- Free Wi-Fi
- Summer bunting
- Markets
- Public realm improvements
- wayfinding

Safe and Welcoming

The activities being delivered through BIDs are aimed at ensuring that the towns are welcoming and easily accessible places for visitors, workers and residents:

- Street wardens/Night Angels
- Town centre ambassadors with a combined role of welcoming people to the town and working closely with businesses. They would also troubleshoot issues and lobby the relevant organisation to take action
- Achieve the Purple Flag status -The Purple Flag standard, launched in 2012, is an accreditation process similar to the Green Flag award for parks and the Blue Flag for beaches. It allows members of the public to quickly identify town & city centres that offer an entertaining, diverse, safe and enjoyable night out.

Business Support

Establishing a BID leads to a stronger business community

- Many BIDs create savings through a joint procurement scheme of common business services
- implement group purchasing initiatives to save day and night-time economy businesses money on overheads such as energy, insurance, telecoms and waste disposal
- a strategic voice for businesses
- provide business seminars and networking events and help link businesses with the local community
- employee benefits such as exclusive local offers and social networking events to assist businesses with recruitment and retention of staff

1.5 Case Studies

St Albans

This delivered the following:

- Christmas Lights Switch on – 18,000 visitors
- Nutcracker trail – 468 entries
- 20 benches and 400 bollards painted
- St Albans Gift Card – this is MasterCard-based and works like a store voucher

Lichfield

This delivered the following:

- The Bid funds the local Business Crime Reduction Partnership
- Funded over 60 digital radios for businesses to use in the city to identify and report possible criminal activity
- Funded the development of a signage strategy
- Free Wi-Fi
- Welcome to the city signs

Winchester

This delivered the following:

- Street pastors
- Purple Flag accreditation – this indicated that the city has a safe yet vibrant night time economy
- Fit for Business scheme – designed to support and encourage early stage businesses
- Hanging baskets and Christmas lights

1.6 Who can launch and operate a BID?

A BID can be launched by any partnership of stakeholders but must be led by representatives from the Private Sector who have a vested interest in the BID's success. A BID company is usually formed either Limited by Guarantee as a non-profit company or as a CIC – Community Interest Company

1.7 How are a BID Area and its members determined?

A BID area, who pays and the rates to be levied are decided by the team organising the BID Proposal to achieve the greatest achievable balance between income and acceptability/fairness and thereby success of the BID ballot. The business plan will need to set out the way the BID will be established, the governance and the businesses that will be required to pay the levy. In Worthing, the BID Organisation decided that only businesses with a rateable value of £12,000 or more pay the levy.

Some BIDs are focused purely on retailers others target support to the night-time economy or office/industrial unit occupiers.

1.8 What is the role of the Local Authority in a BID?

The key role of the Council is in fostering the setting up and operation of the BID through creating the right environment and facilitating the process leading up to the Ballot.

The Council will need to agree to the BID having certain responsibilities/authorities for the delivery of its Business Plan. This needs to be confirmed in one or more Memorandums of Understanding. It will also need to agree a baseline with the BID regarding which services and activities the Council will continue to provide. There is a potential to provide additional services under contract to the BID to an agreed standard covered by Service Level Agreements

In most BID areas the Council is responsible for the collection of the BID levy on behalf of the BID (either free or for an agreed fee charged to the BID company). Although the costs of billing, collection and recovery will be specific to the BID scheme that is set up, in Worthing which has 465 BID levy payers, the collection costs are £12,696. The levy is collected by the Borough Council and its costs recharged to the BID.

1.9 What are the Benefits of a BID?

A key benefit of a BID is the opportunity for businesses to decide their own priorities and invest collectively to shape the business environment in which they trade. BID levy money is ring-fenced for use only in the BID area – unlike business rates which are paid in to and redistributed by government.

Where BIDS have been established, business performance is up and business costs are driven down. There are recorded increases in footfall, customer spend and sales. With an agreed business plan, established through extensive consultation, there is an effective framework to shape the future business planning. BIDs have increased a town's desirability and attracts occupiers, assisting with its competitiveness within the region.

2 Relevant Council policy

- 2.1 One of the key objectives in the Horsham District Council Corporate Plan is to "Improve and support the local economy". By establishing a BID for Horsham town centre, there will be a business led focus to ensure the town centre's economic viability and ensure that it adapts to the changing role of the traditional high street.

3 Details

3.1 What are the benefits of a BID for Horsham Town Centre?

The past few years has seen a significant change in the retail sector, with retailers on UK High Streets hit by weak sales, online competition and rising costs. The role for town centres across the country is changing:

“Forget retail for town centres, they need to become community hubs based on health, education, entertainment, leisure and arts and crafts” (Grimsey report)

3.2 With the need for town centres to adapt, the night time economy is becoming a central part of the future of the UK high street. It is essential that an attractive night time economy is established in Horsham Town Centre and is a strategy that can be effectively led by a BID organisation. This partnership can bring together local businesses, community groups and HDC in developing night time economy strategies that can reduce costs, boost business rate income, improve community wellbeing and create jobs. The BID will generate additional resources that can be targeted at developing the night time economy.

3.3 **Direct benefits for Horsham Town**

The funding generated by the BID would invest in business driven projects, such as:

- Night time economy – BID could fund street wardens to operate in the evenings
- Public realm enhancements
- Christmas lights
- Free Wi-Fi
- Signage/wayfinding

There is also the potential for income generation:

- BID procures commercial waste collection from HDC
- BID has an SLA with HDC events team to deliver town centre events
- HDC car park revenues increase with positive footfall trend and/or increases in dwell time through better circulation across the town centre

The current town centres manager resource can be redirected across the district, for the benefit of all the market towns. The Council would also benefit as both a local authority and a property owner in the BID area as economic vitality and success secures better covenant tenants and longer lease terms.

Town centre businesses will drive the success of the town and the right commercial decisions/balance can be progressed without delay allowing a much more reactive response in these challenging times for the service sector/town centre overall.

3.4 **What Resources are Needed to Progress a BID**

The Mosaic report carried out in 2014 set out the upfront resources that would be needed. This would need to be funded by HDC as there is no other town centre organisation that has the funds to kick start the BID process. The cost could be recouped from the BID, although this would impact on the funding available to the BID in the initial start-up period. If the outcome of the ballot is negative, the costs would need to be written off.

The key cost is the recruitment of a BID Project Manager. This should be an independent role which focuses on consulting with the town centre businesses on the

key issues and projects and promoting the benefits of a BID to secure a positive result in the ballot. There are additional ancillary costs in the lead up to the ballot.

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3.5 How Much Funding Could be Generated?

From the report prepared by Mosaic in 2014, the area assessed as a potential BID (Appendix 1) had:

- 582 Organisations
- £22,645,060 RV
- 23 streets
- 17 sectors

There are a number of levels for the BID levy, ranging from 1% up to 2%.

- 1% would generate £226,450
- 1.5% would generate £339,675
- 2% would generate £452,901

The report from Mosaic also highlighted an opportunity for the BID to generate additional income. Their indicative budget projection for a BID levy of 1.5% put forward additional income such as media partnerships, developer funding of £77,600.

It will be for the BID organisation to determine whether smaller businesses will be exempt from the BID levy. For example, in Worthing, businesses who have a rateable value of less than £12,000 are exempt. The above figures include all businesses.

Horsham District Council Contribution as a BID Business

Within the BID area the HDC properties had a total RV of £1,010,400. For a BID of 1%, the HDC contribution would be £10,104 and for 1.5% the contribution would be £15,156. This is based on the BID area as outlined in appendix 1, the final boundary would be determined as part of the initial development work.

- 3.6 It is essential that we respond to the changing role of our town centre. It is clear that the retail sector will play a significantly reduced role in the vitality and viability of the town, with the shift to a more leisure based, cultural and entertainment function. For any successful BID there needs to be a “knotty issue” which a business partnership is best placed to address. For Horsham it is the changing nature of its central role and the need to have a thriving night time economy. The limited resources HDC has and the current lack of engagement with the town centre businesses means that the Council is not in a position to drive this issue forward.

- 3.7 A BID for the town centre would ensure that there is a business plan driven by the businesses, ring fenced resources to deliver projects and activities and a positive relationship between the private and public sectors.
- 3.8 Current town centre stakeholders committed to forming the core BID Project Board and then leading through a yes vote to delivery are:

Simon Pringle	Red River
Gill Buchanan	Swan Walk
David Sheldon	Voluntary sector
Dominic Wakefield	Wakefield Jewellers (Financial/membership expertise as well as retail)
Ben Hewson	Horsham Rotary
Pedro Martins	Cote Manager representing the F&B sector
Melanie Wakefield	Wakefield Jewellers (Retail and Marketing expertise)
Nigel Davis	John Lewis Partnership
Mike Spencer	M&S

4 Next Steps

- 4.1 If the necessary resources are agreed to proceed with the next phases, then a tender would be issued to appoint an external consultancy to progress the following tasks:
- Set up a BID Task Group
 - Review the feasibility study and BID area
 - Carry out detailed consultation with the business community
 - Develop the baseline statements
 - Develop the business plan
 - Undertake the Campaign phase
 - Carry out the formal ballot

The process from the initial development phase to the establishment of a BID organisation is usually around 18 months.

5 Views of the Policy Development Advisory Group and Outcome of Consultations

- 5.1 The Local Economy Policy Development Advisory Group discussed the potential for a BID in Horsham at its meeting on 19th December 2018. The Group advised that it fully supported the proposal.

6 Other Courses of Action Considered but Rejected

- 6.1 The option of not progressing a BID has been considered. However, this would not address the challenges facing our town centre and its changing role. It is essential that a strong business voice is developed, with ring fenced resources identified to deliver agreed projects and priorities.

7 Resource Consequences

- 7.1 To progress the proposed BID to the ballot stage will require a budget of £70,500. This will need to be resourced by the District Council and has been included as a revenue growth bid for one year only in the 2019/20 budget paper. Should the ballot

be unsuccessful, this funding cannot be recouped. If the result of the ballot is a yes vote, consideration can be given to an agreed repayment of the funding from the new BID organisation. However, given the significant set up costs of the BID organisation that will need to be resourced via the BID levy, the terms of repayment, should that be the agreed course of action, need to be carefully negotiated so as not to adversely impact the initial BID process.

7.2 There are also costs associated with the collection and recovery of the BID levy, these costs will involve, but are not limited to:

- Set up costs for the functions and management of the BID levy collection
- Software purchase for the appropriate BID module provided by Capita, quoted approximately at £6,000.00
- Ongoing resource costs to cover the day-to-day functions, activities and management of the BID levy collection
- On-going software maintenance costs, quoted at approximately £2,200 by Capita

7.3 The Council will be the billing authority and will be responsible for the imposition, collection, recovery and application of the BID levy and administering the BID revenue account under this proposal. This work will be undertaken by the Council's Revenues and Benefits team. The costs of managing and administering the account including software costs are recoverable annually in advance from the BID levy under the terms of the Operating Agreement and will be adjusted annually in line with inflation.

7.4 The Council will seek to enter into an agreement with LGSS to undertake the above duties under an amended Partnership and Delegation agreement.

8 Legal Consequences

8.1 Part 4 of the Local Government Act 2003 gave local authorities the power to enable BID arrangements for the benefit of a district or those who live, work or carry on an activity in the district. The Council also has the power to make financial contributions or take action for the purpose of enabling the BID to be carried out.

8.2 The Business Improvement Districts (England) Regulations 2004 outlines the legal responsibilities of the Council as billing authority. The Council must approve the BID business plan, financial management, and consultation as well as providing an accurate non-domestic rates list.

8.3 The Council will negotiate, agree and enter into a BID Operating Agreement with the BID Company providing a Yes vote is secured in the forthcoming ballot.

8.4 At this stage in the process the Council, as billing authority, is only required to instruct the Returning Officer to hold a ballot once satisfied that the BID Proposer has met all the requirements under the Regulations. Where the relevant billing authority is of the view that the BID proposals conflict with a policy formally adopted by and contained in a document published by the authority the authority shall, as soon as

reasonably practicable after receiving the proposals, notify the BID body in writing explaining the nature of that conflict. Officers have stated elsewhere in this report that there is no conflict.

- 8.5 The Council has implied legal powers under the above legislation and a general power of competence under section 1 of the Localism Act 2011 (subject to overriding fiduciary duties) to enter into arrangements to facilitate the BID arrangements including levy collection and may enter into a Baseline Agreement for the Provision of Standard Services and an Operating Agreement to confirm agreed arrangements. Local Authorities are required to provide a schedule of baseline services under Schedule 1 of the BID regulations. Should a ballot be successful the BID Body proposes to form itself into a Company Limited by guarantee under the Companies Act 2006. Proposed Council payments and contributions would fall within the Council's general power of competence and any state aid issues are unlikely to apply and should in any event fall within the de minimis threshold exemptions.
- 8.6 When making decisions the Cabinet and officers must ensure that they understand that the interests of the Council as owner of hereditaments in the BID and certain duties under the Regulations may not coincide. Although this is unlikely in practice it may be necessary put in place arrangements to deal with a conflict of interests albeit that a person does have rights of appeal in the event of the Council exercising it.
- 8.5 The Council has a right to exercise a veto after the outcome of the Ballot if the Council considers the arrangements are likely to either conflict to a material extent with any of their published policies or place a disproportionate and inequitable financial burden on any person or group of persons through manipulation of the BID geographical area or the structure of the BID levy.
- 8.6 In due course, if the BID does not deliver the envisaged benefits, there could be indirect reputational risks for the Council. However, by supporting the BID process and remaining involved in the day to day running of its activities, the Council will be seeking to mitigate any potential future risk.

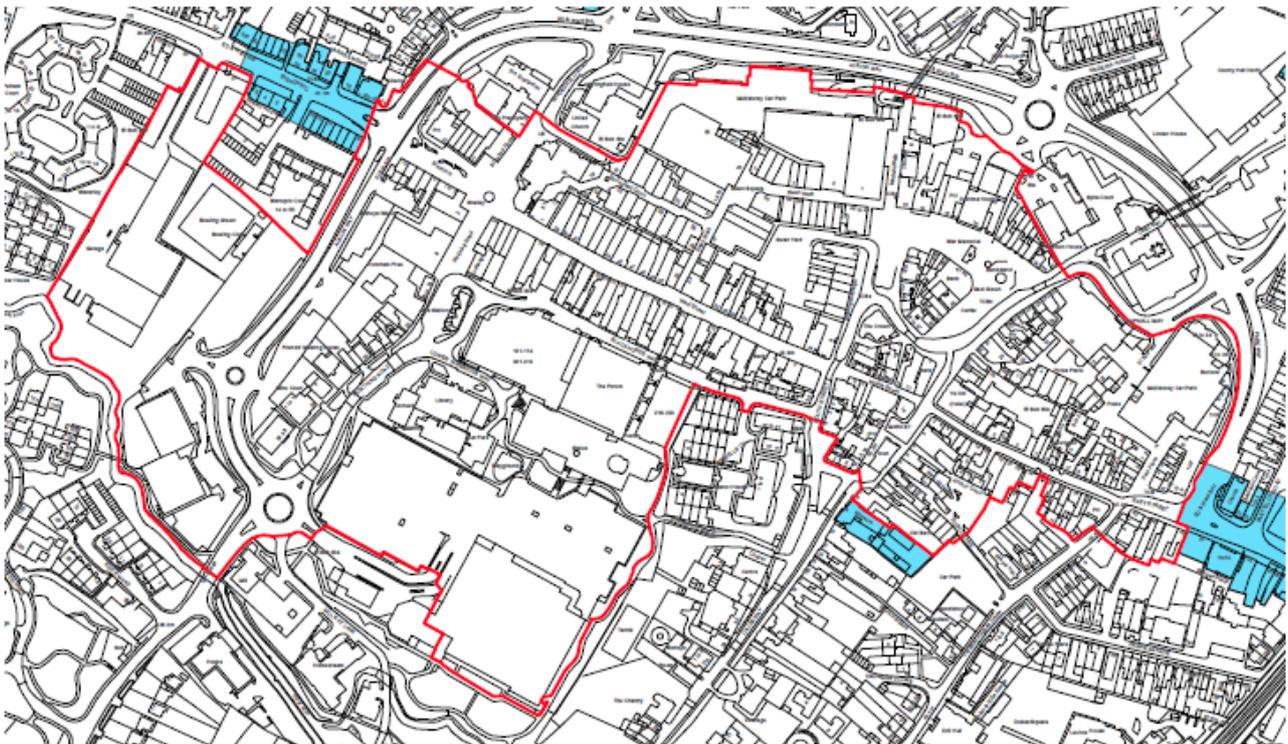
9 Risk Assessment

- 9.1 Whilst the resources would ensure that the businesses were engaged in highlighting the key issues and involved in the production of a business plan, this cannot guarantee that the ensuing ballot would be successful. In the event of a negative vote, there would be no opportunity to recoup any of the £70,500. It is critical that the business plan clearly demonstrates the benefits of a BID to the businesses and secures their buy in to the project.
- 9.2 The risk to the Council is in the recovery of outstanding debts which will be pursued in line with the normal business rate collection processes.

10 Other Considerations

- 10.1 There are no significant consequences of this proposed action in respect of Human Rights; Equality & Diversity and Sustainability. Many of the BIDs established across the country have had a positive effect on Crime & Disorder. In some areas, Purple Flag status has been achieved, demonstrating that they have a safe night-time economy.

10.2 Many BIDs create savings through a joint procurement scheme of common business services and implement group purchasing initiatives to save day and night-time economy businesses money on overheads such as energy, insurance, telecoms and waste disposal



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Report to Cabinet

24th January 2019

By the Cabinet Member for Community and Wellbeing



Horsham
District
Council

DECISION REQUIRED

Not Exempt

Potential Council Lottery

Executive Summary

This report recommends that the council establish a council lottery to raise money for local good causes. The scheme could provide them with a sustainable source of funding which they chose how to spend; for example, it could provide revenue funding which many local good causes find difficult to obtain. It would also raise additional income for the council's community grants fund which it distributes to local good causes. The lottery could provide a legacy for the Year of Culture. Groups that run events as part of this initiative might wish to continue beyond 2019. They could apply to be part of the scheme and therefore, receive ongoing income to support cultural events.

The scheme would operate on a one year trial basis, followed by a progress report to allow a review of the success of the lottery. Council lotteries are becoming more established (over 30 are either already operational or are in the process of being set up). These are run in conjunction with an External Lottery Management company which is responsible for the day-to-day running of the scheme and also shares the operational risk with the council.

These lotteries are principally run online with a dedicated website. Tickets are purchased via the website (though there is a dedicated phone number for those that do not have access to a computer). The purchase price is usually one pound and there is an option of paying by direct debit. The draw takes place once a week, with the winner needing to match six numbers. The top prize is usually £25,000 down to £25. The income from the ticket is distributed as follows:-

- 60% to local good causes;
- 20% for the prize money;
- 17% to the External Management Lottery (ELM) Company for running costs; including relevant insurance to cover the prize fund;
- 3% VAT.

There are two different ways that the 60% per ticket for local good causes is distributed:-

- i) Where the player **nominates** a local good cause on the website, 50% of the price of the ticket goes to this good cause and 10% to the council fund;
- ii) Where the player **does not nominate** a good cause the whole 60% goes to the council fund.

It should be noted that the money the council receives from the lottery will be used to cover the running costs of the scheme e.g. marketing and promotion, to ensure that the scheme is self-funding. However, this is likely to be a small fraction of the total money raised and is the only money that the council will use directly from the lottery. The money that the council receives will be redistributed via the community grants fund and will be in addition to the existing budget for this fund.

Local good causes that want to raise money via the council lottery must make an application to the council but there is no upfront costs for them to join. They receive the funding straight into their bank accounts once a month. Experience elsewhere suggests that it would be possible to raise approximately £113,000 between year one and two; based on 2% of the adult population playing and buying 1.68 tickets per person (this is the average achieved by the first council to set up a lottery three years ago). It is likely that approximately £68,000 of this would go straight to local good causes. The remainder would come to the council. Most would be redistributed to good causes via the community grants fund but with some (£4,000) being used to cover the operational costs.

The success of the proposed lottery is very closely linked to the number of local good causes that join the scheme. The council has strong links with the voluntary sector and also has many communications channels that it can use to encourage local good causes to be part of the lottery and to promote the scheme to local residents to raise money for these causes by playing the lottery. The set up costs are modest (approximately £9,000). These will principally be covered by the money that comes to the council from the lottery during 2019/20. However, any excess costs will be covered by an existing budget. Ongoing costs would be covered by the money raised from the lottery (approximately £4,000).

The risks associated with establishing a lottery are low. However, lotteries are a form of gambling and this issue would need to be managed. Research confirms that there is low risk that playing this form of lottery leads to problem gambling. However, controls would be put in place by the External Lottery Management Company to ensure that potential high risk players are identified and that under age players cannot access the lottery.

Recommendations

The Cabinet is recommended to approve:

- i) The establishment of a council lottery for a one year trial;
- ii) The provision of a progress report after year one to agree the continuation or cessation of the lottery;
- iii) The delegation of the award of the management contract to the Director of Community Services;
- iv) The procurement of an External Lottery Management Company to provide the expertise to establish a lottery and be responsible for the day-to-day running of this service.

Reasons for Recommendations

- i) To raise funding for local voluntary and community groups;
- ii) To allow the council to determine if the lottery is raising sufficient funding for local good causes;
- iii) For expediency
- iv) To provide expertise to the council and advice and support to the local good causes that join the scheme.

Background Papers - None

Wards affected: All

Contact: Helen Peacock, Project Developer extension 5513

Background Information

1 Introduction and Background

- 1.1 The council has a long track record of supporting and working in partnership with the voluntary and community sector. Indeed, the Voluntary Sector Support Service is now being run in-house. This report proposes launching a council lottery which would build on the support that the council already provides by raising additional funding. The proposed initiative would also recognise the important role the voluntary sector plays in the local community.
- 1.2 The proposed lottery would create a sustainable stream of funding for local good causes, as well as generating additional income for the existing community grants fund run by the Community Development Team. The emphasis will be on providing funding for local smaller good causes and there would be no upfront cost to them joining the scheme.
- 1.3 The lottery would be run in conjunction with an External Lottery Management company (ELM) which would provide expertise in establishing the lottery and ultimately be responsible for the day-to-day running of the scheme.
- 1.4 This approach is now becoming more established with 30 councils either having an operational lottery or in the process of setting one up. The first council lottery was launched in 2015. This front runner has now raised over £140,000 for good causes.

2 Relevant Council policy

- 2.1 The proposal supports two of the objectives of the Corporate Plan. These are:-
 - Great value services** – by generating income that can be used to supplement that community grants fund;
 - Support our communities** – by providing direct funding for local voluntary groups so that they have a sustainable source of income which they can choose how they use this income. This can support community resilience.

3 Details

How a council lottery could operate

- 3.1 The model outlined in this report is typical of many of the council lotteries that are currently operating. However, Horsham District Council may choose to make changes to this after an ELM is appointed.
- 3.2 Each lottery ticket costs one pound and are generally purchased on-line (they can be paid for regularly via direct debit). The lottery has a dedicated website (as well as a dedicated phone number) where the tickets are purchased. The draw is once a week with the winner matching six numbers. The top prize is £25,000 down to £25. The winner is generally informed via email. The person playing the lottery can nominate a local good cause to receive income from the lottery. The good causes add their own page to the dedicated lottery website which explains what they do, to encourage players to nominate them (they receive advice and support on this). There is no cost to the good cause to be part of the scheme. If the player does not make a nomination a proportion of the ticket sale goes to the council by way of a central fund which it then distributes (see more details in paragraph 3.4).

- 3.3 The income from the ticket is distributed as follows:-
- 60% to local good causes;
 - 20% for the prize money;
 - 17% to the External Management Lottery (ELM) Company for running costs; including relevant insurance to cover the prize fund;
 - 3% VAT.

- 3.4 There are two different ways that the 60% of the money for local good causes is distributed:-

- i) Where the player **nominates** a local good cause on the website, 50% of the price of the ticket goes to this good cause and 10% to the council fund;
- ii) Where the player **does not nominate** a good cause the whole 60% goes to the council fund.

It should be noted that the money the council receives from the lottery will be used to cover the running costs of the scheme e.g. marketing and promotion, to ensure that the scheme is self-funding. However, this is likely to be a small fraction of the total money raised and is the only money that the council will use directly from the lottery.

Potential income from the lottery

- 3.5 The first council lottery was established by Aylesbury Vale District Council just over three years ago. Since that time approximately 30 councils have either established a lottery or are in the process of doing so. There are no councils in West Sussex running a lottery. There are a couple in Surrey and one in East Sussex. The emphasis on supporting local good causes means that the lotteries run in these areas would not be a threat to a lottery run in the Horsham district. There are other lotteries operating in the district by voluntary organisations. Feedback from other council's is that establishing a new lottery is not a threat to these; indeed some voluntary organisations chose to close their lotteries and join the council run scheme.

- 3.6 Experience from other lotteries indicates that between year one and two it is possible to achieve market penetration of 2% of the adult population playing the lottery, and an average of 1.68 tickets sold per person. Based on this information the Table 1 indicates that it would be possible to raise a total of £113,000 for local good causes between year one and two from the launch of the lottery. Based on experience elsewhere a third of the money raised goes to the council fund; which would mean that approximately £68,000 could be raised directly by good causes. The remainder (£45,000) would come to the council fund. The running costs of approximately £4,000 would be taken from this money whilst the remainder would be distributed to good causes via the community grants fund. If only 0.5% of the population buy one lottery ticket, there is a risk that the money coming to the council fund would not be sufficient to cover the running costs. However, 10% is the minimum that would go into this fund; based on experience elsewhere it is likely to be £5,000 (which equates to a third of 60% raised for good causes).

Ticket per person/ week	Total (£) (60%)	Maximum for nominated causes (£) (50%)	Minimum for central fund (£) (10%)	Total (£) (60%)	Maximum for nominated causes (£) (50%)	Minimum for central fund (£) (10%)	Total (£) (60%)	Maximum for nominated causes (£) (50%)	Minimum for central fund (£) (10%)
1.00	0.5% population playing			0.75% population playing			1.0% population playing		
	16,848	14,040	2,808	25,272	21,060	4,212	33,696	28,080	5,616
1.68	0.5% population playing			0.75% population playing			1.0% population playing		
	28,305	23,587	4,717	42,457	35,381	7,076	56,609	47,175	9,435
1.68	1.5% population playing			2.0% population playing			2.5% population playing		
	84,914	70,762	14,152	113,225	94,354	18,871	141,523	117,936	23,587

Table 1 –Potential income for good causes raised through a council lottery¹

3.7 Table 2 gives examples of income that other council lotteries are raising for good causes, as well as the number of good causes that are part of the schemes.

Council	Total raised for good causes	Number of good causes joined the lottery	Timescale
Tandridge District Council	£60,000	133	6 months
Hart District Council	£25,000	65	1 year
Aylesbury Vale District Council	£140,000	180	2.5 years

Table 2 – Examples of other council lotteries

3.8 It is interesting to note from this small sample that the lotteries which are supported by a larger number of good causes are generating more income. There are two aspects that will, therefore, be important in the success of the lottery. First to ensure that local good causes support the scheme and that there is extensive marketing and promotion. The latter will also need to be ongoing to ensure that the lottery continues to be successful.

Why run a lottery?

3.9 The council has strong links with the voluntary and community sector across the district and recognises the valuable role that these groups play in many aspects of the community. The council currently has a modest grants fund which it uses to support the sector. The lottery provides an opportunity to enhance these grants, with a small upfront cost.

3.10 Local good causes could receive a regular sustainable source of income. There are no upfront costs to the good causes to join the scheme. They receive advice and support in promoting themselves to maximise their income. They do need to apply to the council to be part of the scheme which gives the council control over the groups that can receive funding. For example, only good causes that provide activities and services within the district would be accepted. Any income they raise via the lottery goes straight into their bank account once a month. The groups can then decide how they wish to spend this income. For example, it can be used for revenue funding or match funding if they are applying for grants. The money that the council receives will provide additional funding to the existing community grants fund (after deductions are made to cover the lottery running costs). The mechanism

¹ Based on population of 108,000 over 19 years old in the Horsham District. Taken from West Sussex County Council Population Estimates and Forecasts (August 2016).

to distribute this funding may need to be reviewed in light of the increased budget for the grants that will be available due to establishing the lottery.

- 3.11 The lottery could provide a legacy for the Year of Culture. Groups that run events as part of this initiative might wish to continue beyond 2019. They could apply to be part of the scheme and therefore, receive ongoing income to support cultural events.

4 Next Steps

- 4.1 The first next step will be to procure an ELM. These organisations provide considerable experience and knowledge during the set up phase. It will also be responsible for setting up the dedicated website and once the scheme is operational it will be responsible for the day-to-day running of the lottery. Furthermore, these organisations provide advice and support to the local good causes to enable them to maximise the number of nominations via the lottery, and, therefore, the income that they receive.
- 4.2 The next step will be to obtain a gambling licence from the Gambling Commission. The ELM can provide advice on this process. The council will take the lead with the general promotion of the lottery and, using its existing contacts in the community, will encourage local good causes to join the scheme. Most council lotteries have held a launch event to raise awareness and encourage ticket sales prior to the lottery starting. The intention is to launch the lottery in early autumn (it can take several months to obtain a gambling licence).

5 Views of the Policy Development Advisory Group and Outcome of Consultations

- 5.1 The Community and Well Being Policy Development Advisory Group considered this proposal at its meeting on 18th December 2018. It supported the proposal of establishing a council lottery. Concerns were raised that lotteries are a form of gambling and that safeguards would need to be in place in relation to this, and in particular to ensure that under 16's could not play the lottery. These issues are addressed in section 9 of this report (Risk Assessment). The Group also suggested that more money might be need to be spent on promotion and marketing and that the scheme should be reviewed after the first year. Both of these issues have been addressed in this report with an increase in the proposed budget for marketing and promotion and the recommendation to produce a progress report after year one.
- 5.2 The voluntary and community sector were asked for their feedback on the principle of establishing a council lottery. One comment was received which was generally supportive. However, it did go onto to express concern that some good causes would put in a lot of effort to achieve success but would not get an equitable part of the dividend in return. This could be addressed by the use of the community grants fund.
- 5.3 Legal implications considered by the Monitoring Officer are addressed in section 8 of the report. The financial implications considered by the Director of Corporate Resources to ensure financial probity are addressed in section 7 of this report (Resource Consequences).

6 Other Courses of Action Considered but Rejected

- 6.1 One course of action would be to retain the status quo and not establish a council lottery. However, this means that the opportunity to provide income for local good causes and to supplement the community grants scheme would not be realised.
- 6.2 The Council could run the lottery without the support of an ELM which would give savings from their fee during the set up phase and the income that they derive from the ticket sales. However, these organisations have considerable expertise in this area and would be responsible for the day-to-day running of the lottery. This would reduce the risk in running a lottery and would also give significant savings in staff time. It is considered that this is the most cost effective and operationally efficient approach to running the scheme.

7 Resource Consequences

- 7.1 The set up costs for this project are approximately £9k to £10k. This includes the following:-

External Lottery Management company	£3,000
Gambling License (includes administration fee)	£936
Lotteries Council Membership	£375
Marketing/promotion e.g. launch event	£5,000
TOTAL	£9,311

- 7.2 The costs associated with the ELM is a one off fee. As stated earlier in the report, the company would receive an income from the ticket sales to cover operational costs as well as matters such as insurance for the prize fund. In light of the comments made by the Policy and Development Advisory Group the marketing and promotion budget for setting up the scheme has been increased to £5000 and to £3000 as an ongoing cost (as set out in paragraph 7.4).
- 7.3 The funding for setting up the lottery will primarily come from the money raised by the lottery. Any excess costs in 2019/20 will be topped up by budget from the Transformation Fund. The financial risk is that the lottery is discontinued after one year and the council would make a £9,000 loss.
- 7.4 The approximate on going costs are as follows:-
- | | |
|------------------------------|---------------|
| Gambling Licence | £692 |
| Lotteries Council Membership | £350 |
| Marketing/promotion | £3000 |
| TOTAL | £4,042 |
- 7.5 The ongoing costs would be covered from the income received from the council lottery to ensure that this project is self-funding. This would reduce the amount of income that would be available to the community grants scheme. However, as the income from the lottery rises the percentage from the overall sums raised to cover these costs would be minimal. This would be the only money received by the council which would not go into the community grants scheme. The council would not divert money from the lottery for any other purposes.

- 7.6 The Director of Corporate Resources and Head of Finance suggested amendments to the financial implications of the proposed project. These primarily related to emphasising that the set up costs will come from the money that comes to the council from the lottery and that there are no exit costs if the council withdraws from the contract with the ELM after one year. The report has been amended to incorporate these comments.
- 7.7 The staff implications of this project can be incorporated within existing resources. The most significant impact on staff resources will be during the set up phase. Legal Services and Procurement will be required to procure the ELM. Legal Services will also need to apply for the gambling licence. The Communications Team will take the lead on promoting and marketing the scheme. The most significant impact will be on the Community Development Team which will need to encourage local good causes to join the lottery, establish an approvals system for those that apply to join the scheme and review the process for distributing the money that the council receives from the lottery via the community grants fund. In some instances this will build on processes and procedures that the Community Development Team already have in place.
- 7.8 The lottery website will be set up by the ELM. However, it would be useful to have a link to this site from the council's website which will need to be implemented by Technology Services
- 7.9 Once the lottery is established the day-to-day operation of the scheme will be the responsibility of the ELM. This will include supporting the local good causes that join the scheme; each of which will have an account manager provided by this organisation. It will also provide the customer service role and carry out the weekly draw. The implications on staff time will, therefore, reduce once the lottery is established (to approximately 1 day a month). Ongoing marketing and promotion will be required, as will distributing the funds via the community grants scheme.

8 Legal Consequences

- 8.1 The power to set up a lottery is within the general power of competence conferred by section 1 of the Localism Act 2011. Lotteries are regulated under the Gambling Act 2005 and the establishment of a local authority lottery must comply with the requirements of this. The Act creates eight categories of permitted lotteries. One of these categories allows for local authority lotteries which requires the local authority to be licensed by the Gambling Commission.
- 8.2 Local authority lotteries are promoted by local authorities themselves. These differ from society lotteries registered with a licensing authority. Local authorities **may use the net proceeds of such lotteries for any purpose for which they have power to incur expenditure**. Local authorities that allow players to participate in their lotteries by means of remote communication (internet, telephone etc.) will be required to hold a remote lottery operating licence.
- 8.3 Lotteries must return a minimum of 20 per cent of the proceeds to the purpose of the society or local authority. The model outlined in this paper is based on 60 per cent of the ticket sales being distributed to local good causes (with a deduction from the money received by the council to cover running costs).

- 8.4 The Act allows local authorities to employ ELM's to manage all or part of their lotteries so that they may benefit from the experience or economies of scale that come with employing such organisations. The fact that a local authority may employ a licensed ELM company to manage all, or part, of its lottery does not absolve the local authority from its responsibility for ensuring that the lottery is conducted in such a way as to ensure that it is lawful and fully complies with all licence conditions and the codes of practice. Although the council will not be responsible for the day-to-day running of the lottery it is ultimately responsible for its governance.
- 8.5 Before appointing an ELM the council will need to satisfy itself that the organisation holds a valid operating license, personal management licenses and will conduct the lottery in a lawful and compliant way. The council will complete due diligence on any ELM being considered to run the scheme. Any necessary agreements or contracts entered into must be in accordance with the Council's Contract Procedure Rules. Legal Services should be instructed to approve the contract before it is signed.

9 Risk Assessment

- 9.1 A full risk assessment is included as an appendix to this report. This identifies the risks, the likelihood and impact of the risks and mitigations measures for these. The risk assessment demonstrates that all of the are considered to be low.
- 9.2 The main risk is associated with concerns over the promotion of gambling. An assessment by the Gambling Commission ("Participation in gambling and rates of problem gambling – England 2016. Statistical Report. April 2018") determined that playing a lottery resulted in a very low risk of players becoming problem gamblers. Only 2% of lottery players have issues with problem gambling. This is principally because this form of gambling does not give any instant gratification and therefore, lead to addiction. However, problem gambling is an issue that must be taken seriously and the council will work with the ELM to ensure that systems are in place to minimise the risk of players developing problem gambling. A requirement of the gambling licence is that effective policies and procedures should be put in place to promote socially responsible gambling. Examples of such procedures are that a limit can be set on the amount of money that can be spent on tickets and the company can produce regular reports, highlighting players that are buying large numbers of tickets. The age limit for playing a lottery is 16. Players need to register to play the lottery and confirm their age. Checks are made by the ELM to ensure that no underage players are able to register. Finally, the website and all literature will make reference to support that is available from Gamble Aware. This is an independent charity tasked to fund research, education and treatment services to help to reduce gambling-related harms in Great Britain.
- 9.3 There is a risk that good causes do not join the scheme and the public do not buy lottery tickets. This would result in a reduction in the amount of money raised by the lottery. The council will need to ensure that it implements an effective marketing and promotion campaign. This will initially focus on encouraging local good causes to join the scheme. The experience of the ELM will also be invaluable in providing advice on this issue. Experience elsewhere shows that having a large number of good causes joining the scheme is more likely to ensure its success. Nevertheless, general marketing and promotion of the lottery to the public will also be vital and the

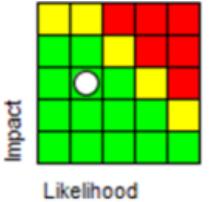
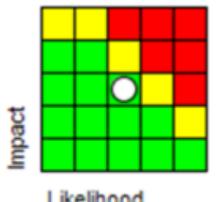
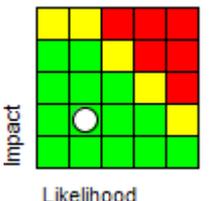
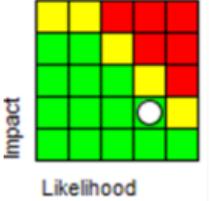
council is well placed to use all of its existing communication channels. In addition, strong links with the voluntary sector will be used to encourage these groups to, not only join the scheme, but also to promote the lottery.

- 9.4 A typical contract with an ELM includes a break clause after one year. This would allow the council to halt the scheme if it is not successful with no exist costs associated with this. However, at this point the council would have incurred the set up costs and staff time to establish the lottery. Once the scheme has been operating for a year a progress report will be produced for Cabinet to determine if the lottery should continue.
- 9.5 There is a possibility that the top prize is won regularly impacting the prize fund. This risk is passed onto the ELM as it will be required to have the appropriate insurance to cover this eventuality.

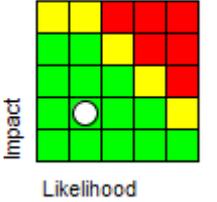
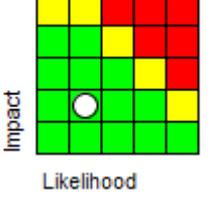
10 Other Considerations

- 10.1 There are no direct impacts on Crime & Disorder or Human Rights from this proposal. In terms of Equality & Diversity there will be an opportunity for most groups to join the scheme. However, a list of criteria will be drawn up to assess all of the groups that apply to benefit from the lottery. This will ensure that the good causes benefit the local community. These criteria will be publicly available. Finally, in terms of Sustainability, this scheme could be beneficial as it will provide funding for groups that support social and environmental issues in the community.

Risk Assessment for Establishing a Council Lottery

Risk		Mitigation
Risk that HDC is perceived to be condoning gambling, leading to negative publicity or reputational damage		<ul style="list-style-type: none"> • Work with External Lottery Management (ELM) companies – they have considerable expertise and knowledge in these matters. Noted that only 2% of lottery players have issues with problem gambling • Set a limit on ticket spend and identify players buying large numbers of tickets. • Checks will be put in place to ensure that no underage players are able to register • The website and all literature will reference support that is available from Gamble Aware, an independent charity tasked to fund research, education and treatment services to help to reduce gambling-related harms in Great Britain.
<p>Risk that the lottery does not generate sufficient funds to support local good causes, because</p> <ol style="list-style-type: none"> 1. The public do not buy sufficient lottery tickets 2. Good causes do not join the scheme 		<ul style="list-style-type: none"> • Using all existing communication channels, implement an effective marketing and promotion campaign initially focusing on encouraging local good causes to join the scheme, and also to the general public • Use HDC's strong links with the voluntary sector to encourage groups to not only join the scheme but also to promote the lottery. • Established approach – more than 30 councils either have an operational lottery or are in the process of setting one up. • Set up contract with an ELM to include a break clause after one year
Lottery set up costs are higher than anticipated.		<ul style="list-style-type: none"> • ELM set up costs are a one-off fee • Marketing and promotion budget has been increased from original figure to improve take up
Risk that there is a delay in setting up the contract and procuring the ELM company due to insufficient HDC staff resource available. Impact highest on the Community Development Team and Legal Services		<ul style="list-style-type: none"> • Set a realistic timetable for implementation and sufficient notice given. • Builds on processes and procedures that are already in place

Risk Assessment for Establishing a Council Lottery

Risk		Mitigation
<p>Adverse publicity and loss of goodwill if funds allocated to good causes that want to join the scheme do not provide an acceptable level of benefit to the community or if a local good cause is not permitted to join the scheme.</p>		<ul style="list-style-type: none"> List of criteria to join the scheme will be developed and available publicly to assess all groups that apply, ensuring that the local good causes receiving funding provide benefit to the community
<p>Ensure that a fully compliant and competent ELM company is procured.</p>		<ul style="list-style-type: none"> HDC will satisfy itself that the ELM company holds a valid operating license, personal management licenses and will conduct the lottery in a lawful and compliant way. The council will complete due diligence on any ELM company being considered to run the scheme. Any necessary agreements or contracts entered into must be in accordance with the Council's Contract Procedure Rules. Legal Services will be instructed to approve the contract before it is signed.

Report to Cabinet

24 January 2019

By the Cabinet Member for Finance and Assets

DECISION REQUIRED



Not Exempt

Council Tax Reduction Scheme 2019/20

Executive Summary

This report provides Cabinet with an overview of Horsham's current Council Tax Reduction scheme, along with a recommendation that no changes are made to the scheme for 2019/20.

Cabinet is asked to forward the scheme to full Council for approval.

Recommendations

The Cabinet is recommended:

- i) To agree to forward a scheme Council Tax Reduction Scheme to Council for decision on 13 February 2019 that:
 - i. Maintains the existing protected groups.
 - ii. Maintains the existing £10,000 capital limit and band D restriction.
 - iii. Maintains the existing practice of charging at least 10% of the Council Tax bill to all unprotected groups.

Reasons for Recommendations

Council Tax Reduction schemes are annual schemes and therefore require an annual review and approval, even when no changes to the scheme are being proposed.

Background Papers: There are no accompanying background papers

Wards affected: All wards

Contact:

Jane Eaton, Director of Corporate Resources, 01403 215300

Becky Salmon, LGSS R&B Operations Manager (Horsham), 07392860143

Background Information

1 Introduction and Background

- 1.1 Horsham District Council operates a Council Tax Reduction Scheme to provide financial support for people on low incomes to help them pay their Council Tax.
- 1.2 Regulation requires the Council to review and approve the scheme each year.
- 1.3 Council agreed the current scheme in December 2015 for the year 2016/17. Council made no changes for 2017/18 or 2018/19.
- 1.4 In November 2018 the Council's current revenues and benefits partner pointed out the minimum percentage collected, agreed by Council for 20% in December 2015, is 10% in the Council Tax computer system. Therefore the 2015 increase of minimum contribution from 10% to 20% was not implemented, and therefore not collected. This meant, in practice, the minimum collection level in the 2016/17, 2017/18 and 2018/19 schemes was 10%. The Director of Corporate Resources is preparing a report for the Audit Committee about the governance issues that allowed this mistake to go undetected.
- 1.5 Implementing a 10% increase in Council Tax payments for band D customers alongside the Council Tax rises likely to be implemented by the preceptors would be in the region of £180-200 a year for a band D household, depending on final decisions by preceptors on their Council Tax increases.

2 Relevant Council policy

- 2.1 The Council Tax Reduction Scheme falls under the key objective of supporting our communities by helping those facing financial hardship in the district to pay their council tax.

3 Details

- 3.1 Horsham's Council Tax Reduction scheme currently supports for those on low incomes through a means-tested discount that reduces their Council Tax payments.
- 3.2 The scheme ensures the following protected groups are subject only to the means-test calculation when their Council Tax Reduction discount is awarded:
 - Pensioner households.
 - Lone parents with a child under 5.
 - Households where the means-test attracts an additional premium in their applicable amount due to disability.
 - Households where the customer is in receipt of War Widows Pension.
- 3.3 Any customer who does not fall into one of the protected groups will not be entitled to a discount if their capital exceeds £10,000 and currently:
 - Pays at least 10% of their Council Tax;
 - Has their reduction restricted to the amount they would receive if they lived in a Band D residence in the same location.

- 3.4 The recommendation of this report is that the above scheme remains as applied in the 2018/19 year for 2019/20.

4 Next Steps

- 4.1 This policy will be referred to full Council for decision.

5 Views of the Policy Development Advisory Group and Outcome of Consultations

- 5.1 A public consultation was last carried on the scheme in autumn 2015, when the last changes were made to the scheme. One of these changes, increasing the minimum payment from 10% to 20% was subsequently not implemented.
- 5.2 A no change proposal was presented to the Finance & Assets Policy Development Advisory Group on 5 November 2018. The Policy Development Advisory Group supported the scheme remaining unchanged in 2019/20 with a major review of the scheme in summer 2019 for implementation in April 2020.

6 Other Courses of Action Considered but Rejected

- 6.1 With the on-going roll out of Universal Credit the automated monthly update of customers' income creates complications in billing Council Tax. This can lead to a customer's Council Tax Reduction discount changing monthly and lead to a need for regular rebilling, re-setting instalment arrangements, customer confusion and increased customer complaints. This then creates recovery delays.
- 6.2 Most Councils with an advanced roll out of Universal Credit have changed their schemes to reflect this. At Horsham District Council we will look at a scheme with banded income brackets that will offer some protection from fluctuations in income and prevent the impact on Council Tax recovery.
- 6.3 However, given the timing of the change to LGSS, the slow start of the Universal Credit roll out, and the scale of the work and public consultation involved we recommend not making such a change in 2019/20 but deferring to the scheme for 2020/21. Work will begin on this in April/May 2019.

7 Resource Consequences

- 7.1 As the Revenues & Benefits service is being provided by LGSS on behalf of Horsham District Council under a Partnership and Delegation Agreement there will be no additional resource consequences for Horsham District Council in the administration of the scheme if it decides to continue to adopt its current scheme. A no change option will have minimal or no impact on the Collection Fund.

8 Legal Consequences

- 8.1 The legal authority for Council Tax Reduction schemes comes from:
- 8.1.1 Local Government Finance Act 2012
 - 8.1.2 The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012

9 Risk Assessment

- 9.1 As there is no proposed changes to the current Council Tax Reduction scheme a further risk assessment, beyond that prepared with the last changes in 2015, is not required.

10 Other Considerations

- 10.1 With no changes proposed to the current Council Tax Reduction scheme there was no need to consider wider impact this year.

Report to Cabinet

24 January 2019

By the Cabinet Member for Finance and Assets

DECISION REQUIRED



Not Exempt

The 2019/20 Budget and the Medium Term Financial Strategy to 2022/23

Executive Summary

This report sets out details of the proposed 2019/20 revenue and capital budgets following the receipt of the provisional financial settlement from Government on 13 December 2018. The net budget requirement for 2019/20 at £10.4m is £0.3m lower than in 2018/19. The Council is able to set a budget that will generate a surplus, which will help towards funding future transformation to maximise efficiency and effectiveness. In the year, the Council will be delivering a £19.3m capital programme, while the level of council tax proposed remains the lowest in West-Sussex and is in the lowest quartile nationally.

The report also reviews the Medium Term Financial Strategy 2019-23 approved by Council in December 2018 in the light of any updated information. The outlooks remains uncertain due to limited detail available on Government's proposed significant change to the future of business rates and the Fair Funding Review; both are currently under consultation.

The current projection is for the Council to have a budget surplus in 2019/20 and 2020/21 despite the continued reduction in Government funding as we anticipate any effect to be dampened slightly, rather than a step change in 2020. However, without taking action this would result in budget deficits. The budget projections for 2021/22 and 2022/23 are to breakeven, provided significant transformation continues to be delivered.

To do this, the Council plans to continue to deliver savings and income generation through a combination of measures including; service reviews, procurement, income generation, and other efficiency measures. While the immediate programme focuses on 2019/20, ideas have been extended into 2020/21, looking for new sources of income, reviewing our workforce especially around recruiting and retaining local staff and supporting our people to take on broader and more complex roles. We are also looking at replacing our technology with cheaper, Cloud based options and increasing the amount of self-service using the internet and social media.

The report also sets out a series of prudential indicators that are a statutory requirement to demonstrate that the Council's capital programme is affordable, and prudent in the context of the Council's overall finances. The report also includes a statement on the robustness of reserves in Appendix I.

Recommendations

Cabinet is recommended to propose the following for consideration by Council on 13 February 2019:

- i) That the level of Council Tax for 2019/20 increases from £145.60 by £4.66 (3.2%) to £150.26 at Band D.

- (ii) That the net revenue budget for 2019/20 of £10.435m is approved (attached as Appendix A).
- (iii) That Special Expenses of £300,370 (attached as Appendix D) and a Band D charge of £25.56 are agreed in respect of the unparished area for 2019/20.
- (iv) That the capital programme for 2019/20 (attached as Appendix E) be approved and that the indicative capital budgets in the programme for future years be noted.
- (v) That the projected future balanced budgets on the revenue account in 2021/22 and 2022/23 are noted and the Medium Term Financial Strategy continues to be reviewed and refined to ensure that decisions are taken to deliver these balanced budgets in these two years.
- (vi) That the Minimum Revenue Provision (MRP) Statement set out in Appendix F is approved.
- (vii) That the Capital Strategy and prudential indicators and limits for 2018/19 to 2021/22 set out in Appendix G are approved.
- (viii) To note the statement on the robustness of the level reserves in Appendix I.

Reasons for Recommendations

To meet the Council's statutory requirement to approve the budget and the prudential indicators before the start of a new financial year.

Background Papers: Medium Term Financial Strategy, Cabinet, 22 November 2018

Wards affected: All

Contact: Jane Eaton, Director of Corporate Resources, 01403 215300
Dominic Bradley, Head of Finance 01403 215302

Appendices:

- A:** Revenue Budget 2019-20
- B:** Major items of growth and savings
- C:** Grants to voluntary groups
- D:** Special charge summary
- Ei:** Capital expenditure programme
- Eii:** Capital programme new schemes
- F:** Minimum Revenue Provision
- G:** Capital Strategy including Prudential Indicators
- H:** New Homes Bonus
- I:** Reserves

Background Information

1 Introduction and background

- 1.1 This report sets out the Council's budget requirement for 2019/20 for capital and revenue expenditure. The budget is reviewed in the context of the projected outturn for 2018/19, future years' projected budgets and reserves.
- 1.2 The local government finance system is complex and the medium term future is more uncertain than ever. Predicting what interest rates and energy costs will be in two to five years' time is difficult and further complicated by uncertainty regarding the financial impact of Britain's exit from the European Union, the Government's welfare reform programme, the Fair Funding Review and future income from retained Business Rates.
- 1.3 Local government is effectively in the dark as to how the sector will be financed beyond 2019/20. It is however certain that the direction of travel will remain towards greater fiscal self-sufficiency, and that the amount of money available to district councils will continue to reduce over the next five years. The emergence of a Section 114 notice at a County Council indicates imminent danger in the upper tier sector, unless significant funding changes are made. Funding is therefore highly likely to be 'diverted' from Districts towards County / upper tier authorities that are suffering the most, led by the demands of social care.
- 1.4 The current budget estimate is for the Council to deliver a surplus in 2019/20 and 2020/21 which will help fund the transformation needed to be able to balance the budgets in 2021/22 and 2022/23.
- 1.5 This review ensures that the 2019/20 budget and resultant Council Tax level will be set within the context of the Council's Corporate Plan priorities and the financial strategy in order to deliver a balanced budget, updated for the latest information and knowledge available to the Council. The report also sets out the prudential indicators used to measure the affordability of the Council's capital programme.

2 Relevant Council policy

- 2.1 To deliver a balanced budget over the medium term.

3 Details

Strategic political, economic and regulatory outlook

- 3.1 UK economists are increasingly concerned about the UK economic outlook being affected by the apprehensiveness and uncertainty surrounding the negotiations from Britain's exit from the European Union, which is on course to happen at the end of March 2019.
- 3.2 The Bank of England raised interest rates to 0.75% in August 2018 but they remain at low levels with significant increases not predicted within the period of this MTFs, the £445bn quantitative easing programme continues and there has been some reduction in the credit rating of UK banks by investment firms. The value of the pound has decreased since the June 2016 referendum; and is around 15% lower against the U.S. Dollar and the Euro. The FTSE 100 share index has fluctuated, rising from around 6,000 at the time of the referendum, peaking at 7,800, but spending much of December 2018 around 6,700.
- 3.3 Inflation has fluctuated recently, but has fallen when compared to 12 months ago, putting slightly less pressure on expenditure in general terms. In November 2018 it measured 3.2% under the Retail Price Index (RPI) compared to 4.1% a year ago and

2.3% under the Consumer Price Index (CPI) compared to 3% a year ago. However, in specific areas, the impact from increases in costs can be much higher, with for example, the cost of fuel rising much faster and increasing by around 10% over the course of a year. This trend is also set to continue.

- 3.4 Both the demand for the Council’s services and its income streams are affected by the general economic health of the District, and the prevailing interest rate has a direct impact on interest receipts. Therefore the uncertainty of the economic and regulatory outlook adds risk to the setting of a precise financial strategy. With this in mind, the assumptions within the budget and medium term financial strategy have been revisited in the sections below.

Finance Settlement 2019/20

- 3.5 The Council accepted the offer made by Government in December 2015 of a four-year settlement through to 2019/20. This provided a relative degree of certainty in that the Revenue Support Grant (RSG) and the baseline Business Rates funding reduction from £2m in 2018/19 to £1.4m in 2019/20 (due to £0.7m negative RSG) shouldn’t get any worse during this period. Government reversed its intention in the 2019/20 provisional settlement on 13 December 2018 that announced that negative RSG will be eliminated to prevent any local authority from being subject to a downward adjustment to their business rates tariffs and top-ups which could act as a disincentive for growth.

Revenue Budget 2018/19

- 3.6 Budget holders have monitored income and expenditure against the 2018/19 budget throughout the year. They have also continued to prepare and work up plans to address the future deficits and implement them on an ongoing basis. Despite significant pressures on housing services causing an overspend in this area, overall, the estimated forecast outturn for 2018/19 at the end of month 8 is a deficit on net expenditure of £28k. Officers are taking a number of actions that are likely to improve this position further by year-end resulting in a small surplus. Any surplus will be used to help fund the Future Horsham transformational changes in 2019/20.

4 Update on the Medium Term Financial Strategy projections

- 4.1 The medium term financial strategy in Table 1 has been updated for the projected outturn for 2018/19, the 2018 Autumn Budget, the December 2018 provisional settlement for 2019/20 and other known information.

	2018/19	2019/20	2020/21	2021/22	2022/23
Table 1: MTFS	£000	£000	£000	£000	£000
Current net expenditure	10,714	10,435	11,040	11,630	12,190
<i>Cumulative income / savings to deliver through transformation</i>	<i>In budget</i>	<i>In budget</i>	(800)	(1,155)	(1,305)
Expected net expenditure after transformation	10,714	10,435	10,240	10,475	10,885
Funding: Council Tax	(9,144)	(9,645)	(10,030)	(10,425)	(10,835)
Baseline Business Rates	(1,899)	(2,029)	(410)	0	0

Additional Business Rates	(200)	0	0	(50)	(50)
Collection Fund (surplus)/deficit	(82)	(65)	-	-	-
Total Funding	(11,333)	(11,739)	(10,440)	(10,475)	(10,885)
Net (Surplus) / Deficit	(611)	(1,304)	(200)	0	0
Forecast outturn at M8*	(583)				

*Due to impact of M8 forecast of £28k overspend against net expenditure

- 4.2 The assumptions underlying the current medium term financial strategy projections are summarised in table 2 below and expanded upon in the paragraphs that follow:

Table 2: key budget assumptions used:

Inflation cost non-salaries	2.5% increase per annum
Increase in salaries budget	2% per annum
Contribution to pension fund	Nil in 2019/20 and thereafter as currently in surplus
Increase in Council Tax	3.2% £4.66 in 2019/20 and 2.5% thereafter
Local Business Rates	75% localisation of business rates triggering a significant re-baselining in 2020/21.
Increase in dwellings	Around 1,000 per year
New homes bonus - revenue	NHB remains in 2019/20, but sharpened / removed thereafter. Bonus not feeding into revenue as tapered down to zero in 2018/19.
Minimum level of reserves	£6m

Interest rates and inflation

- 4.3 Economic forecasters are predicting a diverse range on inflation over the next three years, reflecting the uncertainty of exit from the European Union. The medium term financial strategy currently budgets for a 2.5% increase in inflation on the expectation that inflation will remain at or near current levels. The Bank of England suggested in its November 2018 inflationary forecast that CPI inflation would fall back towards its own target of 2% by the early 2020s, although RPI tends to be around 0.8% higher.
- 4.4 Whilst income is also affected by inflation, inflation also increases our expenditure and that offsets the increases in Council Tax and charges. The impact of inflation on the medium term financial strategy will be revisited on a monthly basis as the data is released by the Office of National Statistics.
- 4.5 The Bank of England base rate increased to 0.75% in August 2018 but remains at a low level, affecting the Council's income streams from investments. The Council has taken action over the past two years to diversify the investment strategy into non-high street bank style deposit holdings which should help to mitigate the effect by generating more income, but nevertheless, this will impact on the Council's ability to generate income from investments during the period.
- 4.6 The amount of money the Council has on deposit generating interest income is likely to decrease as the proposed strategy to spend commuted sums on affordable housing will lower the amount of funds held by the Council, albeit this will be replenished somewhat by CIL. Significant expenditure on the capital programme also reduces other funds held by the Council. Whilst no short term borrowing has been

undertaken in 2018/19, this is forecast to occur during the medium term financial period, and may transition into longer term borrowing. The positive side of the low Bank of England base rate is that the cost of borrowing is also relatively low at present.

- 4.7 Economic forecasters are again divided on when an upturn in interest rates may occur. At the moment, the medium term financial strategy includes only a small increase over the three year period which is in line with our treasury management advisors' opinion.

Salaries

- 4.8 Local government pay is negotiated nationally and the Council has no direct influence on the pay settlement. The 2% local government pay award in December 2017 covered increases in both 2018/19 and 2019/20. Given the potential prospect that inflationary pressures may drive further salary demands, further 2% pay increases through to 2022/23 have been budgeted as well. In expenditure terms, this equates to approximately £325k to £350k of additional expenditure per annum.

Pension Fund

- 4.9 An increase in employer pension contributions is not currently anticipated in 2019/20 or the MTFS on the basis of the 2016 triennial revaluation of the Council's Pension Fund and a £10m asset interim valuation at 31 March 2018. Equally though, it would not be prudent to significantly cut the employer contribution level from its current 20.5%, as historically, the pension fund has spent more years in deficit than in surplus and the position can quickly decline, due to changes in actuary assumptions increasing the liabilities, as well volatility of asset values and the value of assets falling. The position will be revisited when the 2019 full triennial revaluation of the Council's Pension Fund funding statement is finalised by the actuary.

Council Tax

- 4.10 The December 2018 provisional settlement retained the 2019/20 referendum threshold at the higher of 3% or £5 for district councils in recognition of the inflationary rates of the moment. Government's funding assumptions for all district councils include increases in Council Tax by the maximum amount.
- 4.11 Ours remains the lowest Council Tax in West Sussex and is in the bottom quartile of all district councils. RPI is currently 3.2% at November 2018. A 3.2% inflationary increase in Council Tax, equivalent to £4.66 is included in the 2019/20 budget. Further increases in Council Tax at 2.5% have been built into the medium term financial strategy projections through to 2022/23. Every 1% increase in Council tax increases income by approximately £95k. As Government funding falls away, the Council is increasingly reliant on self-funding through fees and charges and Council tax as the only sources of income.

Dwellings

- 4.12 The District has seen housing growth over the last five years, as a result of a large developments such as those to the west of Horsham and Kilnwood Vale. The Council anticipates that the completion of these developments together with the delivery of new homes in Southwater and Billingshurst will continue to see growth in housing in the District at around 1,000 new dwellings each year over the medium term financial strategy period. The housing industry is highly sensitive to economic factors. Therefore the medium term financial strategy also takes into account a more prudent view of the economic uncertainty and the likelihood that a recession may start to bite in the next year or two.

Local Business Rates

- 4.13 The Council currently retains around 5% or £2m of the £44m Business Rates collected in the district, which is based on a complex calculation involving target rates of collection set by Government. Local government can increase their business rate income by growing the business rate take in their area; conversely, if collections fall then local government bear an element of risk. Local government currently share this risk and reward with Government 50:50.
- 4.14 Historical data suggests a 'flat' picture with limited material Business Rates growth envisaged over the period of the MTFS. This area is a 'momentum indicator' where growth is more likely to continue where it is already taking place. Now, on average, every successful new business opening is more or less offset by a conversion of a business premise to residential flats (under the permitted development regime introduced by the Government) or a closure.
- 4.15 In 2017/18, the 2017 Rateable Value fell by £1.16m over the year. In the first nine months of 2018/19, the 2017 rateable value list has recovered by only £0.13m. Redevelopments in the former Council buildings on North Street, and Piries Place and Swan Walk shopping centre are affecting the Rateable Value. In the longer term, these initiatives and those such as the development of North Horsham and the redevelopment of the former Novartis site may offer some upside but at the moment our economic growth as an area is a long way below the desirable level compared to the affluence of its population.
- 4.16 The Council is comparatively less at risk in respect of business rate valuations as it has relatively few single significant sites. For example, it is not the site of a power station, airport, major retail park or regional distribution centre. Some risk does exist however; principally around outstanding rates appeals for which the Council would have to bear its share of lost revenue should those appeals prove successful. The Council had a provision of £1.84m for business rate appeals at 31 March 2018. The slow rate at which the Valuation Office is tackling the backlog of appeals makes the Council sceptical that the provision for appeals will fall in the near future.
- 4.17 Earlier this year, Government announced its revised intention of allowing local government to retain 75 percent of growth of locally collected rates from 2020, rather than 100 percent. How this will happen and what impact it will have on local government remains uncertain. Government has not put forward any formal legislation, but several different pilot schemes are currently operating.
- 4.18 The Council has been successful as part of a 75% Business Rates pilot bid for 2019/20 with all the local government authorities in West Sussex, although this is just a pilot for only one year, and it is unclear how this might transition into a long term model for the 2020s. From the business rate take in 2019/20, the West Sussex pilot aims to reinvest up to £19m of growth in business rates in full fibre digital connectivity across the county to support the local economy. Although few projects will complete in the year, this could impact our business rates situation later the MTFS period.
- 4.19 Business rate income will continue to be distributed around the country as before. The 75% localisation refers to the level of growth (or fall) from the baseline that is likely to be significantly reset. The Council will also continue to share this growth (or fall) with West Sussex County Council, although the current share under the 50% scheme (District 40% and 10% County) is also likely to change. For the pilot year at

least, the 75% shared by local government will be split 20% District and 55% County.

- 4.20 In addition, based on the criteria for the pilot schemes, the Council expects that any 75% localisation of Business Rates will involve the replacement of other funding streams and is also likely to come with additional responsibilities that would give rise to additional costs. It is possible that the New Homes Bonus could be made part of this too. That the transferred grants will largely be County Council grants possibly indicates that the increase in local share will go to the County in two-tier areas.
- 4.21 Furthermore, the increase in the Business Rates multiplier has been switched from RPI to CPI. The multiplier is the annual increase in Business Rates determined by the Government. CPI tends to go up more slowly than RPI so this change is likely to reduce the buoyancy in the Business Rates yield. Over time, this will have a significant impact on the resources that are available to local government as a sector.

Fair Funding Review

- 4.22 On 13 December 2018, the Government issued a consultation on the Fair Funding Review of relative needs and resources and cost drivers and updating the current needs assessment formulae. This attempts to weigh up a range of cost drivers such as population, rurality, deprivation, demand for social care, transport, waste disposal and fire and rescue service. The output from this will feed into the overall settlement offer for 2020 onwards. This paper also includes questions about taking into account surpluses on sale, fees and charges, and especially those from parking. The Government has not previously included local authority generated income in this way in its papers and our projections assume in the future we retain all our sales, fees and charges alongside Council Tax as our two main funding streams. If this assumption is incorrect then Horsham District Council's financial position could become significantly worse than currently shown.
- 4.23 The indications so far are that districts and especially those which have low need and a higher proportion of wealth will lose out. If previous changes are a guide though, there will be some transitional arrangements, which will dampen the effect, but Government has indicated that any period will be short in order to redistribute funding as quickly as possible.
- 4.24 At this point it is difficult to calculate the effect of both the Fair Funding Review and the effect of business rates localisation. Not enough detail is known about the potential changes but the Council can conclude that there is a high degree of uncertainty, especially beyond 2020. The Council has assumed that a significant re-baselining of business rates will occur and expect the cancellation of negative RSG in 2019/20 to be carried forward into the 2020/21 baseline. The Council therefore estimates a Business Rate income of about £400k in 2020 rather than the current £2m, with this falling to zero in 2021/22 once the damping effect from the Fair Funding Review wears off. The Council will revisit the impact of this as it learns more about how the final schemes will work and will feed this into a future MTFs.

New Homes Bonus

- 4.25 The New Homes Bonus (NHB) provides an incentive payment for local government to stimulate housing growth in their area. The calculation is based on Council Tax statistics submitted each October. In two-tier local government areas this payment is currently split in the ratio 20% to county councils, 80% to district councils. NHB is currently not ring-fenced and can be spent at the Council's discretion.

- 4.26 The incentive has been sharpened since its introduction reducing the payment from six years to four years, and introducing a 0.4% baseline that needs to be exceeded before any NHB payments are made. For this Council, this means that approximately 250 band D equivalent dwellings need to be built before any grant is received.
- 4.27 No changes were made to the scheme for 2019/20. **Appendix H (figure i)** models the provisional income based on the number of dwellings in the Council Tax Base form at October 2018 and with the current format continuing, although this is not thought to be a likely ongoing scenario. The Council will receive a payment of £974k for 2019/20, which is lower than the last couple of years. The number of dwellings added between October 2017 and October 2018 dropped to 845. Counterbalancing this, the national average council tax payment per dwelling has increased, there was a relative increase in the number of band E to H homes, and the district has also benefited from the £350 affordable homes bonus on nearly 380 homes this year; three times the 2018/19 number.
- 4.28 Government has previously indicated further sharpening is likely and **Appendix H (figure ii)** models a reduction to payments for only three years and an increase in the baseline to 0.7%, lowering the future amounts the Council will receive.
- 4.29 Over the summer, there have been suggestions the Government believes the grant has been unsuccessful in delivering housing. This could lead to it being significantly altered or withdrawn in 2020 and there is a suggestion the £900m funding may be used as a counterweight in any 75% localisation of Business Rates scheme that may happen in 2020. This is modelled in **Appendix H (figure iii)**. Due to this overhanging threat, during 2017/18 and 2018/19, the Council removed its revenue reliance on NHB to zero in contrast to the £1.17m that was included in the 2016/17 revenue budget. Government is yet to confirm that NHB will continue at all into the 2020s.
- 4.30 The principle of using any NHB reserve to strengthen the Council's ability to generate income from appropriate investments in order to receive income to support future service delivery and secure the delivery of infrastructure to serve the needs of the district's residents is unchanged.
- 4.31 The NHB reserve will stand at £4.2m at 31 March 2019. Depending on the severity of the sharpening of the scheme, the reserve is forecast to be between £1m and £7m by 31 March 2023, after allowing for allocations to fully fund the new Broadbridge Heath leisure centre and running track, and then annual investment of £3m in property. This is all subject to house building continuing at the same rate.

External financial pressures

- 4.32 An increase in demand and the introduction of the Homelessness Reduction Act in April 2018 led to a significant increase in the cost of homeless services during 2018/19. This is being felt by districts all across the County, largely due to longer stays in bed and breakfast accommodation required by the Act. The overall increase for homeless accommodation provision in the first eight months of the year is in the region of 40 households when compared to the last four years. The forecast for 2018/19 is a £300k overspend in housing and the MTFs has built some of this additional spend into the budget. Some mitigation against the higher demand for bed and breakfast accommodation is already in progress such as the provision of additional temporary housing units.
- 4.33 West Sussex County Council (WSSCC) has identified the need to make efficiencies over the next four years to balance their budgets over the medium term financial

strategy. WSCC are considering some tough options as part of the 2019/20 budget setting process targeting some discretionary service areas.

- 4.34 One likely discretionary reduction is funding housing related support, which is currently commissioned by County, often through contracts with voluntary sector organisations. The restructure of services such as at the Y Centre building in Horsham could lead to an increase in the numbers of unintentionally homeless people that Horsham District Council would have a statutory duty to house. Consequently, this could lead to more demand for housing services provided by the Council, therefore increasing costs.
- 4.35 WSCC has already approved plans to reduce their current £6m core budget on discretionary housing support to £4.6m in 2019/20 and then £2.3m in 2020/21. WSCC will terminate all current contracts by 30 September 2019 and County will develop new contractual arrangements to commence on 1 October 2019. Additional assurance on the implementation period and impact mitigation will be provided through a continuous review process with providers and partners between January and September 2019 to ensure that the revised contracts are deliverable and the impact of these changes are minimised.
- 4.36 For this Council, the impact of County decisions on housing services after mitigation is estimated at around £150k for a half year, and this has been built into the 2019/20 budget.
- 4.37 It is possible that other WSCC decisions will also affect the Council's income. For example, WSCC currently pay funding for recycling credits above the statutory minimum level to encourage levels of recycling and reduce the amount of residual waste. WSCC may decide in the future to pay only the statutory minimum, which would result in a reduction of income to the Council for the recycling credits. Whilst the 2019/20 budget includes full payments from County, there is a risk that payments such as these are withdrawn too.

5 Draft Revenue Budget for 2019/20

- 5.1 The 2019/20 budget has been prepared following a detailed "Budget Challenge", with Heads of Service challenged to increase revenue streams and reduce expenditure. The challenge process is there to ensure that excessive budgeting is avoided, additional income is found and efficiency savings are made. It also ensures that adequate resourcing is provided to meet service delivery items.
- 5.2 The budget requirement is for £10.435m. The detail of the revenue budget is shown in **Appendix A**. Due to the unexpected elimination of £0.7m negative RSG in 2019/20, the budget will generate an estimated surplus of £1.3m which should be earmarked into a transformation reserve and used to fund the further transformation required to help deliver the £1.3m of recurrent savings and income needed to balance the budget by 2022/23.
- 5.3 The main items of growth and savings in the 2019/20 budget are detailed in **Appendix B**. Salaries remain a significant cost pressure of approximately £350k in 2019/20 relating to a 2% pay award to staff and a number of increments and including changes to the lower NJC pay grades. The Council has tried to mitigate the increase by reducing posts and hours where possible, although there is an overall growth in headcount. This comprises amongst other things, the recruitment of more neighbourhood wardens and a community warden supervisor, staff at the Capitol, an

IT developer and information security officer within technology services to add capacity to support improvement changes in digital content and two homeless prevention officers. There is also £200k of growth in casual staff and overtime, net of a reduction in agency staff, to be able to continue to deliver an increasing level of services and generate more income.

- 5.4 Other significant items of growth include the increased costs of housing services and Bed and Breakfast in particular, rising fuel costs that have increased by 10% in a year, general maintenance programme costs, vehicle repairs and hire, projects to increase the quality of recycling and a Business Improvement District proposal for Horsham town centre.
- 5.5 With continuing pressures on the Council's budget and the on-going challenge this presents to future service delivery, in particular discretionary services, it is necessary that where possible services generate sufficient revenue to cover their cost of delivery. In 2019/20, this includes further income from continuing the diversification of income options within the treasury management investment strategy, income from the Capitol, parking volumes in urban and rural areas and changes in the leisure centre services income from new contract arrangements. However, in 2019/20, there are no increases in the garden waste collection charges.
- 5.6 The Year of Culture is one of the most ambitious and significant revenue projects in 2019. To deliver the extensive programme of supported events, additional funding of £300k spread over three years was approved in 2017/18, with 2019/20 the final year. This was over and above the budgets that already exist for arts, culture and community. The current projected spend is within the budget but this does rely on the delivery of significant income through ticket sales. This is a risk and the Council has modelled three scenarios to help manage this risk. The scenarios range from a small surplus to a potential overspend of £140k. Progress on the financial aspects of the Year of Culture will be reported through the Council's normal budget monitoring mechanisms.
- 5.7 In total, the additional income and savings generated exceeds the cost pressures and the net budget at £10.435m requirement is £0.3m lower than the £10.72m from the previous year.
- 5.8 The budget also includes £226k of grants to the voluntary groups, the largest being £94k to the Citizen Advice Bureau in Horsham. A full list is included in **Appendix C**.

6 Special charge

- 6.1 Details of the Special Charge expenditure of £300,370 are included in **Appendix D**. The proposed the Special Charge for 2019/20 is set at £25.56, and is sufficient to fund the proposed Special Expenses. The increase in the special charge was discussed with the Neighbourhood Councils in December 2018.

7 Council Tax for 2019/20.

2019/20 £000		2018/19 £000
10,435	Net expenditure	10,714
1,304	Contribution to / (from) general reserves	611
11,739		11,323

0	Revenue support grant	0
(4,807)	New homes bonus	(4,827)
4,807	<u>Less</u> contribution to new homes bonus reserve	4,827
(2,029)	Business Rates retention scheme baseline	(1,899)
0	Business Rates retention scheme net additional business rates	(200)
9,710	Expenditure to be financed from District Council Tax	9,224
(300)	<u>Less</u> funding by Special Charge taxpayers	(284)
(65)	<u>Less</u> share of estimated (surplus) / deficit on Collection Fund	(82)
9,344	Expenditure to be funded from District Council tax	8,859
62,187	Estimated band D equivalent properties	60,846.5
£150.26	Council Tax at band D	£145.60
£2.89	Cost per week at band D	£2.80

Table 3 – Council Tax for 2019/20.

8 Capital Budget

- 8.1 The Council has applied its project management methodology to projects detailed in the Capital Programme for 2019/20 and completed business cases to ensure that decisions taken by the Council represent Value for Money.
- 8.2 At month 9, officers are forecasting delivery of £15.6m (57%) of the £27.4m 2018/19 programme. At this stage, approximately £3.7m of unspent items will be removed as no longer required and £8.1m will be re-profiled into 2019/20.
- 8.3 The proposed £19.3m capital programme in 2019/20, includes completion of approved schemes from preceding years such as the schemes on the Broadbridge Heath leisure centre and more recently the redevelopment of Piries Place car park, temporary accommodation in Billingshurst and redevelopment contractual costs in Swan Walk. 2019/20 also includes £2m re-provision of the running track at Broadbridge Heath (with £0.5m in 2020/21), a straight line profile £3m of the five year £15m property investment fund programme, £1.4m grant funded disabled facilities and home repairs grants, £1m of housing enabling grants and £0.5m on the annual vehicle replacement programme. There are also 19 other new schemes totalling £3m of which a third has identified funding sources, with the remaining two-thirds currently unfunded. Summary details of new schemes are in **Appendix E (ii)**.
- 8.4 The full draft capital programme for 2019/20 is in **Appendix E (i)**. The new programme for 2019/20 is for approval by full Council. Budgets for future years are included to indicate the scale of provision that may be required to maintain the life of the Council's assets and meet the aspirations in the Corporate Plan.

Minimum Revenue Provision

- 8.5 The Council is required to set aside funds to repay the borrowing need each year through a revenue charge called the minimum revenue provision. The regulations require full Council to approve a statement of the provision in advance of each year and the statement is in **Appendix F**.

Prudential Code and Capital Strategy

- 8.6 The Local Government Act 2003 requires the Council to have regard to the CIPFA Prudential Code and the Ministry of Housing, Communities and Local Government (MHCLG) guidance. Both have been significantly revised and extended to cover more of the Council's commercial activities, notably commercial property. The objectives of the Prudential Code remain to ensure, within a clear framework, that the capital investment plans of local government authorities are affordable, prudent and sustainable, and that any investment management decisions are taken in accordance with good professional practice.
- 8.7 The Capital Strategy and the associated treasury and non-treasury investment strategies were considered by the Audit Committee on 6 December 2018. It gives a high level picture of the Council's capital plans including financing and the overarching strategy of investment in traditional financial investments and non-treasury investments such as service loans and commercial property. The committee was asked to approve the preliminary Capital Strategy as the appropriate overall approach.
- 8.8 The final capital programme for 2019/20 has changed slightly compared with the version tabled at the Audit Committee on 6 December 2018 but the changes are not significant to the overall strategy, so it remains substantially the same as seen by the Audit Committee. The Audit Committee was also asked to recommend that the Council approve the Treasury Management Strategy and Investment Strategy that fits in with the overarching Capital Strategy.
- 8.9 The final revised Capital Strategy and estimates to be adopted by the Council are set out in **Appendix G**. The Council are asked to adopt them as the final group of prudential indicators. This report revises the indicators for 2017/18, 2018/19 and 2019/20 and introduces new indicators for 2020/21.
- 8.10 The major indicators are the projected financing of capital spend, the Capital Financial Requirement and projected debt. The Council's Capital Financial Requirement is the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. The Capital Strategy also sets limits on external debt and sets the overarching arrangements for borrowing, treasury investments, investments for service purposes and investments in commercial property for financial return.

9 Reserves

- 9.1 There will be a cost in implementing the transformation for which £0.5m each year is envisaged in 2019/20 through to 2021/22 and it is anticipated that this will be funded by the surpluses in these years. The transformation will help balance future budgets and protect the level of general fund reserves as set out in **Appendix I**.
- 9.2 The Council agreed in October 2012 on a minimum level of general reserves of £6m. From 2020/21 onwards income from Government is very uncertain due to the

consultation around business rate localisation and the Fair Funding Review. The Council's current strategy on reserves gives sufficient flexibility and headroom to deal with any issues that arise. Implementing transformational efficiencies and planned income schemes result in surplus budgets through to 31 March 2020. Apart from funding this transformation, the Council should not need to dip into general reserves in this period. Applying reserves in excess of the minimum level to finance the capital programme helps to reduce the MRP charge. Therefore the general fund balance is anticipated to be around the £6.5m mark at the end of 2019/20 and remain at this level throughout the MTFS period unless any further information from the Government or changes in the economy indicate a substantial worsening of our financial position beyond that currently predicted.

9.3 The Council will continue to review potential actions that it could take towards further transformation and / or income generating ideas to balance the budgets in 2020/21 through to 2022/23. These will be brought back in more detail in the next medium term financial strategy. A selection of potential efficiencies and income have already been generated and the programme will be constantly revisited and extended over the coming months. This will look at new sources of income, reviewing our workforce especially around recruiting and retaining local staff and supporting our people to take on broader and more complex roles, reviewing services to see if we can provide the same more efficiently, replacing our technology with cheaper, Cloud based options and increasing the amount of self-service using the internet and social media.

9.4 The current selection in aggregate is sufficient to close the budget gap in the future and it is expected that as the Council gets to these years, the budgets would be firmed up with actual efficiencies and income to balance the budget. However the difficulty is in actually delivering, rather than identifying potential areas, and work will get underway in plenty of good time in 2019 to maximise the opportunity for success.

10 Risks

10.1 The medium term financial strategy takes a prudent but balanced view of the financial future, but continuing to take further action is also important to also help mitigate the risks that the Council faces over the medium term. These risks are set out in summary below and include:

- late delivery of transformation savings and income
- lower savings or income as it can't be delivered to the size / scale envisaged
- income may be affected by external factors such as a recession. A recession is probably due towards the end of the decade
- economic uncertainty in Europe
- a new baseline for business rates and 75% localisation
- Fair Funding review outcomes and / or further or steeper funding cuts / to help Government meet deficit reductions targets, including any impact on locally generated sales, fees and charges from the Fair Funding Review
- legislation forcing local government to pick up additional responsibilities that we don't yet know about

11 Next steps

11.1 The Council meeting on 13 February 2018 will set the Council Tax for 2019/20.

12 Views of the Policy Development Advisory Group and outcome of consultations

- 12.1 The proposed budget, medium term financial strategy and assumptions and capital programme were considered by the Finance and Assets Policy Development and Advisory Group at its meeting on 7 January 2019 and the Group was supportive of the proposed strategy.
- 12.2 The Medium Term Financial Strategy was also recently reviewed at Cabinet on 22 November 2018 and approved by Council on 5 December 2018, which has allowed all Members the opportunity to discuss and review the medium term financial strategy proposals in advance of the 2019/20 budget setting process. The Leader, Deputy and Cabinet Members were also briefed on the proposed 2019/20 budgets on 20 December 2018.
- 12.3 The Chief Executive, Directors and the Head of Finance have been extensively involved in preparing the medium term financial strategy and are fully supportive of its contents. The Monitoring Officer has also been consulted during the preparation of the document and is supportive of its contents.

13 Other courses of action considered but rejected

- 13.1 Not taking actions set out in this report would put at risk the ability of the Council to balance the budgets from 2019/20 through to 2022/23. Therefore, not taking any action has been rejected.

14 Resource consequences

- 14.1 The size of the Council’s workforce has reduced overall since 2016 as set out in table 4, which also partly reflects the end of the Census ICT partnership which Horsham hosted where some staff TUPEd back to the two partnering local government authorities. During 2018, headcount has increased due to the recruitment of apprentices, neighbourhood wardens, and permanent waste and recycling loaders and planners. This is budgeted to continue in 2019 with for example growth in technology services and digital content editor to enable channel shift to better online customer pathways.

Table 4 - Resources

Date	Full Time Equivalents (FTE)
31 March 2016	422
31 March 2017	417
31 March 2018	398
30 September 2018	409
*30 September 2019	413

* estimated

- 14.2 Transformation may lead to changes in the size of the workforce over the next three years as the Council strives to do things in a different way. As well as new areas of growth, there may be further reductions, currently estimated at around 10 posts, which will be firmed up as detailed plans for the individual elements are finalised.
- 14.3 In accordance with the Organisational Change Policy the Council will take steps to avoid compulsory redundancies as far as possible through a combination of vacancy control, redeployment and, in appropriate cases, voluntary redundancy.

15 Legal consequences

- 15.1 Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their Council about the robustness of estimates and the adequacy of reserves when determining their precepts, and local government authorities are

required to take the Chief Financial Officer's report into account when setting the Council Tax.

- 15.2 The Council Tax in England and Wales is provided for and governed by the provisions of the Local Government Finance Act 1992. Within this Act, the Council is designated as a "Billing Authority", responsible for the billing, collection and enforcement of Council Tax.

16 Risk assessment

- 16.1 The Council's reliance on Government controlled funding and balancing the Medium Term Financial Strategy is captured on the Corporate Risk Register at CRR01. This is regularly reviewed and updated and is monitored at Audit Committee.

17 Other considerations

- 17.1 The Equality Act 2010 includes a public sector equality duty which requires local government authorities when exercising functions to have due regard to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act and to advance equality of opportunity and foster good relations between those who share a "protected characteristic and those who do not share that protected characteristic". When a Budget proposal has implications for people covered by the Equality Act 2010, the Council must take account of the Equality Duty and any particular impact on the protected group. There are no equality implications in regards to this proposed budget.
- 17.2 There are no negative consequences of any action proposed in respect of Crime & Disorder; Human Rights; Diversity and Sustainability.

		2019/20 Budget in £'000											
Prior year Budget*		Employee	Premises	Transport and plant	Supplies and services	Contract payments	Capital costs	Expenditure	Grants and contributions	Interest	Customer Receipts	Income	Net ** Expenditure
279	Chief Executive Office	277	0	0	6	0	0	284	0	0	0	0	284
531	Democratic Rep	14	0	18	500	0	0	532	0	0	0	0	532
466	Communications	411	0	0	75	0	0	486	0	0	(10)	(10)	476
129	Director of Corporate Resources	131	0	0	0	0	0	132	0	0	0	0	132
210	Benefit Payments	0	0	0	225	31,490	0	31,715	(30,580)	0	(1,050)	(31,630)	85
1,063	Revenues Contract	0	0	0	0	1,084	0	1,084	0	0	0	0	1,084
(509)	Revenues And Benefits	0	0	0	10	0	0	10	(398)	0	(111)	(509)	(499)
218	Policy And Performance	153	0	0	3	0	0	157	0	0	0	0	157
625	Legal	696	0	0	100	0	0	796	0	0	(70)	(70)	726
360	Democratic Services	205	0	0	163	0	0	368	(6)	0	(3)	(9)	360
1,377	Finance Corporate	450	0	0	278	229	877	1,834	0	(913)	38	(875)	959
786	Finance Accountancy	672	0	0	129	19	0	821	0	0	0	0	821
1,752	ICT	854	0	1	1,035	0	0	1,890	(100)	0	0	(100)	1,790
497	Human Resources	448	0	1	98	0	0	546	0	0	0	0	546
126	Director of Community Services	131	0	0	0	0	0.0	132	0	0	0	0	132
756	Community Development	302	3	2	457	0	0	764	(2)	0	(73)	(75)	689
276	Community Safety	572	3	24	228	25	0	852	(411)	0	(80)	(491)	361
241	Museums	160	70	0	61	0	0	291	0	0	(49)	(49)	242
306	Capitol	742	258	2	1,088	0	0	2,090	0	0	(1,936)	(1,936)	154
(156)	Leisure Services	218	104	5	163	78	0	567	(84)	0	(870)	(953)	(386)
1,019	Parks	657	429	3	303	4	0	1,395	(39)	0	(468)	(506)	889
(30)	Health And Welbeing	243	8	4	27	0	0	282	(273)	0	(37)	(311)	(28)
1,191	Litter And Cleansing	841	85	11	267	0	0	1,204	2	0	(26)	(23)	1,181
1,260	Vehicle And Plant	206	0	1,191	74	0	0	1,471	0	0	(20)	(20)	1,451
213	Operations	2,696	0	11	237	38	0	2,982	(1,205)	0	(1,570)	(2,774)	208
(95)	Trade waste	345	0	1	932	0	0	1,278	(50)	0	(1,253)	(1,303)	(25)
658	Environmental Services/Licensing	1,077	0	19	174	0	0	1,270	0	0	(600)	(600)	669
375	Customer Services	360	0	0	121	0	0	481	0	0	(10)	(10)	471
5	Housing	0	0	0	155	0	0	155	0	0	0	0	155
563	Housing Needs	552	5	6	362	0	0	925	(244)	0	(151)	(395)	530
(580)	Housing Services	10	337	0	18	0	0	365	0	0	(840)	(840)	(475)
128	Director of Place	127	0	0	1	0	0	127	0	0	0	0	127
(37)	Building Control	770	4	18	55	0	0	848	(325)	0	(566)	(891)	(43)
558	Development	1,641	2	6	312	0	0	1,961	(80)	0	(1,575)	(1,655)	306
1,041	Spatial Planning	909	7	4	333	0	0	1,252	(113)	0	(7)	(120)	1,132
647	Property And Facilities	527	0	2	89	0	0	617	0	0	(1)	(1)	617
493	Operational Buildings	0	352	0	161	0	0	514	0	0	0	0	514
(3,378)	Investment Properties	0	411	0	243	5	0	658	0	0	(4,139)	(4,139)	(3,481)
27	Operational Buildings	0	67	0	30	0	0	97	0	0	(63)	(63)	35
435	Economic Development	306	49	2	224	0	0	581	0	0	(72)	(72)	509
(2,950)	Parking Services	699	1,053	2	487	0	0	2,240	(236)	0	(4,800)	(5,037)	(2,796)
10,877	Total	18,404	3,246	1,332	9,226	32,971	877	66,055	(34,142)	(913)	(20,411)	(55,465)	10,589
(163)	Less Capitalised salaries												(154)
10,714	Total												10,435
Prior year Budget		17,862	2,866	1,096	7,982	33,033	1,035	63,874	(33,632)	(728)	(18,637)	(52,997)	10,877

*Reflecting any 18/19 and 19/20 restructures

** There will be small rounding differences within the figures to the nearest thousand.

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Budget 2019/20 Main Movements		Department changes					External
		Efficiencies			Growth		
Department/Description	2019/20 Total	Changes in level of service or way in which service is delivered.	Re-negotiation of contracts.	Income - Increase in fees (not statutory) or volume of sales. New income streams	New/increased pressures on services	Loss of income streams. Reduction in volume of sales. Reduction in fees	Prices changes due to existing contractual agreements. [Statutory changes incl fee income]
STAFFING COSTS	547						
New posts					613		
Deleted Posts		(619)					
Pay increase							347
Hours/increments							20
Casual staff					130		
Overtime					106		
Agency staff		(50)					
CHIEF EXECUTIVE OFFICE	5						
Audit fees			(20)				
Increase in number of Councillors (allowances)					20		
Staff events					5		
Communications	(31)						
Reductions in external print		(15)					
Reductions in IT projects		(12)					
Reduce number of issues of Our District (net figure)		(4)					
RESOURCES							
Revenues and Benefits	(94)						
Revenues and benefits contract					21		
Housing benefit grant reduction in bad debt provision		(25)					
Housing benefit reduction of provision for LA error		(50)					
Housing benefit grant to reflect recent provision		(50)					
Single Person discount review					10		
Finance	(294)						
Interest received				(186)			
Interest repayments		(171)					
MRP					13		
Payments for outsourced services offsets with staffing savings					89		
Provision for additional corporate posts in 2018/19 only		(49)					
Insurance					10		
Technology Services	(43)						
IT Projects		(15)					
IT maintenance less reduction in associated partnership income		(53)					

Mobile calls and rentals				8		
Equipment purchase and hire				17		
HR and OD	13					
Qualification courses				12		
Recruitment expenses to come from departmental savings		(31)				
New IT system				27		
Occupational Health				5		
Parking	(121)					
Rural car parking net income			(34)			
Urban car parking net income			(42)			
Car wash concession			(10)			
WSSC Resident and on street parking			(35)			
COMMUNITY						
Community Development	(39)					
Year Of Culture use of reserves			(45)			
Year Of Culture - increase in costs				26		
Reduction in voluntary sector grants awarded			(20)			
Community Safety	(105)					
Contributions from ear marked reserves offsets costs including salaries			(50)			
Contributions from Parish Councils offsets costs including salaries			(55)			
Capital	(278)					
Net income			(78)			
Café and bar net income is partially offset by salary costs			(184)			
Productions			(26)			
Year of Culture adverts				10		
Museum	1					
Donations			(10)			
Publication of Year of Culture Books				11		
Leisure Services	(231)					
Leisure centres new contract arrangements			(233)			
Reduction in rent Rookwood					30	
Broadbridge Heath Leisure Centre Hammer Cage				10		
Removal of one off budget for BBHLC			(38)			
Parks and Countryside	(75)					
Cemeteries income			(20)			
Tennis Court income			(14)			
Children's Playgrounds general repairs		(25)		12		
Children's Playgrounds replacement. Now cyclical capital programme			(30)			
Southwater Country Park Income - Car parking			(14)			
Grounds maintenance contract				16		

Street Scene and Fleet	246					
Heating and Boilers		(15)				
External Service income					15	
Equipment hire		(10)				
Vehicle Repairs					62	
Vehicle hire					71	
Fuel					148	
Printing					7	
Insurance		(33)				
Waste and recycling	(33)					
Special collection net income				(47)		
Recycling support grant						80
Additional WSCC contribution re: transfer station (consolidated into base)				(192)		
Trade waste income				(143)		
Contributions				(50)		
Disposal costs						113
Advertising					30	
Equipment					50	
Recycling quality project					106	
Contract fees					20	
Housing	105					
Bed and Breakfast net increases					116	
Temporary accommodation net increases					78	
Government grant						(239)
WSCC housing related support reduction						150
Environmental Services/Licensing	(22)					
Food safety reduction in courses		(6)				
Stray dogs		(4)				
Change in legislation allowing for two years licences						6
Other Licences				(18)		
PLACE						
Building control	(26)					
Additional income				(18)		
Professional fees		(4)				
Equipment		(4)				
Development	(136)					
Additional income				(131)		
Use of consultants		(20)				
Search fees					15	
Spatial Planning	62					
Environmental enhancement net reduction in costs		(6)				
Land drainage						8

Neighbourhood planning less grant income							(5)
District Local Plan enquiry - not required in 2019/20		(20)					
Use of Consultants					125		
Income from shared evidence base projects e.g. with Crawley BC				(40)			
Property And Facilities	18						
Investment property income				(71)			
Operational property income				(92)			
Investment property service charges					50		
Operational property service charges					89		
Professional Fees					12		
Street naming and numbering materials					30		
Economic Development	53						
Support for external events					5		
BID project review					71		
Use of earmarked reserves				(23)			
Corporate budgets	148						
Property					138		
Insurance		(15)					
Postage					25		
Other - assortment of small increases	51				51		
	(279)	(1,306)	(78)	(1,890)	2,470	53	472

2019/20

The budget includes the following grants to voluntary groups and community partnerships.

Grants to voluntary groups

	£
Citizen Advice Bureau - Horsham	94,000
Age UK	50,000
Horsham District Community Transport	20,000
Y Centre	20,000
Impact Initiatives – Steyning and Henfield	10,000
New strategic grants	8,630
Community and individual grants	7,750
Home-Start, Crawley, Horsham and Mid-Sussex	7,000
West Sussex Mediation Service	3,100
Purple Bus, West Sussex Rural Mobile Youth Trust	3,000
Relate North	2,600
Total Grants	226,080

Grants to community partnerships

The budget contains £6,000 of grants to community partnerships.

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Special Charge**Appendix D**

	2019-20		2018-19
	£		£
ALLOTMENTS	0	81%	2,941
CHILDRENS PLAYGROUNDS	26,870	25%	24,710
BANDSTANDS	16,846	100%	16,997
FOOTWAYS & AMENITY LIGHTING	1,168	5%	1,862
FLORAL DISPLAYS	8,755	18%	9,188
HORSHAM PARK	61,932	32%	57,588
GRANTS TO NEIGHBOURHOOD COUNCILS	17,400	100%	17,400
YOUTH WORKER GRANT	30,000	100%	30,000
RECREATION GROUNDS	50,492	53%	50,182
CHRISTMAS LIGHTS	23,737	100%	23,893
COMMUNITY WARDENS	<u>63,169</u>	100%	<u>50,000</u>
TOTAL	<u>300,370</u>		<u>284,762</u>
Council Tax base	11,751		11,575
Band 'D' equivalent	£25.56		£24.60

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Description	Current year Forecast 18/19	Next year budget 19/20	Future year budget 20/21	Future year budget 21/22	Future year budget 22/23
100059 - RIVERSIDE WALK PROJECT-HORMARE	10,890	0	0	0	0
100318 - 96 ACT-DISABLED FACILITY GRANT	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
100319 - ACT-HOME REPAIR ASSIST. GRANT	75,000	125,000	125,000	125,000	125,000
100322 - HOUSING ENABLING GRANTS	509,000	1,000,000	2,000,000	3,000,000	5,000,000
100354 - SWAN WALK CENTRE	0	300,000	0	0	0
100384 - HILLSIDE PARK, SMALL DOLE, SAFETY WORKS	4,197	0	0	0	0
100396 - VEHICLES - NEW	280,000	564,000	120,000	305,000	200,000
100407 - DISASTER RECOVERY	7,389	0	0	0	0
100411 - LAN - HDC	4,850	0	0	0	0
100414 - BBHLC-NEW BUILD	5,942,330	2,700,000	500,000	0	0
100416 - HDC-WINDOWS7+MS OFFICE2010ROLLOUT	19,871	0	0	0	0
100421 - PIRIES PLACE CARPARK	3,911,200	3,726,217	0	0	0
100423 - ENERGY EFFICIENCY IMPROVEMENTS	35,000	0	0	0	0
100424 - ICT PROJECTS	50,000	0	0	0	0
100432 - HOP OAST DEPOT REALIGNMENT	63,452	0	0	0	0
100438 - CORPORATE PROVISION - ASSET ENHANCEMENT	50,000	50,000	500,000	500,000	500,000
100447 - COMMERCIAL ESTATES - GENERAL	20,000	100,000	100,000	100,000	100,000
100453 - PIRIES PLACE CAR PAR LIFT	76,635	0	0	0	0
100454 - FORUM CAR PARK LIFT	17,529	0	0	0	0
100465 - BISHOPRIC REFURBISHMENT / ENHANCEMENT	34,420	200,000	0	0	0
100468 - TEMP ACCOM APARTMENTS (BISHOPRIC)	56,834	0	0	0	0
100473 - COMMERCIAL PROPERTY INVESTMENT FUND	523,884	3,000,000	3,000,000	5,476,116	0
100477 - HORSHAM PARK POND IMPROVEMENTS	0	25,325	0	0	0
100478 - BENNETS FIELD IMPROVEMENTS	0	50,000	0	0	0
100479 - WARNHAM NATURE RESERVE IMPROVEMENTS	38,292	363,242	0	0	0
100483 - ANPR EXTENDED - HURST RD & DENNE RD	9,418	0	0	0	0
100489 - MANOR FIELDS PLAY AREA	0	24,311	0	0	0
100490 - HORSHAM PARK TENNIS COURT IMPROVEMENTS	2,189	0	0	0	0
100491 - PIXIES HOLLOW FOOTBALL PITCH IMPROVEMENT	17,549	0	0	0	0
100492 - RURAL CAR PARK INFRASTRUCTURE	25,140	0	0	0	0
100496 - REDKILN PLAY AREA	17,219	0	0	0	0
100497 - ROFFEY PLAY AREA	100,000	0	0	0	0
100498 - ST MARY'S GARDEN OF REMEMBRANCE	46,891	(0)	0	0	0
100501 - PAVILIONS HURST ROAD CAR PARK	275,165	0	0	0	0
100502 - OLD BARN PUMP ALLEY	0	200,000	0	0	0
100503 - CHESWORTH FARM - NEW STORAGE FACILITY	0	100,000	0	0	0
100505 - ROWAN DRIVE GARAGES, BILLINGSHURST	344,897	1,300,000	0	0	0
100506 - PEARY CLOSE, HORSHAM	1,101,679	250,000	0	0	0
100507 - LAND AT OAKHURST BUSINESS PARK - PHASE 4	67,740	0	0	0	0
100512 - BILLINGSHURST CAR PARK DEVELOPMENT	75,000	75,000	0	0	0
100513 - ALBION WAY CONNECTIVITY - WORTHING ROAD	0	200,000	0	0	0
100514 - HORSHAM TO SOUTHWATER - CYCLING & WALKING ROUTE	0	160,000	0	0	0
100515 - PAVILIONS LEGACY MAINTENANCE	59,256	60,745	0	0	0
100516 - WARNHAM NATURE RESERVE - 1ST BOARDWALK REPLACEMENT	25,000	0	0	0	0
100517 - HORSHAM PARK PLAY AREA IMPROVEMENTS	78,428	0	0	0	0
100518 - PARKING CCTV	30,000	0	0	0	0
100519 - PAY & DISPLAY MACHINES	38,000	0	0	0	0
100520 - CAPITOL SOUND DESK REPLACEMENT	35,058	0	0	0	0
100521 - SWAN WALK REDEVELOPMENT	0	815,000	0	0	0
100522 - ROFFEY RECREATION GROUND REGENERATION PROJECT	100,000	0	0	0	0
100523 - HORSHAM SKATE PARK	0	250,000	0	0	0
100524 - WEST STREET PLANTING	30,000	0	0	0	0
100525 - RURAL CAR PARK - STEYNING (FLETCHERS CROFT)	18,180	70,000	0	0	0
100526 - RURAL CAR PARK - HENFIELD (LIBRARY)	73,182	0	0	0	0
100527 - GENERATOR - HOP OAST DEPOT	15,000	50,000	0	0	0
<i>The Horsham District Experience - APP and website</i>	0	80,000	0	0	0
<i>Boardwalk Replacements – Southwater Country Park and Leechpool Woods</i>	0	38,000	0	0	0
<i>Billingshurst By Pass recreational path Improvements – Northern Section Phase 1</i>	0	45,000	0	0	0
<i>Billingshurst By Pass recreational path Improvements – Northern Section Phase 2</i>	0	30,000	0	0	0
<i>Horsham Park – New rubbish bins</i>	0	25,000	0	0	0
<i>Park House, Horsham</i>	0	300,000	0	0	0
<i>Welcome Zones in Multi-Storey car parks</i>	0	70,000	0	0	0
<i>ANPR Replacement in Swan Walk, Forum, Pories Place, Hurst Rd car parks</i>	0	350,000	0	0	0
<i>Storrington Mill Lane - Rural Car Park Improvements</i>	0	150,000	0	0	0
<i>Billingshurst Six Bells and Library car parks - Rural Car Park Improvements</i>	0	165,000	0	0	0
<i>Steyning Newmans Gardens - Rural Car Park Improvements</i>	0	130,000	0	0	0
<i>Local Cycling and Walking Infrastructure</i>	0	40,000	30,000	0	0
<i>Public Space CCTV Camera Replacement programme</i>	0	30,000	30,000	30,000	30,000
<i>Highwood Community Centre</i>	0	700,000	800,000	0	0
<i>Parksides Floor Plate improvements</i>	0	35,000	0	0	0
<i>Play sites improvements</i>	0	75,000	75,000	75,000	75,000
TOTAL	15,565,764	19,271,838	8,530,000	10,861,116	7,280,000

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New schemes in the 2019/20 capital programme:

Appendix Eii

Highwood Community Centre £700,000 Provision of a 650m² to 675m² community building in Highwood. Total £1.5m scheme with £800k in 2020/21. Part S106 funded.

Warnham Discovery Hub £363,240 New discovery hub and trails at Warnham Nature Reserve. 80% externally funded.

Rural car-park improvements £445,000 Storrington Mill Lane £150k, Billingshurst Six Bells and Library carparks £165k, Steyning Newmans Gardens £130k. Resurfacing, layout improvements and lighting.

ANPR replacement £350,000 For Swan Walk, Forum, Piries Place and Hurst Road carparks.

Park House £300,000 Refurbishment to building.

Horsham Skate Park £250,000 Concrete, rather than plywood facility.

The Horsham District Experience £80,000 Promotion of the District, developing a campaign including website and / or app.

Car Park Development in Billingshurst £75,000 Extension of 2018/19 capital budget for conversion of a garden to a car-park to create additional spaces to alleviate car-parking issues and generate income.

Billingshurst by-pass recreational path improvements £75,000 S106 funded.

Playground replacement £75,000 Two playgrounds in Horsham and one in Rudgwick.

Welcome zones in multi-story car-parks £70,000 Area for additional information, parking payment, and enhanced customer experience.

Bennets Field improvements £50,000 Improvement of car parking boundaries, ball court fencing, outdoor gym facility. Funded by S106.

Local cycling and infrastructure £40,000 Government grant funded for local cycling and walking infrastructure. Further £30k in 2020/21 also grant funded.

Southwater Country and Park and Leechpool Woods boardwalks £38,000 Replacement of broken and rotten boards. Health and Safety.

Parkside Offices £35,000 Change floor plate to create better working environment and meeting rooms

Public Place CCTV £30,000 First year of replacement camera five year programme

Horsham Park £25,000 New rubbish bins in Horsham Park that are less accessible for pests.

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ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT 2019/20

When the Council does not finance capital expenditure with resources such as capital receipts, grants, contributions and reserves it effectively finances the spend by debt (although this can be internally sourced debt), and it must put aside resources to repay that debt. The amount charged is known as the Minimum Revenue Provision (MRP).

The amount of Minimum Revenue Provision (MRP) is set by the Council but legislation requires the Council to have regard to guidance issued by the Ministry for Housing, Communities and Local Government (MHCLG). The aim of the guidance is to ensure that debt is repaid over a period that broadly matches the period over which the unfinanced capital expenditure provides benefits.

The MHCLG's guidance requires the Council to approve an annual MRP statement and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance as well as locally determined prudent methods.

The Council is recommended to approve the following MRP Statement:

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported (*Note*) Capital Expenditure, the MRP policy will follow the MHCLG Regulations. This means the MRP will be based on 4% of the Capital Financing Requirement in respect of that expenditure.
- From 1 April 2008 for all unsupported capital expenditure, the MRP will be calculated by dividing the capital expenditure by the expected useful life of the relevant assets, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years
- For assets subject to finance leases, the MRP requirement would be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability.
- Where loans are made to other bodies for their capital expenditure, no MRP will be charged. However, the capital receipts generated by the annual repayments on those loans will be applied to reduce the capital financing requirement.
- Capital spend in 2019/20 will not be subject to MRP until 2020/21.

Note Supported Capital Expenditure is capital spend that central government supports with a contribution through grant. Horsham District Council does not have any Supported Capital Expenditure at present.

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1. **Capital Expenditure and Financing:** The Council is asked to approve the projected capital expenditure and financing below. It includes the capital programme in this report and estimates of capital spend that may become necessary during the period of the medium term financial strategy. It is one of the prudential indicators required by the CIPFA Prudential Code.

£millions	2017/18 Actual £000	2018/19 Revised £000	2019/20 Revised £000	2020/21 Revised £000	2021/22 Estimate £000
Projected Capital Expenditure	28.2	15.5	19.2	11.6	11.9
Financed by:					
External resources	1.7	3.6	4.7	6.3	5.3
Internal Resources *	11.1	8.0	10.8	5.3	6.6
Debt	15.4	3.9	3.7	0.0	0.0
Total Financing	28.2	15.5	19.2	11.6	11.9

* Includes use of New Homes Bonus

2. The term ‘Debt’ used above does not automatically lead to external borrowing as the Council can use funds it holds in reserves and working capital which is usually termed ‘internal borrowing’. Over time all debt whether it be internal or external borrowing must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). The current planned MRP payments are as follows:

£millions	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
MRP	0.92	0.87	0.85	0.94	0.94

3. The Council’s cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and any capital receipts used to replace debt. The CFR is expected to increase by £3m during 2019/20. The Council’s estimated CFR is as follows:

£millions	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
CFR	30.4	33.5	36.4	35.4	34.5

4. **Asset disposals:** Capital assets may be sold and the proceeds, known as capital receipts, spent on new assets. Repayments of loans and investments also generate capital receipts. The Council projects capital receipts as follows:

	2017/18	2018/19	2019/20	2020/21	2021/22
TOTAL	1.719	1.403	1.653	3.329	5.805

Treasury Management

5. Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. It involves both borrowing and investing both of which activities have their own control framework.
6. **Borrowing strategy** The Council's only borrowing is £4m which is being repaid on 31 March 2019. No further borrowing is planned next financial year but the Council could find itself in a position which calls for some borrowing. In that circumstance the main objectives when borrowing would be to achieve a low but certain cost of finance while retaining flexibility.
7. **Debt compared to CFR:** Projected levels of the Council's total outstanding debt) are shown below, compared with the Capital Financing Requirement. Statutory guidance is that debt should remain below the Capital Financing Requirement, except in the short-term. As can be seen from the table the Council expects to comply with this in the medium term. The Council is relying on 'internal borrowing' i.e. using reserves and other cash resources that it holds rather than borrow from external sources, which is considered to be sustainable in the medium term.

£millions	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
Debt (incl. leases)	4	4	0	0	0
CFR	30.4	33.5	36.4	35.4	34.5

8. **Leases:** From 2020/21 the Council will have to follow new accounting treatment that will bring assets held under operating leases into the debt and CFR figures above. Estimates of this will be shown in next year's figures and will affect the above table and the limits below.
9. **The affordable borrowing limit:** Irrespective of plans to borrow or not the Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower "operational boundary" is also set as a warning level should debt approach the

limit. Although no borrowing is planned, limits are set in case a need develops in 2019/20.

£millions	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit
Authorised limit – borrowing	17	15	15	15
Authorised limit – leases	1	1	1	1
Authorised limit – total external debt	18	16	16	16
Operational boundary – borrowing	9	0	0	0
Operational boundary – leases	0	0	0	0
Operational boundary – total external debt	9	0	0	0

10. **Treasury investments:** The Council prioritises security and liquidity over yield, minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice. The future longer term investments in the table below are strategic pooled funds that the council intends to hold for the longer term although they can be sold if required. Investable balances are expected to be stable in the region of £20m in the medium term.

	31.3.2018 actual	31.3.2019 forecast	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget
Near-term investments	20.0	14	3	5	9
Longer-term investments	17.6	17	17	17	17
TOTAL	37.6	31	20	22	26

11. **Treasury investment governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Corporate Resources and staff, who must act in line with the Treasury Management Strategy as approved by the Council following scrutiny and recommendation by the Audit Committee. The Audit Committee also receives a mid-year and full year report and is responsible for scrutinising treasury management.

12. **Treasury investment in detail:** The more detailed Treasury Management Strategy was recommended by the Audit Committee on 6th December 2018 to be approved by the Council. It covers a series of limits, benchmarks and indicators that form a risk management framework.

Service and Commercial Investment Strategy

13. **Investments other than the traditional treasury:** This section concerns investments other than the traditional treasury instruments. It is a disclosure newly required by CIPFA and MHCLG guidance. Both bodies have concerns over the increasing risks that they see as councils start their own companies and make large commercial property purchases. The main categories dealt with are loans to or shares in other bodies to provide services on behalf of the Council and property investments where the income earned supports services.
14. **Investment for service purposes:** The Council can make investments to assist local public services, including making loans to local service providers and any Council subsidiaries that provide services. The Council has made such loans although at the time of writing there are no subsidiaries.
15. **Investment for service purposes - Governance:** Decisions on service investments are made by the full Council after the relevant Head of Service has submitted a comprehensive analysis in consultation with the Director of Corporate Resources and must meet the criteria and limits. Most loans and shares are capital expenditure and will therefore also have to be approved as part of the capital programme in the Budget report or by full Council.
16. **Commercial activities:** To support its services the Council invests in commercial property. Commercial property investments are currently valued at £47m and they provide a net return after direct costs of 6.6%.
17. **Risks of commercial property:** The Council recognises the higher risk on commercial investment compared with treasury investments. The principal risk exposures include individual vacancies, falls in market value, and economic factors. Individual property risks are monitored and managed by the Head of Property. In order that commercial investments remain proportionate to the financial capacity of the Council, this strategy sets an overall maximum investment limit at £60m. Should income not meet expectations the Council holds at least £6m of general reserves to cover any shortfall in the short term while the Head of Property reviews the performance of the portfolio.

18. **Commercial property - governance:** Decisions on new commercial investments are made by the Cabinet after recommendation from the Cabinet Advisory Sub-Committee (Property Investment). Property and most other commercial investments are also capital expenditure and purchases will therefore also be approved as part of the capital programme.
19. **Other liabilities:** The Council also has liabilities that it must seek to risk manage which this strategy covers. The Council has set aside £1.8m to cover risks of Business Rates Appeals. The Council is also at risk of having to pay for historic insurance claims but has not put aside any money because there is no reasonable assessment of the amount required. The Council is also committed to making future payments to cover its pension fund deficit should it arise.
20. **Other liabilities - governance:** Decisions on incurring new discretionary liabilities are taken by the relevant Director whose directorate budget would cover the crystallisation of a liability. These would be discussed at the quarterly corporate risk management meeting and final decisions as to recognition taken by the Director of Corporate Resources. New liabilities exceeding £1m are reported to full Council for approval or notification as appropriate. Further details on historic liabilities are in note 18 of the 2017/18 statement of accounts.
21. The more detailed strategy on the non-treasury investments was included in the Investment strategy incorporated in the Capital Strategy report that was recommended by Audit Committee on 6th December 2018 to be approved by the Council. That report includes detailed limits and indicators designed to demonstrate a prudent risk management approach.
22. **Revenue Budget Implications:** Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants. The table below shows the proportion is small as the investment income earned largely balance out financing costs.

	2017/18 actual	2018/19 forecast	2019/20 budget	2020/21 budget	2021/22 budget
Financing costs (£m)	0.1	0.25	0.01	0.05	-0.02
Proportion of net revenue stream	1%	2%	0%	1%	0%

23. **Sustainability of the capital programme and financing:** Due to the long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 40 years into the future. The Director of Corporate Resources is satisfied that the proposed capital programme is prudent, affordable and sustainable because the net budget demand on the Council and the risks in the programme have been reviewed and fall within the Council's tolerances.
24. **Knowledge and Skills:** The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Corporate Resources and S151 Officer is a qualified accountant with over 25 years' experience and the Head of Property is a fellow of RICS with over 30 years' of experience in commercial property. The Council will also support more junior staff to study towards relevant professional qualifications. Where Council staff do not have the knowledge and skills required, use is made of external advisers that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and for any significant property investment would use property consultants with specialist knowledge of the appropriate property sector.

New Homes Bonus (NHB) – January 2019

Appendix H

	Figure i	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
5 years in 2017/18	2011/12	379	379	379	379	379	379						
4 years from 2018/19	2012/13		390	390	390	390	390						
	2013/14			397	397	397	397	397					
	2014/15				776	776	776	776					
	2015/16					994	994	994	994				
	2016/17						1,462	1,462	1,462	1,462			
0.4% baseline	2017/18							1,186	1,186	1,186	1,186		
0.4% baseline	2018/19								1,185	1,185	1,185	1,185	
0.4% baseline	2019/20									974	974	974	974
0.4% baseline	2020/21										1,000	1,000	1,000
0.4% baseline	2021/22											1,000	1,000
0.4% baseline	2022/23												1,000
		379	769	1,166	1,942	2,936	4,398	4,815	4,827	4,807	4,345	4,159	3,974
Used to fund revenue		0	0	1,166	1,166	1,166	1,166	700	0	0	0	0	0
Used for BBH leisure centre		0	0	0	0	0	2,000	5,000	4,500	2,000	500	0	0
Used for investment property										3,000	3,000	3,000	3,000
One-off neighbourhood warden grant									150				
Added to / (drawn from) Reserves		379	769	0	776	1,770	1,232	-885	177	-193	845	1,159	974
Total Reserve figure		379	1,148	1,148	1,924	3,694	4,926	4,041	4,218	4,025	4,870	6,029	7,003

Notes:

The December 2018 Provisional Settlement confirmed the mechanism of NHB stayed the same for payments in 2019/20. The 0.4% baseline is the amount which needs to be exceeded before any NHB payments are made. Measured against the total band D equivalents in the district, 0.4% equates to approximately 250 additional houses a year before we receive anything in 2019/20. No decision has been made by central government on the future of NHB and therefore the projected figures in *red italics* are subject to an announcement being made in future settlements. The latter year scenarios also assume house building continues at the same rate which may not be the case if the economy slows down.

Reliance on NHB to support revenue was tapered down to nil in 2018/19. We have taken measures to increase income and phase in additional spending reductions to balance the budget as new homes bonus cannot be considered a permanent source of income, especially if it is included in 75% localisation of business rates in the 2020s. The table assumes that NHB reserve is used to fully fund the capital project at Broadbridge Heath (BBH) leisure centre (and running track) as previously approved by Cabinet. It also assumes that the £3m of commercial property investment each year starts to be funded from NHB once the BBH leisure centre is paid for, thus financing the purchases and reducing the MRP charge of an unfinanced asset.

The government has retained the option of making adjustments to the baseline in future years. An increase in the baseline of 0.1% is equivalent to approximately 62 band D dwellings, which at 80% of the standard payment currently around £1,670 per dwelling would reduce NHB by around £83k.

The future of NHB is uncertain, and the table below alternatively models a much sharpened NHB from 2020/21 with a 0.7% baseline and only three years of payments.

Sharpened	Figure ii	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
5 years in 2017/18	2011/12	379	379	379	379	379	379						
4 years from 2018/19	2012/13		390	390	390	390	390						
3 years from 2020/21	2013/14			397	397	397	397	397					
	2014/15				776	776	776	776					
	2015/16					994	994	994	994				
	2016/17						1,462	1,462	1,462	1,462			
0.4% baseline	2017/18							1,186	1,186	1,186			
0.4% baseline	2018/19								1,185	1,185	1,185		
0.4% baseline	2019/20									974	974	974	
0.7% baseline	2020/21										750	750	750
0.7% baseline	2021/22											750	750
0.7% baseline	2022/23												750
		379	769	1,166	1,942	2,936	4,398	4,815	4,827	4,807	2,909	2,474	2,250
Used to fund revenue		0	0	1,166	1,166	1,166	1,166	700	0	0	0	0	0
Used for BBH leisure centre		0	0	0	0	0	2,000	5,000	4,500	2,000	500	0	0
Used for investment property										3,000	3,000	3,000	3,000
One-off neighbourhood warden grant									150				
Added to / (drawn from) Reserves		379	769	0	776	1,770	1,232	-885	177	-193	-591	-526	-750
Total Reserve figure		379	1,148	1,148	1,924	3,694	4,926	4,041	4,218	4,025	3,434	2,908	2,158

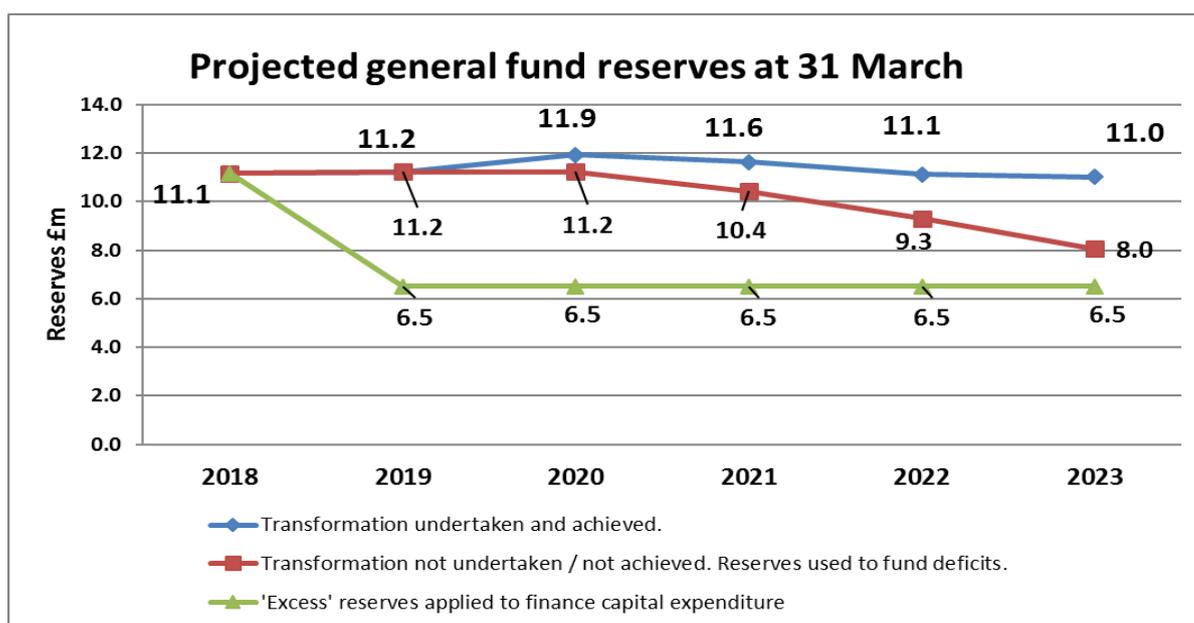
Should NHB be wrapped up into the localisation of business rates and the fair funding review and end in 2020/21, it is expected that legacy payments would continue until they naturally expire and would still be able to fund the property investment until the end of the current MTFS period.

removed completely	Figure iii	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
5 years in 2017/18	2011/12	379	379	379	379	379	379						
4 years from 2018/19	2012/13		390	390	390	390	390						
No new payment 20/21	2013/14			397	397	397	397	397					
	2014/15				776	776	776	776					
	2015/16					994	994	994	994				
	2016/17						1,462	1,462	1,462	1,462			
0.4% baseline	2017/18							1,186	1,186	1,186	1,186		
0.4% baseline	2018/19								1,185	1,185	1,185	1,185	
0.4% baseline	2019/20									974	974	974	974
<i>Ended</i>	2020/21												
<i>Ended</i>	2021/22												
<i>Ended</i>	2022/23												
		379	769	1,166	1,942	2,936	4,398	4,815	4,827	4,807	3,345	2,159	974
Used to fund revenue		0	0	1,166	1,166	1,166	1,166	700	0	0	0	0	0
Used for BBH leisure centre		0	0	0	0	0	2,000	5,000	4,500	2,000	500	0	0
Used for investment property										3,000	3,000	3,000	3,000
One-off neighbourhood warden grant									150				
Added to / (drawn from) Reserves		379	769	0	776	1,770	1,232	-885	177	-193	-155	-841	-2,026
Total Reserve figure		379	1,148	1,148	1,924	3,694	4,926	4,041	4,218	4,025	3,870	3,029	1,003

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Robustness of Estimates and Adequacy of Reserves

- 1.1 Section 25 of the Local Government Act 2003 requires Chief Financial Officers (CFO) to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their precepts, and authorities are required to take the CFO's report into account when setting the Council Tax.
- 1.2 The desired minimum level of general reserves was established in the 2012/13 budget report at £6m. Sufficient general reserves are required to ensure that the Council is able to meet its expenses if it finds it needs to fund unplanned costs during the year or its projected income fall short of the budgeted amount. These changes could result from a number of sources such as increased homelessness or an increase in voids in the commercial property estate, or reduced business rate income.
- 1.3 A level of general reserves at £6m equates to 9% of the Council's £66m of annual expenditure, although this percentage increases to 17% compared to the £35m of annual expenditure excluding £31m of housing benefit payments funded by Government. This is well above the level considered to be 'at risk' from resilience where general reserves are less than 5% of expenditure.
- 1.4 General reserves at 31 March 2018 were effectively £11.1m once the 2017/18 revenue budget surplus is transferred into an earmarked transformation reserve to fund one-off up-front costs of business transformation in 2018/19.
- 1.5 The graph shows the predicted level of general reserves in future years under three different scenarios. The upper (diamond blue) line is the level of general reserves that would be available, assuming the MTFs budgets are delivered as projected, using £0.5m of transformation funding each year until the end of 2022. The Council would end the period with roughly the same level of reserves as it started with.



- 1.6 The middle (square red) line shows no transformation undertaken, and the use of reserves to fund any deficit that arises each year. Whilst this does not result in the Council dipping below the £6m minimum threshold within the period, the approach is not sustainable and therefore not advisable.
- 1.7 The lower (triangle green) line shows the decision to apply excess reserves to help finance the capital programme, which has the effect of lowering the available level of general reserves to just above the minimum level, but the benefit of lowering the annual Minimum Revenue Provision (MRP) charge.
- 1.8 In all three cases, the result is that general fund reserves remain above the £6m minimum level until 31 March 2023. However, it is highly advisable that the Council funds and then delivers transformational change, resulting in the top line, which maximises the level of general reserves, which in turn can be used to finance a higher level of capital expenditure in the third scenario.
- 1.9 If the Council takes this action it is in a much stronger position to be able to prepare a balanced budget in the latter years of the Medium Term Financial Strategy period and maintain its general reserves at its agreed minimum level or above and will be better placed to deal with any additional demands or changes that are not yet known but may be implemented in the future.

Earmarked reserves

- 1.10 The Council also holds earmarked reserves which are funds, often grants, received for a specific purpose. Details of the earmarked reserves held by the Council at 31 March 2018 are shown in table a) below.

a) Earmarked reserves

Earmarked Reserves at 31 March 2018*	£'000
Neighbourhood Planning Grant	278
S106 reserves	752
NNDR reserve	1,435
Council Tax localisation	293
Health and Wellbeing	197
Transformation fund*	594
BBH leisure centre (NHB)	1,382
Other	786
Total	5,717

*Inclusive of £0.5m transformation from the general fund transferred from the 2017/18 surplus

New Homes Bonus (NHB)

- 1.11 The NHB reserve is expected to total £4.2m at 31 March 2019 and an estimate of the future levels of NHB reserves are set out separately in more detail at Appendix H. It is likely though that the current projected NHB levels will change as a result of the outcomes of the further sharpening of the incentive as part of the Fair Funding and localisation of business rates. To this effect, a reduction in payments from four years to three years as well as an increase in the baseline below which there is no payment is modelled at 0.7% from 2020/21. A scenario where there are no new payments of NHB in 2020/21 is also modelled.
- 1.12 Should the NHB scheme significantly change, the extent of the application of NHB to finance the existing capital programme can be revisited in line with any changes.

**Parkside, Chart Way, Horsham,
West Sussex RH12 1RL**

FORWARD PLAN

This notice sets out details of key decisions that the Cabinet or a Cabinet Member intend to make, and gives 28 days' notice of the decision under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012. The notice may also include details of other decisions the Council intends to make.

The reports and any background documents that have been used to inform the decisions will be available on the Council's website (www.horsham.gov.uk) or by contacting Committee Services at the Council Offices.

Whilst the majority of the Council's business will be open to the public, there will be occasions when the business to be considered contains confidential, commercially sensitive or personal information. This is formal notice under the 2012 Regulations that part or all of the reports on the decisions referred to in the schedule may be private because they contain exempt information under Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and the public interest in withholding the information outweighs the public interest in disclosing it.

If you wish to make representations about why part or all of the papers should be open to the public, please contact Committee Services at least 10 working days before the date on which the decision is to be taken.

If you wish to make representations to the Cabinet or Cabinet Member about the proposed decisions, please contact Committee Services to make your request.

Please note that the decision date given in this notice may be subject to change.

To contact Committee Services:

E-mail: : committeeservices@horsham.gov.uk

Tel: 01403 215123

Published on 03 January 2019

What is a Key Decision?

A key decision is an executive decision which, is likely –

(i) to involve expenditure or savings of £250,000 or more as well as otherwise being significant having regard to the Council's budget for the service or function to which the decision relates; or

(ii) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the District.

	Subject/Decision	Decision Taker	Date(s) of decision	Is all or part of this item likely to be dealt with in private	Contact Officer Cabinet Member (NB include name, title and email address)
1	Affordable Housing Investment - Creation of a Housing Company Community and Wellbeing Policy Development Advisory Group 25 th February 2019	Cabinet	21 Mar 2019	Open	Rob Jarvis, Head of Housing Services robert.jarvis@horsham.gov.uk Cabinet Member for Community and Wellbeing (Councillor Tricia Youtan)
2	Proposal to sell surplus council assets Policy Development Advisory Group 11 March 2019	Cabinet	21 Mar 2019	Part exempt	Brian Elliott, Head of Property & Facilities brian.elliott@horsham.gov.uk Cabinet Member for Finance and Assets (Councillor Brian Donnelly)
3	Development of industrial units at Oakhurst Phase 4 Policy Development Advisory Groups 11 March 2019	Cabinet	21 Mar 2019	Part exempt	Brian Elliott, Head of Property & Facilities brian.elliott@horsham.gov.uk Cabinet Member for Finance and Assets (Councillor Brian Donnelly), Cabinet Member for Local Economy (Councillor Gordon Lindsay)

	Subject/Decision	Decision Taker	Date(s) of decision	Is all or part of this item likely to be dealt with in private	Contact Officer Cabinet Member (NB include name, title and email address)
4	Conservation Area Appraisals and Management Plans for Slinfold and Warnham Policy Development Advisory Group May 2019	Cabinet	June 2019	Open	Barbara Childs, Director of Place barbara.childs@horsham.gov.uk Cabinet Member for Planning and Development (Councillor Claire Vickers)
5	Re-provision of athletics track	Cabinet	June 2019	Open	Adam Chalmers, Director of Community Services adam.chalmers@horsham.gov.uk Deputy Leader and Cabinet Member for Leisure and Culture (Councillor Jonathan Chowen)