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# Cabinet

Thursday, 23rd January, 2020 at 5.30 pm  
Conference Room, Parkside, Chart Way, Horsham

Councillors: Ray Dawe  
Peter Burgess  
Jonathan Chowen  
Philip Circus  
Paul Clarke  
Claire Vickers  
Tricia Youtan

You are summoned to the meeting to transact the following business

Glen Chipp  
Chief Executive

## Agenda

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	Page No.
1. <b>Apologies for absence</b>	
2. <b>Minutes</b>	3 - 12
To approve as correct the minutes of the meeting held on the 28 <sup>th</sup> November 2019. <i>(Note: If any Member wishes to propose an amendment to the minutes they should submit this in writing to <a href="mailto:committeeservices@horsham.gov.uk">committeeservices@horsham.gov.uk</a> 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. <b>Declarations of Members' Interests</b>	
To receive any declarations of interest from Members of the Cabinet	
4. <b>Announcements</b>	
To receive any announcements from the Leader, Cabinet Members or the Chief Executive	
5. <b>Public Questions</b>	
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. <b>Budget 2020/21 and the Medium Term Financial Strategy to 2023/24</b>	13 - 54
To receive a report from the Cabinet Member.	

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|-----|--|---------|
| 7.  | <b>Council Tax Reduction Scheme</b>  | 55 - 60 |
|     | To receive a report from the Cabinet Member.                                     |         |
| 8.  | <b>Extending Ultrafast Broadband Public Connectivity</b>                         | 61 - 66 |
|     | To receive a report from the Cabinet Member.                                     |         |
| 9.  | <b>Horsham District Homes reserved matter - appointment of auditors</b>          | 67 - 70 |
|     | To receive a report from the Cabinet Member.                                     |         |
| 10. | <b>Overview &amp; Scrutiny Committee</b>   |         |
|     | To consider any matters referred to Cabinet by the Overview & Scrutiny Committee |         |
| 11. | <b>Forward Plan</b>  | 71 - 76 |
|     | To note the Forward Plan   |         |
| 12. | <b>To consider matters of special urgency</b>                                    |         |

# Public Document Pack Agenda Item 2

## **Cabinet** **28 NOVEMBER 2019**

Present: Councillors: Ray Dawe (Leader), Peter Burgess, Philip Circus, Paul Clarke, Claire Vickers and Tricia Youtan

Apologies: Councillors: Jonathan Chowen

Also Present: Councillors Karen Burgess, Ruth Fletcher, Lynn Lambert and Kate Rowbottom

### EX/32 **MINUTES**

The minutes of the meeting of the Cabinet held on 26<sup>th</sup> September were approved as a correct record and signed by the Leader.

### EX/33 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

### EX/34 **ANNOUNCEMENTS**

None.

### EX/35 **PUBLIC QUESTIONS**

No questions had been received.

### EX/36 **MEDIUM TERM FINANCIAL STRATEGY**

The Leader stated that the report set out the proposed strategy for the period 2020/21 to 2023/24 in order to establish the context for the Council's budget and medium term financial planning scenarios and assumptions. This had been done in the context of unprecedented levels of uncertainty. The impact on the Council from the future of business rates and the Fair Funding Review in the 2020/21 budget setting process had been delayed by Government's parliamentary election and until the UK's relationship with the European Union was resolved. The funding for the 2020/21 budget year was being prepared based on a 'same as last year' theory. However, with the existing political and therefore financial uncertainty being exceptionally high, the actual budget and MTFs that Council would set in February 2020 for 2020/21 could well be subject to change.

RESOLVED

That Cabinet recommend to Council that:

- i) The Medium Term Financial Strategy 2020/21 to 2023/24 be approved, and:
- ii) The projected budgets and potential actions as detailed in paragraph 3.53 and table 4 of the report be noted.

EX/37 **WILDER HORSHAM DISTRICT**

The Leader spoke on behalf of the Cabinet Member for Leisure and Culture and said that Horsham District Council had already taken measures to protect and enhance the natural environment across the District and particularly on its own land. The report proposed to enhance this approach by establishing a unique partnership with the Sussex Wildlife Trust. This would build on a long standing relationship that the Council already had with the Trust. The partnership would focus on ensuring that wildlife thrives across Horsham District by creating networks and expanding habitats.

The report sought approval to create the partnership and included a document which set out the actions that would be taken over the next five years. The funding requested in the report was £571,000 for the life of the programme. Outcomes from the programme would be regularly reviewed to ensure delivery, with associated adjustments to the budget. The Sussex Wildlife Trust were also contributing funding to the partnership.

The report also proposes establishing two funding pots in 2020/21. One to provide implementation funding for Parish Councils and communities wishing to undertake projects that complement the partnership and one to plant trees on Council owned land to replace ones that were felled due to disease and pests. These would require ongoing funding but would be regularly reviewed.

RESOLVED

That:

- i) the formation of a partnership with the Sussex Wildlife Trust be approved;
- ii) the partnership document be approved and its aims and actions be endorse;
- iii) The recommendation to Council that the budget for 2020/21 include a green reserve of £571,000 for the costs of the Wilder Horsham District programme be approved.

#### Reasons for Recommendations

- i) To allow the partnership with the Sussex Wildlife Trust to be formed, with the associated resources to achieve the aims of the partnership over a five year period;
- ii) To provide a budget to replace trees lost to disease and pests etc. on Council owned land.

#### EX/38 **HORSHAM DISTRICT COUNCIL'S CARBON FOOTPRINT**

The Cabinet Member for Environment, Waste and Recycling reported that Horsham District Council was committed to tackling climate change and had a good track record on addressing environmental issues which it could build on. The report provided an update on the Council's work to examine and reduce its own carbon footprint, as it moved towards becoming a carbon neutral organisation. This was only the first step for the Council as an organisation. Having established its footprint, this would be followed up with a science based target and a practical and costed action plan as to how this could be achieved. The report and action plan would follow in early 2020.

The report also proposes establishing a seed funding pot of £40,000 per annum, commencing in 2020/21 financial year in order to support community groups and Parish Councils who wanted to implement projects that addressed climate change.

#### RESOLVED

- i) That the details of the carbon footprint generated by the Council's buildings, transport and operations be noted;
- ii) To recommend to Council that in the budget for 2020/21 £200,000 be transferred into a green reserve to create a seed funding pot for community groups for a five year period.

#### Reasons for Recommendations

- i) The Council's carbon footprint will form the basis of setting a science based target for reducing its carbon emissions and producing a practical, costed action plan to achieve the target;
- ii) Community groups and Parish Councils would be able to apply for funding for projects that tackle climate change and contribute to a District wide approach to addressing this issue. The fund would be £40,000 per annum.

#### EX/39 **PAVILIONS CAR PARK TARIFF CHANGE - TO INTRODUCE A POST 5 HOUR TARIFF FOR THE INTRODUCTION OF ANPR**

The Cabinet Member for Local Economy and Parking reported that the Pavilions car park was a short stay parking facility. The car park was currently

operated via pay and display and the short stay element was managed by not offering a tariff beyond five hours. The Pavilions car park would soon have the new Automatic Number Plate Recognition (ANPR) system installed which would change the operation from pay and display (customer pays upfront) to pay on foot (customer pays on exit).

Managing short stay car parks through pay on foot required a different approach because of the nature of how customers use them. There was no ability to limit the time available to purchase upfront, meaning that this could only be managed through the use of pricing. The purpose was to make the price unfavourable beyond the maximum period that the council wanted customers to park. As a result it was proposed to implement two new tariff points after five hours that were priced above other town car parks in order to encourage longer stay users to park elsewhere.

#### RESOLVED

That, in order to discourage people from parking for longer than five hours in the Pavilions car park, two new tariff points be introduced.

#### Reasons for Recommendations

The reasons for recommending the tariff changes are:

- i) Required to keep the car park short stay with the introduction of pay on foot;
- ii) To ensure long stay parkers use those other car parks designated for long stay parking;
- iii) Two stage tariff to reduce the impact of those that just exceed the five hour threshold.

#### EX/40 **DISABLED FACILITIES GRANTS POLICY**

The Cabinet Member for Community Matters and Wellbeing presented a report and said that in 2016 West Sussex County Council and the West Sussex District and Borough Councils agreed to implement a project to explore innovative new ways of delivering Disabled Facilities Grants (DFGs). As part of this project it was agreed that a more flexible approach to the use of discretionary DFGs should be adopted and in November 2017 Horsham District Council approved a discretionary DFG policy recommended by the project group. The policy had been reviewed by the project group and with a few minor changes was being recommended for adoption by all the West Sussex, District and Borough Councils.

#### RESOLVED

That the West Sussex Disabled Facilities Grant Policy at Appendix 1 to this report be adopted, to take effect from 2<sup>nd</sup> January 2020.

#### Reasons for Recommendations

- i) To enable the Council to sustain a robust Private Sector Housing Assistance Policy.
- ii) To use effectively the increase in funding the Better Care Fund is providing to local authorities for home adaptations.

#### EX/41 **CIL GOVERNANCE ARRANGEMENTS**

The Cabinet Member for Planning & Development reported that Horsham District Council had introduced a Community Infrastructure Levy (CIL) in order to allow funds to be raised from developers to pay for infrastructure that was needed to support growth. The Council adopted its Charging Schedule for CIL on 26 April 2017 and implementation of the levy commenced on 1 October 2017. The Council had overarching responsibility for the allocation of CIL monies and reporting the amount of money collected and spent. It was needed to establish a clear CIL Governance Structure to oversee the collection, auditing and spending of CIL monies. The report proposed the key governance arrangements for the delivery of infrastructure through CIL in order to achieve the following aims:

1. That there was clarity, transparency and consistency in the collection, allocation and spending of CIL receipts;
2. That the relationship between the Council as charging authority and key stakeholders and infrastructure providers (internal and external);
3. To ensure CIL receipts were spent on infrastructure required to support development, in accordance with the CIL Regulations 2010;
4. To ensure CIL served its purpose of contributing to the delivery of the infrastructure necessary in order to support the Horsham District Planning Framework.

#### RESOLVED

That:

- i) The arrangements set out in the report for the future governance of the receipts from the Community Infrastructure Levy be approved;
- ii) A Joint Officer Working Group be established to prioritise infrastructure projects seeking funding from the Community Infrastructure Levy and provide recommendations to the Director of Place regarding which projects should receive such funding;
- iii) An Infrastructure Projects Working Group (IPWG) to receive the recommendations of the Director of Place on prioritised schemes, which shall be funded from the Community Infrastructure Levy, be established;

- iv) The prioritisation of and collection and monitoring of CIL spend be delegated to the Director of Place in consultation with the Director of Community Services and the Infrastructure Projects Working Group as charging authority on behalf of the Council;
- v) the Planning Obligations Panel be dissolved and the prioritisation, collection and monitoring of any financial contributions arising from agreements made under Section 106 of the Town and Country Planning Act 1990 be delegated to the Director of Place in consultation with the Director of Community Services.

#### Reasons for Recommendations

- i) To provide clarity, transparency and consistency in the collection, allocation and spending of CIL receipts.
- ii) To set out the relationship between the Council as charging authority and key stakeholders and infrastructure providers (internal and external).
- iii) To ensure CIL receipts were spent on infrastructure required to support development, in accordance with the CIL Regulations 2010 as amended ('the CIL Regulations');
- iv) To ensure CIL served its purpose of contributing to the delivery of the infrastructure necessary to support the Horsham District Planning Framework.

#### EX/42 **CONSERVATION AREA APPRAISALS AND MANAGEMENT PLANS FOR SLINFOLD AND WARNHAM**

The Cabinet Member for Planning & Development reported seeks approval to consult on the draft Conservation Area Appraisals & Management Plans that have been produced for Slinfold and Warnham. They include proposed additions, and in some cases deletions, to the current Conservation Area boundaries.

Conservation areas had been introduced through the Civic Amenities Act (1967). Section 71 of the Planning (Listed Buildings & Conservation Areas) Act 1990 required a local planning authority from time to time, to review and protect their conservation areas. Appraisals assessing the character of each area and proposals for their future management should be researched, consulted upon and adopted by a local authority.

These Conservation Area Appraisals provided a basis on which to determine whether any changes should be made to existing Conservation Areas. It was considered that public consultation should be undertaken on the draft Appraisals to take account of local views and knowledge. Once adopted after public consultation, the completed Appraisal would help inform future planning decisions regarding developments within or adjoining the respective Conservation Area. The Conservation Area Appraisal had been concluded with a Management Plan. The Management Plan would take forward the issues

raised in the Appraisals, identifying means by which the special interest of the Conservation Areas would become self-sustaining into the future.

#### RESOLVED

That:

- i) the draft Conservation Area Appraisals and Management Plans, which include proposed boundary changes, be approved for public consultation.
- ii) the Cabinet Member for Planning and Development be approved to be given delegated authority to agree minor editorial changes prior to publication.

#### Reasons for Recommendations

- I. To enable Conservation Area Appraisals and Management Plans to be produced to help guide development for Slinfold and Warnham.
- II. To give the Cabinet Member delegated authority to approve minor changes to the document, without the need for it to be referred back to Cabinet.

#### EX/43 **FORWARD PLAN**

The Forward Plan was noted.

#### EX/44 **OVERVIEW & SCRUTINY COMMITTEE**

There were no matters currently outstanding for consideration.

#### EX/45 **TO CONSIDER MATTERS OF SPECIAL URGENCY**

There were no matters of special urgency to be considered.

#### EX/46 **DELEGATED AUTHORITY FOR THE CONTRACT AWARD FOR THE COMMUNITY LINK LIFELINE ALARM CONTRACT**

It was moved that, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for this item of business, on the grounds that it involved the likely disclosure of exempt information, as defined in Part I of Schedule 12A of the Local Government Act 1972, by virtue of paragraph 3 regarding information relating to the financial or business affairs of any particular person, including the authority holding that information, and in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

RESOLVED

That the tender from Mole Valley District Council for the contract to provide the Community Link Lifeline Alarm monitoring service be accepted.

Reasons for Recommendations

- i) The tender from Mole Valley District Council for the contract to provide the Community Link Lifeline Alarm monitoring service offered the most economically advantageous bid in terms of price and quality.

EX/47

**BUSINESS CASES FOR HORSHAM DISTRICT HOMES FOR AFFORDABLE HOMES IN BILLINGSHURST AND SLINFOLD**

It was moved that, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for this item of business, on the grounds that it involved the likely disclosure of exempt information, as defined in Part I of Schedule 12A of the Local Government Act 1972, by virtue of paragraph 3 regarding information relating to the financial or business affairs of any particular person, including the authority holding that information, and in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

RESOLVED

- i. the business case for the purchase of the affordable rental house in Slinfold by Horsham District Homes (Holdings) be approved;
- ii. the business case for the construction of three homes for affordable rental in Roman Way, Billingshurst by Horsham District Homes Ltd be approved;
- iii. The transfer of the land in Roman Way, Billingshurst from Horsham District Council to Horsham District Homes (Holding) for a sum to be determined by an independent valuer subject to not needing the consent of the Secretary of State be approved;
- iv. A loan of up to £350,000 to Horsham District Homes Ltd for the construction of the three properties at Roman Way, Billingshurst at the agreed rate of 4% plus base rate, be approved;
- v. That the transfer of s106 funds to Horsham District Homes (Holdings) for the purchase of the two bedroomed house in Slinfold for a sum of no greater than £205,000 plus stamp duty and agents fees be recommended to Council.
- vi. That the transfer of s106 funds to Horsham District Homes (Holdings) for the purchase of three properties at Roman Way, Billingshurst for a sum of no greater than £675,600 be recommended to Council.

Reasons for Recommendations

Approval of the recommendations will allow the details of the transactions to be completed so that the affordable rental properties can be delivered for the benefit of households on the housing list.

*The meeting closed at 7pm having commenced at 6.02pm*

CHAIRMAN

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## Report to Cabinet

23 January 2020

By Ray Dawe (Cabinet Member for Finance and Assets)

### DECISION REQUIRED



Not Exempt

## The 2020/21 Budget and the Medium Term Financial Strategy to 2023/24

### Executive Summary

This report sets out details of the proposed 2020/21 revenue and capital budgets following the receipt of the provisional financial settlement from Government on 20 December 2019. The net budget requirement for 2020/21 at £11.2m is £0.77m higher than in 2019/20. This is largely due to the loss of £0.87m of recycling credits received from West Sussex County Council from 1 April 2020. 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 £13.3m capital programme, while the level of council tax proposed remains in the lowest quartile nationally and is the lowest in West-Sussex.

The report also reviews the Medium Term Financial Strategy 2020-24 approved by Council in December 2019 in the light of any updated information. The outlooks remains uncertain due to limited detail available on Government's proposed significant changes to the future of business rates and the Fair Funding Review.

The current projection is for the Council to have a budget surplus in 2020/21 and near-balanced budgets over the period of the Medium Term Financial Strategy. This is despite a continued reduction in Government funding although we anticipate any effect to be dampened over the period, rather than a step change in 2021. The near-balanced budgets are dependent on delivering a programme of digital transformation.

The Council plans to continue to deliver savings through a combination of measures including digital transformation, income generation, and other efficiency measures. While the immediate programme focuses on 2020/21, ideas have been extended into 2021/22, 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 and end-to end digital services.

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 12 February 2020:

- i) That the level of Council Tax for 2020/21 increases from £149.53 by £2.99 (2.0%) to £152.52 at Band D.
- (ii) That the net revenue budget set out in Appendix A for 2020/21 of £11.201m is approved.
- (iii) That Special Expenses of £309,500 set out in Appendix D and a Band D charge of £25.85 are agreed in respect of the unparished area for 2020/21.
- (iv) That the capital programme for 2020/21 set out in Appendix E be approved and that the indicative capital budgets in the programme for future years be noted.
- (v) That the projected future near-balanced budgets on the revenue account in 2021/22 to 2023/24 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 three years.
- (vi) That the Minimum Revenue Provision Statement set out in Appendix F is approved.
- (vii) That the Capital Strategy and prudential indicators and limits for 2019/20 to 2022/23 set out in Appendix G are approved.
- (viii) To note the statement on the robustness of the level of reserves in Appendix I.
- (ix) That the increases to fees and charges set out in Appendix J are approved.
- (xi) That the Council remain in the West Sussex business rates pool for 2020/21.

## **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, 28 November 2019

**Wards affected:** All

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

## **Appendices:**

- A:** Revenue Budget 2020-21
- 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
- J:** Schedule of increases in fees and charges

## **Background Information**

### **1 Introduction and background**

- 1.1 This report sets out the Council's budget requirement for 2020/21 for capital and revenue expenditure. The budget is reviewed in the context of the projected outturn for 2019/20, future years' projected budgets and reserves.
- 1.2 The local government finance system is complex and faces an uncertain future. In the autumn the Government postponed its reviews of Business Rates and Fair Funding to focus on Brexit and the parliamentary election. Councils are still not sure how the sector will be financed beyond 2020. While it seemed fairly certain that the direction of travel will remain towards fiscal self-sufficiency and that the amount of money available to district councils will continue to reduce over the next five years, the short term political situation creates an unusually high degree of uncertainty. Funding pressures caused by the demands of social care at upper tier levels indicates that funding is still likely to be 'diverted' from districts towards County / upper tier authorities that are suffering the most.
- 1.3 Each year as the budget is set, unavoidable growth becomes apparent in the services. This is because of increased responsibilities from legislation, contractual obligations and inflationary pressures. The current budget estimate is for the Council to deliver a surplus in 2020/21 and near balanced budgets through to 2023/24. These remain predicted through a combination of income generation and other efficiency measures, as well as some political decisions. The Council is undertaking a major programme of digital transformation to meet the demands and expectations of our customers, funded from any budget surpluses it generates or from reserves.
- 1.4 This review ensures that the 2020/21 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 In September 2019, the Chancellor announced that the 2019 Spending Review had been postponed until 2020 as Government was focused on Britain's exit from the European Union. A parliamentary election took place on 12 December 2019. The outcome of this political uncertainty is a one-year 'stopgap' spending round covering 2020/21. The 2020/21 budget is produced on this basis, but the Medium Term Financial Strategy remains politically and financially uncertain.
- 3.2 The economic outlook will depend significantly on the outcome of the UK's withdrawal from the EU and how households, businesses and asset prices respond. 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 are revisited in the sections below.

## Finance Settlement 2020/21

- 3.3 The provisional finance settlement for 2020/21 was announced on 20 December 2019. It increased core settlement resources including business rates baseline funding levels in line with inflation, providing a stop-gap one-year budget settlement, but no certainty on the medium term.

## Revenue Budget 2019/20

- 3.4 Budget holders have monitored income and expenditure against the 2019/20 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 resourcing pressures on the Democratic Services team from elections, Parks and Countryside and the Capitol creating overspends in these areas, overall, the estimated forecast outturn for 2019/20 at the end of month 8 is a net expenditure surplus of £340k. Development income is significantly higher than budgeted. Officers are still taking a number of actions that may improve this position further by year-end. Any surplus will be used to help fund the Future Horsham transformational changes in 2020/21.

## 4 Update on the Medium Term Financial Strategy projections

- 4.1 The Medium Term Financial Strategy in Table 1 has been updated for the December 2019 provisional settlement for 2020/21 and other known information. There are no significant changes.

Table 1: MTFS	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
<b>Current net expenditure</b>	10,435	11,201	12,020	11,660	11,770
<i>Income / savings to deliver through transformation</i>	<i>In budget</i>	<i>In budget</i>	(565)	(330)	(280)
<b>Expected net expenditure after transformation</b>	10,435	11,201	11,455	11,330	11,490
<b>Funding: Council Tax</b>	(9,598)	(9,922)	(10,265)	(10,620)	(10,980)
Baseline Business Rates	(2,029)	(2,052)	(1,100)	(500)	(250)
Additional Business Rates	0	0	0	(50)	(50)
Collection Fund (surplus)/deficit	(227)	(53)	-	-	-
<b>Total Funding</b>	<b>(11,854)</b>	<b>(12,027)</b>	<b>(11,365)</b>	<b>(11,170)</b>	<b>(11,280)</b>
<b>Net (Surplus) / Deficit</b>	<b>(1,419)*</b>	<b>(826)</b>	<b>90</b>	<b>160</b>	<b>210</b>

\*In December 2018, Government reversed its intention and eliminated negative RSG in 2019/20, meaning the Council was £0.7m better off in 2019/20, and consequently 2020/21, than anticipated.

- 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% increase per annum
Increase in salaries budget	2% per annum
Contribution to pension fund	0.5% reduction in 2020/21 and further 1% reduction in 2021/22 and 2022/23. Currently in surplus.
Increase in Council Tax	2% (£2.99) in 2020/21 and 2% thereafter
Local Business Rates	75% localisation of business rates triggering a significant re-baselining in 2021/22.
Increase in dwellings	Around 1,000 per year
New Homes Bonus - revenue	New Homes Bonus ends in 2020/21. Previous legacy payments end in 2022/23. Note: New Homes Bonus does not feed into revenue as tapered down to zero in 2018/19.
Minimum level of reserves	£6m

**Interest rates and inflation**

- 4.3 Britain's exit from the European Union increases the uncertainty on the rate of inflation over the next three years. The Medium Term Financial Strategy currently budgets for a 2% increase in inflation on the expectation that inflation will remain at or near current levels. The Bank of England suggested in its November 2019 Monetary Policy report that although inflation measured by the Consumer Price Index (CPI) at 1.75% is currently a little below the 2% target, they expect it to rise to a little bit above the target of 2%. Retail Price Index (RPI) though tends to be around 0.7% to 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. These helped to mitigate low interest rates by generating more income, but nevertheless, this will impact on the Council's ability to generate further levels of 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 money generated from the Community Infrastructure Levy. Expenditure on the capital programme also reduces other funds held by the Council. The Council had to borrow short term in 2017/18 and this is expected to happen again and may transition into longer-term borrowing towards the end of the medium term financial period. The positive side of the low Bank of England base rate is that the cost of borrowing is also relatively low at present, although the Treasury raised the Public Works Loan Board borrowing rate by one percentage point overnight in October 2019. The Council can borrow from other sources.
- 4.7 Economic forecasters are divided on the future levels of interest rates and much may hinge on the outcome of Brexit negotiations. During 2019, our treasury management advisors' opinion has reduced the likelihood of a small increase over the three-year

period to one that now remains at the current rate of 0.75%. The Bank of England's view is reserved as it includes both the scenario of growth staying weak, meaning interest rates could fall, as well as the economy developing an upward pressure on prices meaning a modest interest rate rise may be needed to keep inflation at the 2% target. The former would adversely affect the returns that the Council makes on its investments, whereas the latter would benefit the Council.

### **Salaries**

- 4.8 Local Government pay is negotiated nationally and the Council has no direct influence on the settlement. The local government pay award was 2% in 2019/20 and a 2% pay increase each year through to 2023/24 has been budgeted in the Medium Term Financial Strategy above. In expenditure terms this equates to approximately £325k of additional expenditure per annum. The trade unions have asked the local authority employers for a 10% increase.

### **Pension Fund**

- 4.9 The actuary has reviewed the assumptions at the 2019 triennial review. The overall pension fund is in surplus. The interim valuation of the Council's pension fund was a £3m asset at 31 March 2019. The actuary recommends a gradual 2.5% reduction in employer pension contributions over the period, from the current 20.5% to the pension fund's minimum level of 18% per annum in 2022/23. The 2.5% reduction equates to approximately £0.4m decrease in annual employer contributions in monetary terms. The fund has benefited from some small revisions to the assumptions such as the life expectancy not increasing quite as fast as anticipated three years ago, and a much greater than anticipated investment return over the last three years. However, it is worth remembering that the pension fund has spent more years in deficit than in surplus and the position can quickly decline, due to any further changes in actuary assumptions increasing the liabilities, as well volatility of asset values and the value of assets falling. The contributions position will be regularly revisited during the interim pension fund valuations until the next triennial valuation in 2022.

### **Council Tax**

- 4.10 The December 2019 provisional settlement retained the 2020/21 referendum threshold at the higher of 2% 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. A 2% increase in Council Tax, equivalent to £2.99 is included in the 2020/21 budget. Further increases in Council Tax at 2% have been built into the Medium Term Financial Strategy projections through to 2023/24. 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, Southwater and Billingshurst. The Council anticipates that the completion of these developments together with the delivery of new homes to the north of Horsham 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. Economic uncertainty and the likelihood that a recession may very well limit these numbers over the next four years.

### **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.
- 4.14 Historical data suggests a 'flat' picture with limited material Business Rates growth envisaged over the period of the Medium Term Financial Strategy. This area is a 'momentum indicator' where growth is more likely to continue where it is already taking place. There have been a number of conversions of business premises to residential flats (under the permitted development regime introduced by the Government) and a number of retail premises have closed. Since, the 2017 Rateable Value list was introduced on 1 April 2017, it has fallen by over £1.8m. Redevelopments in the former Council buildings on North Street, Piries Place and Swan Walk shopping centre are affecting the Rateable Value. In the longer term, some of 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 for affluence of its population.
- 4.15 In comparison with other authorities though, the Council is comparatively less at risk of significant business rate losses as it has relatively few single significant sites, such as an airport or power station. 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 £2.5m for business rate appeals at 31 March 2019. 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.
- 4.16 Since the November 2019 Medium Term Financial Strategy update, the High Court has returned judgement that NHS trusts are not charities and therefore do not qualify for mandatory business rate relief. We are working through the impact on our appeals provision for 31 March 2020. However, we are aware that the NHS may appeal through the Court of Appeal. Therefore, this could still potentially affect us, although the risk has reduced somewhat.
- 4.17 Government has previously consulted on a '75% localised' business rates scheme, but how and when this will happen and what impact it will have on local government remains uncertain. No formal legislation has yet been put forward by Government. Indeed, some commentators are critical of the business rates retention system altogether, although no replacement scheme has yet been put forward.
- 4.18 A 75% localisation scheme refers to the level of growth or fall from the baseline, the latter expected to be significantly and then regularly reset. The Council will also continue to share this growth or fall with West Sussex County Council. In 2019/20 the West Sussex councils ran a pilot scheme of 75% business rates retention. In this pilot scheme, the share was Government 25%, WSCC 55% and the Council 20%. It is unclear how or if this might transition into a long term model for the 2020s.

- 4.19 Implementation of the new system is being deferred to 2021/22 or later. Government has disbanded the 75% pilot scheme for 2020/21. West Sussex Councils have proposed to continue to operate a business rates pool in 2020/21 of the retained 50% for this year as this is financial advantageous for the county area as a whole, and does not disadvantage Horsham District. It is recommended the Council remain in the West Sussex business rates pool for 2020/21 and share any overall growth in the county. Whatever happens, it is anticipated that business rate income will continue to be distributed around the country in a similar way to before.
- 4.20 Beyond 2020/21, 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. Furthermore, Government has switched the increase in the Business Rates multiplier from RPI to CPI. 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 The Government has already consulted 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 a multi-year settlement offer expected from 2021 onwards.
- 4.23 All the signs and indications so far point towards districts and especially those which have low need and a higher proportion of wealth losing the most. Some extrapolations, if all worst case scenarios happen, could see this Council lose up to £7m funding or potentially more per annum if parking income is included in the calculations. Our projections assume we retain all our sales, fees and charges alongside Council Tax as our two main funding streams. If previous changes are a guide, there will be some transitional arrangements, which will dampen the immediate effect. Government had indicated that any period would be short in order to redistribute funding as quickly as possible, but the December 2019 election pledges suggest this may not be as sudden as originally assumed.
- 4.24 At this point it is difficult to calculate the effect of both the Fair Funding Review and 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 2021. The Council has made the assumption that a significant re-baselining of business rates will occur. The Council estimates a Business Rate income of about £1.1m in 2021 rather than the current £2m, with this falling close to zero by 2023/24 as the damping effect from the Fair Funding Review wears off. The Council will revisit the impact of this as it learns more of how the scheme will work and will feed this into a future Medium Term Financial Strategy.

### **New Homes Bonus**

- 4.25 The New Homes Bonus provides an incentive payment for local government to stimulate housing growth in their area. The calculation is based on Council Tax statistics submitted to Government each October. In two-tier local government areas this payment is currently split in the ratio 20% to county councils, 80% to district

councils. New Homes Bonus is currently not ring-fenced and can be spent at the Council's discretion.

- 4.26 The incentive has been reduced since its introduction. Initially Government reduced the payment from six years to four years, and introducing a 0.4% baseline that needs to be exceeded before any New Homes Bonus payments are made. For this Council, this means that approximately 240 band D equivalent dwellings need to be built before any grant is received.
- 4.27 The technical consultation paper for the Local Government Finance Settlement 2020-21 informed us of Government's intention to look again at the New Homes Bonus and explore a more effective way to incentivise housing growth. Government believes the grant has not been successful in delivering 'additional' housing. The provisional settlement confirmed the alterations to the scheme to remove any 'new' legacy payments from 2020/21 and previous legacy payments will end in 2022/23. This rapid phasing out indicates Government's intention to phase out and replace New Homes Bonus sooner rather than later.
- 4.28 Government announced it will consult on proposals prior to implementation, and we expect this to be included in the 2020 spending review. The ending of legacy payments heavily indicates that some, or all of the overall £900m funding pot will be used as a counterweight in any 75% localisation of Business Rates scheme and Fair Funding review in 2021/22.
- 4.29 Any alternative or replacement scheme, if it happens, could change the payment ratio between district and county to one more favourable to county. This would reduce the future amounts the Council will receive. Due to this overhanging threat, during 2017/18 and 2018/19, the Council removed its revenue reliance on New Homes Bonus to zero in contrast to the £1.17m that was included in the 2016/17 revenue budget.
- 4.30 The ending of New Homes Bonus is modelled in **Appendix H**. It includes the one-year payment of £1.485m for 2020/21 based on the dwellings in the Council Tax Base form at October 2019 and the number of affordable homes. The New Home Bonus reserve stood at £4.3m at 31 March 2019. The reserve forecast to run down to £1.4m by 31 March 2024, after allowing for annual investment equivalent to £3m in property or infrastructure expenditure which helps the Council generate income from appropriate investments to support future service delivery and secure the delivery of infrastructure to serve the needs of the district's residents.

#### **External financial pressures**

- 4.32 West Sussex County Council (WSCC) has seen a reduction in core Government funding of £155m in the last eight years and has delivered savings and efficiencies to balance the budgets to date. WSCC has identified the need to save a further £75m over the next four years in their Medium Term Financial Strategy. WSCC has therefore withdrawn elements of discretionary funding to others as part of their 20120/21 budget setting process. The termination of all recycling credits above the statutory minimum level to encourage levels of recycling and reduce the amount of residual waste removes £870k of income to the Council for the recycling credits in 2020/21.
- 4.33 The Council is monitoring the impact of other WSCC decisions on their remaining discretionary funding that may affect areas such as the housing services. WSCC is working with district councils to mitigate the impact. No further significant impact on the scale of the recycling credits are envisaged in the Medium Term Financial

Strategy, but some moderate and gradual cost impacts are anticipated towards the end of the period.

- 4.34 Government's resources and waste strategy currently proposes that all local authorities should be collecting food waste by 2023 and there is a growing appetite across authorities in West Sussex to do this. WSCC is coordinating the collection of data across the county and is using a consultant to try to calculate likely implementation costs and benefits to the recycling rates. The Council is in the early stages of considering when it is likely to implement food waste collections.
- 3.35 It is currently unknown whether Government will contribute any funding towards the cost of the infrastructure, including the food waste caddies and vehicles, or the fuel and manpower needed to collect from every doorstep on a weekly basis. The Medium Term Financial Strategy has been updated to include a revised estimated revenue cost of £0.5m during 2020/21. The work being undertaken by WSCC and Council officers will further refine this figure in future budgets, alongside any external funding we can secure to achieve this objective. WSCC has indicated that some one-year recycling credits may be available to districts who adopt the 1:2:3 collection of weekly food, fortnightly recycling and residual waste every three weeks; a model that other authorities in the UK have already adopted.

### **The Environment and Climate Change**

- 4.37 The Council is committed to tackling climate change, and the 2019-23 Corporate Plan prioritises the protection of the environment as we move to a low carbon future. The Council undertook a carbon audit to understand its 2018/19 carbon footprint in November 2019. It identified a baseline of 18,000 tonnes of carbon per annum. A significant contributor is from contract operating services on behalf of the Council and the buildings that the Council leases which account for 78% of the total emissions. These will be the most challenging emissions to reduce as they are not always within the direct control of the Council. As part of its initial response, the Council is putting together a sinking fund for its leisure centres. An earmarked leisure environment reserve will be built up from revenue and reserves aiming at the current contract break point in the mid-2020s; when any refurbishment and carbon reduction would go together most efficiently.
- 4.38 This and further targeted reductions to the Council's carbon emissions will come forward as the Council explores what actions it needs to take with an action plan in early 2020. This will also need to be fully costed and further funding will need to be set aside in the future.

## **5 Draft Revenue Budget for 2020/21**

- 5.1 The 2020/21 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 £11.2m. The detail of the revenue budget is shown in **Appendix A**. Due to the one-year 'same as' 2019/20 funding settlement from Government in 2020/21, the budget will generate an estimated surplus of £0.83m which should be earmarked into a transformation reserve and used to fund the further transformation required to help deliver future recurrent savings and income needed to fully balance the budget by 2023/24.

- 5.3 A summary of the main items of growth and savings in the 2020/21 budget is set out in **Appendix B**. Along with the £870k reduction in recycling credits, salaries remain a significant cost pressure of approximately £325k in 2020/21 relating to a 2% pay award to staff. The Council has tried to mitigate the increase by reducing posts and hours where possible, although there is an overall growth in headcount, largely due to help the delivery of digital transformation.
- 5.4 Other significant items of growth include more expenditure in parks and countryside, rising fuel and transport costs, the impact of competition in Horsham on the Capitol, an increased general maintenance programme, investment in better technology and a higher volume of payment processing costs. The Council has also decided to take on a second graduate under the LGA's national graduate development programme during 2020/21.
- 5.5 The Year of Culture was 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. The final projected overspend is forecast at £67k. To help leave a cultural legacy, the Council is investing a further £100k a year for two more years, in an operational outreach officer and a strategic officer so that it can be enjoyed by residents and visitors long after 2019.
- 5.6 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 2020/21, this includes raising some fees and charges, most notably in changing parking charges in urban and rural areas and also increasing the price of the garden waste collection by £2 to £41 a year for the first bin and £31 for any additional bins. These and other notable fees and charge increases are set out in Appendix J.
- 5.7 In total, the increase in income and efficiencies has only mitigated some of the cost pressures and the net budget at £11.201m requirement is £0.77m higher than the £10.435m from the previous year, though this is largely caused by the loss of £0.87m WSCC recycling credits.
- 5.8 The budget also includes £225k of grants to the voluntary groups, the largest being £93k 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 £309,500 are included in **Appendix D**. The proposed the Special Charge for 2020/21 is set at £25.85, and is sufficient to fund the proposed Special Expenses. The increase in the special charge was discussed with the Neighbourhood Councils in December 2019.

## **7 Council Tax for 2020/21**

2019/20		2020/21
£000		£000
10,435	Net expenditure	11,201
1,419	Contribution to / (from) general reserves	826
11,854		12,027
0	Revenue support grant	0
(4,807)	New homes bonus	(4,830)
4,807	<u>Less</u> contribution to new homes bonus reserve	4,830
(2,029)	Business Rates retention scheme baseline	(2,052)
0	Business Rates retention scheme net additional business rates	0
<b>9,825</b>	Expenditure to be financed from District Council Tax	<b>9,975</b>
(299)	<u>Less</u> funding by Special Charge taxpayers	(309)
(227)	<u>Less</u> share of estimated (surplus) / deficit on Collection Fund	(53)
9,299	Expenditure to be funded from District Council Tax	9,613
62,187	Estimated band D equivalent properties	63,029
£149.53	Council Tax at band D	£152.52
£2.88	Cost per week at band D	£2.93

Table 3 – Council Tax for 2020/21.

## 8 Capital Budget

- 8.1 The Council has applied its project management methodology to projects detailed in the Capital Programme for 2020/21 and completed business cases to ensure that decisions taken by the Council represent Value for Money.
- 8.2 At month 8, officers are forecasting delivery of £13.6m (63%) of the £21.2m 2019/20 programme. At this stage, approximately £3.2m of unspent items will be removed as no longer required, £0.4m on two schemes deferred into 2021/22 and £4m will be re-profiled into 2020/21.
- 8.3 The proposed £13.3m capital programme in 2020/21, includes completion of approved schemes from preceding years such as the schemes for the Highwood community centre, Horsham Skate Park and Oakhurst phase IV development. 2020/21 also includes a £113k (30%) uplift to the previously agreed £390k Warnham Nature Reserve Discovery Hub budget, the majority of which has slipped from

2019/20, taking the total cost of the project to £0.5m. There are also eleven other new schemes totalling £1.35m of which ten, and all bar £12.5k, are unfunded. Summary details of new schemes are in **Appendix E (ii)**. This includes a further £300k on two more rural car parking improvements in Henfield and Pulborough, taking the capital spend on six rural car parks to £880k in three years. As this is significantly more than the £50k a year sinking fund assumed in the original business case for introducing rural car park charges. Revenue contributions to the sinking fund have been increased in 2020/21.

- 8.4 The full draft capital programme for 2020/21 is in **Appendix E (i)**. The new programme for 2020/21 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**. No changes have been made.

#### **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. These also cover 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 18 December 2019. 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 2020/21 has changed slightly compared with the version tabled at the Audit Committee on 18 December 2019 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 2019/20 and 2020/21 and introduces new indicators for 2021/22.
- 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 2020/21 through to 2023/24 and it is anticipated that this will be funded by the surpluses in 2019/20 and 2020/21 and then from general reserves. 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 2021/22 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. Apart from funding transformation, the Council should not need to use general reserves for unexpected revenue spend 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 remain above the £6m level throughout the Medium Term Financial Strategy 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 2021/22 through to 2023/24. 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.
- 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 2020 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 proposed changes cannot be delivered to the size / scale envisaged
  - income may be affected by external factors such as a recession. A recession did not occur in its normal timing of late in the decade so could be considered overdue.
  - economic uncertainty in Europe or arising as part of the United Kingdom's exit from the European Union.

- 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 currently unknown.

## **11 Next steps**

- 11.1 The Council meeting on 12 February 2020 will set the Council Tax for 2020/21.

## **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 13 January 2020 and the Group was supportive of the proposed strategy.
- 12.2 The proposed budget and Medium Term Financial Strategy will be considered at the Overview & Scrutiny Committee meeting on 20 January 2020. The Committee's views will be orally reported to Cabinet at their meeting.
- 12.3 The Medium Term Financial Strategy was also recently reviewed at Cabinet on 28 November 2019 and approved by Council on 11 December 2019, which has allowed all Members the opportunity to discuss and review the Medium Term Financial Strategy proposals in advance of the 2020/21 budget setting process. The Leader, Deputy and Cabinet Members were also briefed on the proposed 2020/21 budgets in December 2019.
- 12.4 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 2020/21 through to 2023/24. Therefore, not taking any action has been rejected.

## **14 Resource consequences**

- 14.1 The work on the digital transformation may increase headcount slightly over the next two to three years to enable the capacity to implement new systems at the same time as running the old ones. The headcount would fall back again once this has ended. The precise figure of any future reductions over the Medium Term Financial Strategy, currently estimated at around ten posts, will be firmed up as detailed plans for the individual elements are finalised. 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 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. The Council is required under the Local Government Finance Act 1992 to produce a ‘balanced budget’.
- 15.2 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. This report is shown in appendix I.
- 15.3 This report also sets out the Council’s Medium Term Financial Strategy. The Director of Corporate Resources has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer the Council’s financial affairs.

## **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 this budget in respect of Crime & Disorder; Human Rights; Diversity and Sustainability.

Appendix A

		2020/21 Budget in £'000										
Prior Year Budget £'000		Employees	Premises	Transport and Plant	Supplies and Services	Contract Payments	Capital Costs	Expenditure	Grants , Contributions and Interest	Customer Receipts	Income	*Net Expenditure
1,206	Corporate Management	689	0	17	501	0	0	1,207	(26)	0	(26)	1,181
476	Communications	396	0	0	91	0	0	487	0	(10)	(10)	477
585	Revs & Bens Admin	0	0	0	10	1,104	0	1,114	(462)	0	(462)	652
199	Policy And Performance	265	0	0	0	0	0	265	0	0	0	265
1,086	Legal & Democratic	1,001	0	0	334	0	0	1,335	(6)	(80)	(86)	1,249
821	Finance Accountancy	662	0	0	105	46	0	812	0	(13)	(13)	799
959	Finance Corporate	397	0	0	229	233	944	1,803	(954)	38	(916)	887
1,790	Technology	967	0	1	976	0	0	1,944	0	(83)	(83)	1,861
503	Human Resources & Org Development	430	0	1	93	0	0	524	0	0	0	524
(2,796)	Parking Services	674	963	1	559	0	0	2,196	(216)	(5,211)	(5,427)	(3,231)
471	Customer Services	389	0	0	134	0	0	523	0	(37)	(37)	486
226	Leisure & Culture	145	0	0	62	0	0	208	0	0	0	208
242	Museums	183	72	0	50	0	0	305	0	(44)	(44)	261
154	Capitol	759	351	2	1,124	0	0	2,236	0	(2,014)	(2,014)	222
(386)	Leisure Services	245	101	5	180	78	0	658	(59)	(918)	(978)	(319)
889	Parks And Countryside	702	417	1	240	186	0	1,547	(49)	(509)	(558)	989
2,624	Street Scene & Fleet	972	95	1,240	349	5	0	2,660	0	(64)	(63)	2,597
183	Waste & Recycling	3,311	0	9	1,168	91	0	4,580	(474)	(2,956)	(3,429)	1,150
669	Environmental Services/Licensing	1,137	0	19	170	0	0	1,326	(7)	(633)	(640)	686
210	Housing	622	429	4	542	0	0	1,597	(308)	(1,097)	(1,404)	192
796	Community Services	1,225	12	37	409	25	0	1,708	(821)	(81)	(902)	806
(43)	Building Control	767	5	19	58	0	0	848	(325)	(546)	(871)	(23)
306	Development	1,662	0	6	278	1	0	1,947	(80)	(1,870)	(1,950)	(3)
1,132	Spatial Planning	911	1	4	318	0	0	1,234	(93)	(14)	(106)	1,127
617	Properties & Facilities	473	0	1	83	0	0	557	(18)	(1)	(19)	538
(3,713)	Investment Properties	0	148	0	244	0	0	393	0	(4,239)	(4,239)	(3,847)
788	Operational Properties	0	816	0	209	5	0	1,030	0	6	6	1,035
509	Economic Development	320	74	2	142	6	0	544	(2)	(66)	(68)	477
<b>10,504</b>		<b>19,303</b>	<b>3,484</b>	<b>1,368</b>	<b>8,658</b>	<b>1,780</b>	<b>944</b>	<b>35,586</b>	<b>(3,898)</b>	<b>(20,441)</b>	<b>(24,339)</b>	<b>11,246</b>
85	Benefit Payments	0	0	0	100	28,850	0	28,950	(28,000)	(900)	(28,900)	50
<b>10,589</b>	<b>Total</b>	<b>19,303</b>	<b>3,484</b>	<b>1,368</b>	<b>8,758</b>	<b>30,630</b>	<b>944</b>	<b>64,536</b>	<b>(31,898)</b>	<b>(21,341)</b>	<b>(53,239)</b>	<b>11,296</b>
(154)	Less Capitalised Salaries											(96)
<b>10,435</b>	<b>Total</b>											<b>11,201</b>
	<i>Prior Year comparison budget sub-totals</i>	18,403	3,246	1,332	9,226	32,971	877	66,055	(35,055)	(20,411)	(55,466)	

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**Appendix B - 2020/21 growth and savings summary**

	<b>Net</b>	<b>Efficiency</b>	<b>Growth</b>
<b>Main Budget movements</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Staffing costs</b>	<b>573</b>		
Pay settlement 2% increase			324
Regrades , changes in hours etc.			102
New funded posts		(311)	311
Other new posts			751
Posts removed		(739)	
Vacancy provision removed			76
Reduction in capitalised salaries			59
<b>Corporate Contracts</b>	<b>(52)</b>		
Property repairs and maintenance			59
Utilities			60
Insurance		(137)	
Affordable Housing cost recovery		(57)	
Other items			23
<b>Chief Executive Office</b>	<b>20</b>		
Residents Survey			20
<b>Resources Directorate</b>	<b>(157)</b>		
Revenues and Benefits Contract			20
Election and electoral registration expenses			29
Legal professional fees less legal fee income			23
Investment income growth and reduction in interest paid		(22)	
Increase in Minimum Revenue Provision			48
Credit card commission costs and payment facilities			101
Technology contracts			98
Savings on end of Census arrangements		(50)	
Rural car parking income less increase in provision for repairs		(43)	
Urban car parking - including Piries Place		(267)	
LAPE and Residents on street parking net position		(94)	
<b>Community Services Directorate</b>	<b>694</b>		
Capitol café and bar reduction in net sales (to align budget)			33
Capitol productions increased income and films reduction		(76)	20
Capitol - operational savings		(16)	
Sports development income generation		(36)	
Sports development - reduction in grants receivable			27
Provision for future Leisure Centres repairs / refurbishment			50
Parks and Countryside income			24
Parks and Countryside grounds maintenance and landscaping		(41)	
Parks and Countryside additional tree maintenance			27
Cemeteries reduction in income			44
Vehicles increase in fuel costs			50
Transport additional income and costs		(20)	15
Recycling credits grant discontinued by WSCC			871

Other Household collections contract costs less increase in income			30
Green waste income		(80)	
Trade Waste income		(112)	
Environmental Health income increase		(13)	
WSSC related housing support		(32)	
Housing Rents		(11)	
Housing Government grants		(61)	
<b>Planning Directorate</b>	<b>(312)</b>		
Building control - reduction in income			20
Planning fee income		(300)	
Pre Application advice		(40)	
Land charges - income			45
Search fees		(16)	
Strategic planning - neighbourhood plans			40
District Local Plan inquiry			75
Strategic planning - projects		(119)	
Investment properties rental income less provision for voids			18
Service charges - Parkside			18
Street naming income reduction			18
Removal of one off budget For BID project		(71)	
	<b>Totals</b>	<b>766</b>	<b>(2,763)</b>
			<b>3,528</b>

**Budget movement overview**

Budget 2019/2020

**£000**

10,435

Budget 2020/2021

11,201

Budget Growth

766

2020/21

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

**Grants to voluntary groups**

	£
Citizen Advice Bureau - Horsham	93,000
Age UK	50,000
Horsham District Community Transport	27,500
Y Centre	20,000
Impact Initiatives – Steyning and Henfield	12,500
Home-Start, Crawley, Horsham and Mid-Sussex	7,000
West Sussex Mediation Service	4,000
Purple Bus, West Sussex Rural Mobile Youth Trust	6,000
Relate North	4,600
<b>Total Grants</b>	<b>224,600</b>

**In addition to the grants above, we have previously provided maintenance grants to Community Partnerships of £1,000 each and have an Individual Grants fund available for in year funding support applications.**

**The total allocation across all Community Development funding strands is £277,500**

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## Special Charge

## Appendix D

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	<b>2020-21</b>		<b>2019-20</b>
	<b>£</b>		<b>£</b>
CHILDRENS PLAYGROUNDS	25,400	25%	26,870
BANDSTANDS	17,400	100%	16,846
FOOTWAYS & AMENITY LIGHTING	0	0%	1,168
FLORAL DISPLAYS	4,700	15%	8,755
HORSHAM PARK	62,350	30%	61,932
GRANTS TO NEIGHBOURHOOD COUNCILS	17,800	100%	17,400
YOUTH WORKER GRANT	30,000	100%	30,000
RECREATION GROUNDS	44,300	50%	50,492
CHRISTMAS LIGHTS	27,850	100%	23,737
COMMUNITY WARDENS	79,700	100%	61,940
<b>TOTAL</b>	<b><u>309,500</u></b>		<b><u>299,140</u></b>
Council Tax base	11,974		11,751
<b>Band 'D' equivalent</b>	<b>£25.85</b>		<b>£25.46</b>

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Description	Forecast 19/20	Budget 20/21	Budget 21/22	Budget 22/23	Budget 23/24
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	125,000	125,000	125,000	125,000	125,000
100322 - HOUSING ENABLING GRANTS	829,000	1,873,160	3,414,000	3,000,000	3,000,000
100354 - SWAN WALK CENTRE	300,000	0	0	0	0
100396 - VEHICLES - NEW	245,000	530,000	455,000	540,000	25,000
100407 - DISASTER RECOVERY	7,389	0	0	0	0
100414 - BBHLC-NEW BUILD	835,129	0	0	0	0
100421 - PIRIES PLACE CARPARK	3,992,601	0	0	0	0
100438 - CORPORATE PROVISION - ASSET ENHANCEMENT	50,000	50,000	500,000	500,000	500,000
100447 - COMMERCIAL ESTATES - GENERAL	100,000	100,000	100,000	100,000	100,000
100453 - PIRIES PLACE CAR PARK LIFT	76,635	0	0	0	0
100454 - FORUM CAR PARK LIFT	15,454	0	0	0	0
100465 - BISHOPRIC REFURBISHMENT / ENHANCEMENT	0	0	231,663	0	0
100473 - COMMERCIAL PROPERTY INVESTMENT FUND	0	3,000,000	0	0	0
100477 - HORSHAM PARK POND IMPROVEMENTS	5,709	17,126	0	0	0
100478 - BENNETS FIELD IMPROVEMENTS	12,000	38,000	0	0	0
100479 - WARNHAM NATURE RESERVE IMPROVEMENTS	50,000	454,348	0	0	0
100491 - PIXIES HOLLOW FOOTBALL PITCH IMPROVEMENT	0	0	17,549	0	0
100498 - ST MARY'S GARDEN OF REMEMBRANCE	3,426	0	0	0	0
100505 - ROWAN DRIVE GARAGES, BILLINGSHURST	1,285,653	0	0	0	0
100506 - PEARY CLOSE, HORSHAM	259,794	0	0	0	0
100507 - LAND AT OAKHURST BUSINESS PARK - PHASE 4	801,060	1,400,000	0	0	0
100512 - BILLINGSHURST CAR PARK DEVELOPMENT	150,000	0	0	0	0
100513 - ALBION WAY CONNECTIVITY - WORTHING ROAD	0	200,000	0	0	0
100514 - HORSHAM TO SOUTHWATER - CYCLING & WALKING ROUTE	0	0	160,000	0	0
100515 - PAVILIONS LEGACY	60,744	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	7,537	0	0	0	0
100521 - SWAN WALK REDEVELOPMENT	815,000	0	0	0	0
100522 - ROFFEY RECREATION GROUND REGENERATION PROJECT	0	96,660	0	0	0
100523 - HORSHAM SKATE PARK	50,000	200,000	0	0	0
100524 - WEST STREET PLANTING	23,705	0	0	0	0
100530 - HORSHAM DISTRICT EXPERIENCE APP & WEBSITE	15,000	65,000	0	0	0
100531 - BOARDWALK REPLACEMENTS - S'WATER C PARK & L'POOL WOODS	26,500	11,500	0	0	0
100532 - BILLINGSHURST BYPASS REC PATH IMPROVEMENTS - NORTH PHASE1	0	45,000	0	0	0
100533 - BILLINGSHURST BYPASS REC PATH IMPROVEMENTS - NORTH PHASE 2	0	30,000	0	0	0
100534 - HORSHAM PARK - NEW RUBBISH BINS	0	25,000	0	0	0
100535 - PARK HOUSE, HORSHAM	200,000	100,000	0	0	0
100536 - WELCOME ZONES IN MULTI-STOREY CAR PARKS	70,000	0	0	0	0
100537 - ANPR REPLACEMENT - SW, FORUM, PP, HURST RD CAR PARKS	350,000	0	0	0	0
100538 - STORRINGTON MILL LANE - RURAL CAR PARK IMPROVEMENTS	150,000	0	0	0	0
100539 - BILLINGSHURST SIX BELLS & LIBRARY - RURAL CP IMPROVEMENTS	165,000	0	0	0	0
100540 - STEYNING NEWMANS GARDENS - RURAL CAR PARK IMPROVEMENTS	30,000	0	0	0	0
100541 - LOCAL CYCLING AND WALKING INFRASTRUCTURE	40,000	30,000	0	0	0
100542 - PUBLIC SPACE CCTV CAMERA REPLACEMENT PROGRAMME	35,700	30,000	30,000	30,000	30,000
100543 - HIGHWOOD COMMUNITY CENTRE	95,000	1,500,000	400,000	0	0
100544 - PARKSIDE FLOOR PLATE IMPROVEMENTS	45,000	0	0	0	0
100545 - PLAY SITE IMPROVEMENTS	75,000	0	75,000	75,000	75,000
100547 - GO DIGITAL SIGNAGE	112,664	0	0	0	0
<i>Swan Walk and Forum Car Park improvements</i>	0	50,000	0	0	0
<i>Rural Car Park Improvements - Henfield Library CP</i>	0	180,000	0	0	0
<i>Rural Car Park Improvements - Pulborough Lower Street CP</i>	0	120,000	0	0	0
<i>Replacement and Futureproofing The Capitol's Cinema offering- Projector</i>	0	95,000	0	0	0
<i>Horsham Town Centre Digital 'Touchscreen' Signage Kiosks</i>	0	80,000	0	0	0
<i>Town Centre Vision – Public Realm Projects Design Budget</i>	0	150,000	0	0	0
<i>Project work on allocations for development in HDPF</i>	0	150,000	0	0	0
<i>Riverside Walk Boardwalk - Ben's Acre</i>	0	12,500	0	0	0
<i>Bluebell Park Adventure Trail</i>	0	15,000	0	0	0
<i>Forum Piazza Desire Lines and Fountain Upgrade</i>	0	150,000	0	0	0
<i>Millstream extension</i>	0	350,000	0	0	0
<i>Loans - Property Dev Co</i>	0	740,000	2,400,000	2,400,000	2,400,000
<i>Equity funding - Property Dev Co</i>	500,000	0	0	0	0
<b>TOTAL</b>	<b>13,369,128</b>	<b>13,263,294</b>	<b>9,158,211</b>	<b>8,020,000</b>	<b>7,505,000</b>

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## **New schemes in the 2020/21 capital programme:**

## **Appendix Eii**

Millstream vets surgery £350,000. Property investment opportunity to increase the footprint of the current building and rental value.

Rural car-park improvements £300,000 Henfield Library car park £180k and Pulborough Lower Street carpark £120k. Resurfacing, layout improvements and lighting.

Town centre public realm projects design budget £150,000 taking concepts to detailed design stage.

Forum Piazza desire lines and fountain upgrade £150,000 installing a harder, less slippery, more durable stone to improve health and safety.

Asset development £150,000 at site/s which may be allocated for development in the Horsham District Planning Framework

Warnham Discovery Hub £113,000 additional budget for discovery hub at Warnham Nature Reserve, on the building, groundworks and landscaping taking the project spend to £0.5m

Digital cinema projector at the Capitol £95,000 Replacement of cinema projector.

Horsham town centre digital touchscreens £80,000 Digital signage aimed at tourists and visitors promoting the town centre its businesses and related activities.

Swan Walks and Forum car park improvements £50,000 painting, signage, stairwells, lighting to improve customer experience

Playground replacement £12,500 in Bluebell Park Holbrook East.

Riverside Walk Ben's Acre £12,500 to make safe two currently impassable areas with two boardwalks. (funded by S106)

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### ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT 2020/21

When the Council does not finance capital expenditure with resources such as capital receipts, grants, 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 MRP. The following incorporates options 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 that are leased in, 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. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the MHCLG Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred in the loan is fully funded over the life of the assets.
- Capital expenditure in 2020/21 will not be subject to MRP until 2021/22.

*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	2018/19 Actual £000	2019/20 Estimate £000	2020/21** Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
<b>Projected Capital Expenditure</b>	14.6	13.4	18.4	10.9	12.8
<b>Financed by:</b>					
External resources	3.5	3.7	5.5	6.8	9.1
Internal Resources *	7.4	6.7	7.7	4.1	3.7
Debt	3.7	3.0	5.2	0.0	0.0
<b>Total Financing</b>	<b>14.6</b>	<b>13.4</b>	<b>18.4</b>	<b>10.9</b>	<b>12.8</b>

\* Includes use of New Homes Bonus

\*\* The capital spend in 2020/21 includes £3.5m due to a change in the accounting for leases

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	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
MRP	0.870	0.844	1.083	1.129	1.131

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 £4.2m during 2020/21. A change in the accounting for leases introduced £3.3m of that increase. The Council’s estimated CFR is as follows:

£millions	31.3.2019 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget
CFR	33.2	35.3	39.5	38.4	37.2

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

£millions	2018/19	2019/20	2020/21	2021/22	2022/23
<b>TOTAL</b>	<b>1.3</b>	<b>1.1</b>	<b>3.7</b>	<b>4.0</b>	<b>3.2</b>

## 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 has no plans to borrow but 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	31.3.2019 actual	31.3.2020 forecast	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget
Debt (incl. leases)	0	0	3.5	3.3	3.1
CFR	33.2	35.3	39.5	38.4	37.2

8. **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. The increase in lease figures from 2020/21 reflects the fact that the accounting treatment of leases changes from that year. Although no borrowing is planned, limits are set in case a need develops.

£millions	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit
Authorised limit – borrowing	15	15	15	15
Authorised limit – leases	1	6	6	6
Authorised limit – total external debt	16	21	21	21
Operational boundary – borrowing	0	0	0	0
Operational boundary – leases	0	4	4	4
Operational boundary – total external debt	0	4	4	4

9. **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. The projections show cash balances at year-end, which is a cash low point, remaining about £30m until 2022/23.

	<b>31.3.2019 actual</b>	<b>31.3.2020 forecast</b>	<b>31.3.2021 budget</b>	<b>31.3.2022 budget</b>	<b>31.3.2023 budget</b>
Near-term investments	19	11	11	10	5
Longer-term investments	17	19	20	20	20
<b>TOTAL</b>	<b>36</b>	<b>30</b>	<b>31</b>	<b>30</b>	<b>25</b>

10. **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.
11. **Treasury investment in detail:** The more detailed Treasury Management Strategy was recommended by the Audit Committee on 18<sup>th</sup> December 2019 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**

12. **Investments other than the traditional treasury:** This section concerns investments other than the traditional treasury instruments. It was introduced last year as required by new CIPFA and MHCLG guidance. Both bodies acted on their concerns over the increasing risks that they saw in councils' commercial operations. 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.

13. **Investment for service purposes:** The Council can make investments to assist local public services, including making loans to local service providers and buying shares and making loans to any Council subsidiaries that provide services. Overall limits are set at £1.5m on the total exposure to loans for service purposes and £0.5m exposure permitted for shares being held. These limits were recommended by the Audit Committee on 18<sup>th</sup> December 2019 for adoption by the Council.
14. **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.
15. **Commercial activities:** To support its services the Council invests in commercial property. Commercial property investments are currently valued at £51m and they provide a net return after direct costs of just over 7%.
16. **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.
17. **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.
18. **Other liabilities:** The Council also has liabilities that it must seek to risk manage which this strategy covers. The Council has set aside £2.5m 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.
19. **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 2018/19 statement of accounts.

20. 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 18 December 2019 to be approved by the Council. That report includes detailed limits and indicators designed to demonstrate a prudent risk management approach.
21. **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.

	2018/19 actual	2019/20 forecast	2020/21 budget	2021/22 budget	2022/23 budget
Financing costs (£m)	0.0	0.0	0.3	0.3	0.3
Proportion of net revenue stream	0%	0%	2%	3%	3%

22. **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.
23. **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.

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New Homes Bonus (NHB) – January 2020

Appendix H

removed completely 2021/22		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
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							
1 year from 2020/21	2013/14			397	397	397	397	397						
No new payment in 21/22	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										1,485			
Ended	2021/22													
Ended	2022/23													
Ended	2023/24													
		379	769	1,166	1,942	2,936	4,398	4,815	4,827	4,807	4,830	2,159	974	0
Used to fund revenue		0	0	1,166	1,166	1,166	1,166	700	0	0	0	0	0	0
Used for BBH leisure centre		0	0	0	0	0	2,000	5,000	4,500	565	0	0	0	0
Neighbourhood warden seeding									30	75	45	0	0	0
Investment property / infrastructure										3,000	3,000	3,000	3,000	3,000
Added to / (drawn from) Reserves		379	769	0	776	1,770	1,232	-885	297	1,167	1,785	-841	-2,026	-3,000
<b>Total Reserve figure</b>		<b>379</b>	<b>1,148</b>	<b>1,148</b>	<b>1,924</b>	<b>3,694</b>	<b>4,926</b>	<b>4,041</b>	<b>4,338</b>	<b>5,505</b>	<b>7,290</b>	<b>6,449</b>	<b>4,423</b>	<b>1,423</b>

Notes:

The December 2019 Provisional Settlement confirmed the technical consultation paper for the Local Government Finance Settlement 2020-21 and the change in mechanism of NHB to a single year payment only. Previous legacy payments will continue until they expire naturally. 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 240 additional houses a year before we receive the payment in 2020/21.

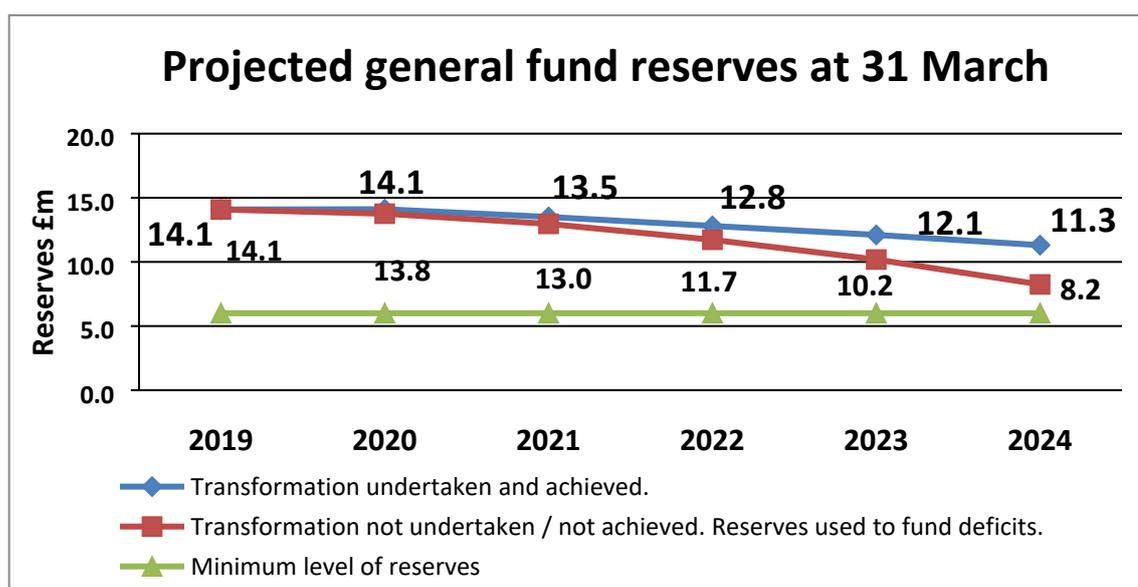
Reliance on NHB to support revenue was tapered down to nil in 2018/19. We took measures to increase income and phase in additional spending reductions to balance the budget as new homes bonus was not considered a permanent source of income. We expect Government to confirm the end of NHB in its current form and include it as a counterweight in the 75% localisation of business rates and the Fair Funding Review in 2021/22. Government has not yet confirmed projected figures in *red italics*. We anticipate an alternative or replacement scheme, if it happens, starting in 2021/22.

The table assumes that NHB reserve is used to fully fund £3m of commercial property investment or infrastructure each year now that the BBH leisure centre is paid for, thus financing the purchases and reducing the MRP charge of an unfinanced asset.

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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 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 2019 were effectively £14.1m after transferring £144k of the 2018/19 revenue budget surplus into an earmarked transformation reserve to fund one-off up-front costs of business transformation in 2019/20. The position in 2020 reflects the proposed decision to transfer £0.57m of general reserve into an earmarked green reserve to help tackle the re-wilding of the district and a parish / community carbon fund.
- 1.5 Beyond 2020, the graph shows the predicted level of general reserves in future years under two 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 2023/24. The Council would end the period with circa £11.3m of reserves.



- 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. The Council would end the period at circa £8.2m of general reserves.
- 1.7 The lower (triangle green) line shows the level of general reserves.
- 1.8 In both cases, the general fund reserves remain above the £6m minimum level until 31 March 2024. 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 further transformation.
- 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 2019 are shown in table a) below.

#### **a) Earmarked reserves**

<b>Earmarked Reserves at 31 March 2019*</b>	<b>£'000</b>
Neighbourhood Planning Grant	278
S106 reserves	586
NNDR reserve	1,435
Council Tax localisation	293
Health and Wellbeing	210
Transformation fund*	500
BBH leisure centre (NHB)	314
Other	967
<b>Total</b>	<b>8,918</b>

\*Inclusive of £0.144m transformation from the general fund transferred from the 2018/19 surplus

### **New Homes Bonus (NHB)**

- 1.11 The NHB reserve was £4.3m at 31 March 2019 and is expected to total £5.5m at 31 March 2020. An estimate of the future levels of NHB reserves are set out separately in more detail at Appendix H. It sets out the probable ending of NHB as a result of the outcomes of the Fair Funding and localisation of business rates.

The following deadline prices will commence from 1 April 2020

<b>Parking</b>	<b>Current fee</b>	<b>From 1 April 2020</b>
Rural car parking disk – first disk	£12	£15
Rural car parking disk – two subsequent disks	£6	£8
Standard * rural car park season ticket	£130	£150
* Six Bells Billingshurst, Jengers Mead Billingshurst, Library Car Park Henfield, Coopers Way Henfield, Lower Street Pulborough, Godwin Way Roffey, Fletchers Croft Steyning, Newmans Gardens Steyning, Library Car Park (North Street) Storrington, Hanover Walk Storrington		
Urban car park evening charges (6pm to 8pm) – remove dedicated tariff	£1	hourly rates now apply until 8pm
Swan Walk and Forum car parks hourly charges apply	8am to 6pm	now 8am to 8pm
BT Exchange car park, Horsham – introduce commuter parking option The price structure will be brought back to Cabinet for approval in March 2020.	No commuter parking option	Introduce tariff options for commuter parking from May 2020.

<b>Waste and Recycling</b>		
Garden Waste collection service – first bin	£39	£41
Garden waste collection service – subsequent bins	£29	£31
<b>Trade Waste (collection and disposal)</b>		
240 litre bins – refuse – first bin	£6.95	£7.10
360 litre bins – refuse – first bin	£7.90	£8.10
660 litre bins – refuse – first bin	£11.80	£12.10
1,100 litre bins – refuse – first bin	£15.70	£16.00
1,280 litre bins – refuse – first bin	£18.00	£18.50
Green sacks (1 roll, 25 sacks)	£30.27	£30.87
The prices of subsequent bins may be cheaper. Bins for mixed dry recyclables and cardboard & paper are less.		
<b>Bulky Bag (collection and disposal)</b>		
Mega bag	£195	£200
Large Bag	£130	£135
<b>Parks and Countryside</b>		
Tennis court per hour	£6	£6.25
Tennis court annual family membership	£45	£47.50
Football pitch – adult with changing room per match	£70	£71.40
Fairs - per day	£860	£875
Filming per hour (half day and day rates available)	£0	£75
<b>Street name and numbering fees</b>		
House name or number change	£100	£125
Building Name Change (e.g. block of flats)	£100	£125 + £35 per flat
New Developments Including Conversions of Residential & Commercial premises	£175 (new individual property)	£250 (new individual property)
Street Naming For New Developments	£175 per phase or	£250 per phase or application inclusive of

	application, inclusive of the first plot, plus £27 for each	the first plot, plus £35 for each additional plot up to fifty plots and then £25 per plot for each additional plot over fifty.
Street Naming For New Developments involving the naming of a new road	additional plot up to fifty plots and then £20 per plot for each additional plot over fifty.	£350 per phase or application inclusive of the first plot, plus £35 for each additional plot up to fifty plots and then £25 per plot for each additional plot over fifty.
Amendments to an approved and issued street naming and numbering scheme:	No charge	£150 per + £25 per plot / unit affected
Letter of confirmation of an address for legal or utility company purposes:	£25	£35
<b>Environmental Information Regulations 1991</b>		
Land charge report on contaminated land	£114	£116
<b>Unsound food</b>		
Voluntary surrender certificate	£120	£122
<b>Export Hygiene certificate</b>		
Minimum Cost – Single Inspection Visit for up to two separate consignments and issue of EHCs	£70**	£72**

\* Minimum Cost for EHC will be increased based on Officer Time and Travel Expenses/Time for inspection visit, where total time exceeds one hour. Price will be quoted on a business-by-business basis. Fees include VAT at 20%.

General note: these are mostly headline fees and charges where prices have changed. Other fees are available, where less service is provided. e.g. adult football pitch without changing room facility is cheaper than the including changing room facility charge. All the sub-fees have not been listed here.

## Report to Cabinet

31<sup>st</sup> January 2020

By the Cabinet Member for Finance and Assets

**DECISION REQUIRED**



**Horsham  
District  
Council**

Not Exempt

## Council Tax Reduction (CTR) Scheme

### Executive Summary

This report provides Cabinet with an overview of Horsham's current CTR scheme, along with a recommendation that no changes are made to the scheme for 2020/21.

The report also makes the recommendation to implement an increase in the Council Tax long-term empty premiums from 1<sup>st</sup> April 2020 to further incentivise landlords/owners to bring properties back into occupation. With a further increase from 1<sup>st</sup> April 2021.

Cabinet is being asked to agree for sign-off of these proposals at full Council.

### Recommendations

The Cabinet is recommended to:

- i) Agree the inclusion of a 'no-change' CTR scheme to be approved at full Council.
- ii) Adopt the Empty Homes Premium increase to 200% for homes empty for more than five years from April 2020, and to 300% for homes empty for more than ten years from 2021/22.

### Reasons for Recommendations

- I. CTR schemes are annual schemes and therefore require an annual review and approval, even when no changes to the scheme are being proposed.
- II. To enable the Council to sustain a robust Empty Homes Strategy by bringing empty homes back into use.

**Background Papers:** There are no accompanying background papers

**Wards affected:** All wards

**Contact:** Beccy Salmon, LGSS R&B Operations Manager (Horsham), 07392860143

## **Background Information**

### **1 Introduction and Background**

- 1.1 Horsham District Council is operating a Council Tax Reduction (CTR) Scheme, which provides financial support for people on low incomes to help them afford their Council Tax payments.
- 1.2 The scheme should be reviewed and authorised annually by both Cabinet and Council, even when no changes are proposed.
- 1.3 The introduction of the empty homes premium in 2013 has been a useful incentive in persuading owners of empty properties to bring them back into use. Horsham District Council has used this power since April 2013 and imposed the maximum premium of 50% over and above the charge which would apply if the domestic property was unoccupied.
- 1.4 On the 1<sup>st</sup> November 2018 new legislation was introduced to enable councils to charge higher council tax premiums on long term empty dwellings to provide additional powers to reduce the number of long-term empty properties
- 1.5 Horsham District Council currently applies the following premium to long-term properties:
  - 150% for properties remaining empty for 2 years or longer.

### **2 Relevant Council policy**

- 2.1 The design and funding of the CTR scheme forms part of delivering a balanced budget in the medium term, as detailed in the Corporate Plan.
- 2.2 Should the Council implement these increased empty home premiums it will assist the Council with the delivery of the Empty Homes Strategy which contributes towards the District Priority - Support our Communities.

### **3 Details**

- 3.1 Horsham's CTR scheme currently provides financial support for those on low incomes and provides a means-tested discount to reduce their Council Tax payments.
- 3.2 The scheme ensures that the following protected groups are subject only to the means-test calculation when their CTR discount is awarded:
  - 3.2.1 Pensioner households;
  - 3.2.2 Lone parents with a child under 5;
  - 3.2.3 Households where the means-test attracts an additional premium in their applicable amount due to disability or caring responsibilities;

3.2.4 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 will also have their discount:

3.3.1 reduced by 10%

3.3.2 restricted to a Band D equivalent liability amount

3.4 The recommendation of this report is that the above scheme remains unchanged.

3.5 The current long-term empties policy allows for an additional 50% premium to be applied to the liable party's Council Tax account if their property remains empty for 2 years or more. The recommendation under the new regulations is to increase this premium as follows:

3.3.3 Increase in the long-term empty premium to 200% from 1<sup>st</sup> April 2020 for properties vacant for 5 years and over.

3.3.4 Increase in the long-term empty premium to 300% from 1<sup>st</sup> April 2021 for properties vacant for 10 years and over.

## **4 Next Steps**

4.1 This proposal report is submitted to Council for approval.

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

5.1 The CTR proposal will be presented to the Finance & Assets PDAG on Monday 13<sup>th</sup> January 2020

5.2 The proposed policy changes were considered by the Community and Wellbeing Policy Development and Advisory Group at its meeting on 18<sup>th</sup> February 2019 and the Group was fully supportive of the proposed changes.

## **6 Other Courses of Action Considered but Rejected**

6.1 With the on-going roll out of Universal Credit, there were concerns that the recovery of Council Tax as a result of the automated monthly update of customers' income would be interrupted and slow the recovery process.

6.2 The impact of regularly changing the amount of a customer's CTR discount will lead to delays in recovery caused by having to re-bill customers, re-setting instalment arrangements, customer confusion and increased customer complaints.

6.3 The proposed solution to this problem is to change the CTR scheme to incorporate banded income brackets, which will provide some tolerance against fluctuations in income and prevent the impact on Council Tax recovery.

- 6.4 However, the analysis of Universal Credit has determined that this is not the case and the recovery of Council Tax is not being impacted in this way. An on-going annual review will to be carried out as Universal Credit continues to replace legacy benefits, this will ensure that the option for a banded scheme can be considered each year.
- 6.5 In terms of the long-term empty premium, The Council could choose not to implement the new empty homes premiums. This would be a missed opportunity to further incentivise domestic property owners to bring empty properties back into use.
- 6.6 It is also possible under the new legislation to increase the premium for properties which have been vacant for 2-5 years. However, the existing 50% premium for these properties is considered sufficient as, in our experience, a number of the homes that are still empty after 2 years are not being deliberately left empty. Some properties, particularly retirement properties, are difficult to sell whilst other properties that require major renovation take more than 2 years to complete.

## **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 if it decides to continue to adopt its current scheme.
- 7.2 Due to the minimum number of long-term empty properties impacted by this recommended change, the impact on resourcing is expected to be minimal.

## **8 Legal Consequences**

- 8.1 The legal authority for CTR schemes comes from:
- 8.1.1 Local Government Finance Act 2012
  - 8.1.2 The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012
- 8.2 The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 gives the Council the discretion to increase the levels of the empty homes premiums as set out in this report.

## **9 Risk Assessment**

- 9.1 As there is no proposed changes to the current CTR scheme a further risk assessment is not required.
- 9.2 Due to the minimal number of empty properties, which would be affected by this proposal, the perceived risk is minimal.

## **10 Other Considerations**

- 10.1 With no changes proposed to the current CTR scheme no further considerations are required.
- 10.2 The largest proportion of empty properties that may be affected are owned by individuals although there is no data on their equality profile. However, based on the experience of Officers, vulnerable people are not the majority of owners. No specific impacts on people sharing protected characteristics are likely as there is no pattern to people who own properties that will be liable for this charge.
- 10.3 There are potential social and community benefits arising from the proposal in this report to increase council tax empty homes premium. Homes that remain empty for long periods are a waste resource, particularly in the context of growing demand for housing, can impact on neighbouring residents and can attract crime or anti-social behaviour. Homes that are brought back into use are also more likely to be maintained appropriately.

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## Report to Cabinet

23 January 2020

By the Leader & Cabinet Member for Economic  
Development and Parking

**DECISION REQUIRED**



**Horsham  
District  
Council**

Not Exempt

### Extending Ultrafast Public Connectivity

#### Executive Summary

The purpose of this report is to consider a further extension of ultrafast broadband to the Council's buildings. The report recommends that the Council use West Sussex County Council's existing contract with CityFibre to achieve this rollout. The 2019/20 West Sussex councils' business rate pool will fund the contract this CityFibre for its first seven years.

#### Recommendations

Cabinet is recommended:

- i) to approve in principle that the Council enter into an agreement with CityFibre for an extension of the Council's full fibre connectivity using the West Sussex County Council's framework and the seven year revenue model.
- ii) to delegate to the Chief Executive, in consultation with the Leader, the final approval of sites and contract detail subject to approval of funding of £802,440 from the business rates pooling being approved by West Sussex Leaders.

#### Reasons for Recommendations

- i) This change will make the Council's services fit for the next seven years from the date of build, expected to be in the second half of 2022.

#### Background Papers

September 2017 Cabinet report on Gigabit West Sussex

September 2018 Cabinet report on 75% Localisation of Business Rates 2019-20 Pilot Scheme

**Wards affected:** Broadbridge Heath, Denne, Forest, Holbrook East, Holbrook West, Roffey North, Roffey South, Trafalgar

**Contact:** Glen Chipp, Chief Executive, 01403 215101  
Jane Eaton, Director of Corporate Resources, 01403 215000

## **Background Information**

### **1. Introduction and Background**

- 1.1. In September 2017, Horsham District Council's Cabinet agreed to join a countywide project, led by the County Council to roll out ultrafast broadband to some of the Council's buildings. In May 2018, West Sussex County Council awarded a contract for gigabit capable dark fibre infrastructure. Network construction is completed in Horsham and nearing its end in the rest of West Sussex.
- 1.2. Horsham District Council has continued to work with West Sussex County Council and the other West Sussex Districts and Boroughs to maximise the benefits of gigabit-capable full fibre across our areas and our operations.
- 1.3. This report looks at how to achieve a further roll out to the rest of our public service sites in Horsham town.

### **2. Relevant Council policy**

- 2.1. The further roll out of our public connectivity supports people and businesses to deal online with us by ensuring we gave excellent connectivity at all our points of access. It also supports us to provide value for money in our services because all will be able to use the most up to date digital technology based on this network.

### **3. Details**

- 3.1. This report proposes a roll out of dark fibre to another fifty-four Horsham District Council sites in Horsham. These sites can achieve coverage using a call off from West Sussex County Council's original 2018 framework contract with CityFibre.
- 3.2. CityFibre propose to use an underused Horsham District Council site as a location for its fibre exchange in Horsham. The dark fibre network will roll out to another fifty-four sites in Horsham town. The details of which sites are most financially advantageous to the Council has yet to be finalised.
- 3.3. This proposal is similar to that agreed by Adur and Worthing Councils' Joint Strategic Committee with CityFibre on 2 April 2019, Crawley Borough Council's Cabinet on 27 November 2019, Chichester District Council's Cabinet on 3 December 2019 and Arun District Council's Cabinet on 9 December 2019.
- 3.4. The countywide business rates pool for 2019/20 focusses on the roll out of superfast broadband. This project is included in the list of potential projects for the pool to support. 100% funding of the build costs of project by the pool has been recommended by West Sussex Chief Executives and informal discussions indicate the West Sussex Leaders will formally approve the recommendation when they meet.
- 3.5. To use this network to support its operations, once built, the Council will need to enter into an agreement with an internet service provider to light the network. Indicative costs from other organisations suggest the light up cost will be in the region of £1,400 a year for each site. However, this is rapidly moving industry and this could change by the time the network is live, likely to be during 2022/23.

#### **4. Next Steps**

- 4.1. The West Sussex Leaders' Group is scheduled to make its decision on the allocation of funding to this project on 5 February 2020. The Chief Executive and Leader will finalise the detail of the agreement with CityFibre. Build will begin about six months after approval. CityFibre have scheduled the completion of project for the second half of 2022.

#### **5. Views of the Policy Development Advisory Group and Outcome of Consultations**

- 5.1. The Local Economy & Parking Policy Development Advisory Group looked at the range of commercial and public full fibre options under consideration by the business rate pool in October 2019. Their interest is in the further roll out of fibre to businesses throughout our area. They support any project that leads to more fibre in our area.
- 5.2. The Finance & Assets Policy Development Advisory Group considered the proposal at its meeting on 13 January 2020. The Group supported the proposal.
- 5.3. The Monitoring Officer has commented on the legality of the use of the call off and potential state aid issues. The Head of Finance and the Director of Corporate Resources have reviewed the financial implications of the report.
- 5.4. The Director of Place accepts the use of one of the Council's less used sites from the operational portfolio as location for a fibre exchange.
- 5.5. The County Council's Project Team leading the full fibre projects countywide, and who let the original framework, commented on this report.
- 5.6. Close working with the other councils within the county is ongoing through the Everything Connects working group as well as the County Chief Executives and Leaders groups who oversee the governance of the Business Rates Retention Pool pilot.

#### **6. Other Courses of Action Considered but Rejected**

- 6.1. The Council could let its own contract for the roll out of fibre in Horsham town and not use the call off framework. This would incur procurement costs and time. It might, or might not, yield a more attractive price.
- 6.2. The market will eventually deliver fibre to the premise across our district. Horsham town has already attracted some interest from other companies. One operator has sought space to set up a stall in our market to sell fibre to the home using OpenReach ducting in some parts of Horsham early in 2020. These companies' rollouts might provide an option to connect Horsham District Council's sites in the town using the companies' fibre to the premise solutions. However, the cost, timing and coverage of these is unknown.

## **7. Resource Consequences**

- 7.1. CityFibre has offered the Council two financial options.
- 7.2. The first is a revenue option with an expected cost of connecting these fifty-four sites of £54,000 set up cost and £8,910 a month for a minimum of seven years, a total cost to the Council of £802,440.
- 7.3. The Council could alternatively use a capital model where the Council would pay £1,458,000 set up cost. £27,000 non-recurring revenue and £5,400 a year in advance after that. This option is for a minimum committed term of 30 years.
- 7.4. From the first fourteen years after roll-out, the Operational Expenditure Model in paragraph 7.1 is the most advantageous model to the Council. From fifteen years to thirty years' after go-live the capital model, assuming no increase in the ongoing annual fee, is the more advantageous model.
- 7.5. The financial decision depends on how long the Council believes the network will last and whether it wants to allow itself alternatives after seven years.
- 7.6. It is expected the countywide Leaders' Group will make a decision whether to fund the seven-year model from the 2019/20 business rates pool at its meeting on 5 February 2020. The roll-out schedule provided by CityFibre suggests the first payment, that occurs when 90% of the circuits are complete, will occur in September or October 2022.
- 7.7. CityFibre propose to use one of the Council's unrented operational premises or land as a fibre exchange for this project.
- 7.8. In addition to the cost of a roll out of the dark fibre network the Council will need to procure a network service provider to "light up" the network. Indicative costs from other organisations suggest around £1,400 a site, or £75,600 a year assuming we light all fifty-four sites. These costs are the same with either model. A programme for use of the new network will be developed and these costs addressed as part of future budget setting processes.
- 7.9. Beyond the seven-year term the Council will have a choice whether to continue to use the network or not. CityFibre has suggested the contract will contain a 10% reduction for further years. Assuming a 10% reduction is achievable at this stage and the light up costs do not increase then the revenue account from 2029/30 will face increased costs, including light up costs, of around £172,000 a year.

## **8. Legal Consequences**

- 8.1. Section 1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.
- 8.2. Section 1 of the Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available assets or services for the purposes of, or in connection with, the discharge of the function by the local authority.

- 8.3. Under the Public Contract Regulations 2015 where a Public Authority is to enter into a contract for the supply of goods & services, and the value of those goods and services exceeds a financial limit of £181,302 any procurement exercise to contract for those goods and services must be conducted in accordance with the Regulations and any failure to do so may be declared as anti-competitive and in breach of the Regulations.
- 8.4. Legal advice on the project proposal has been obtained to ensure that the project does not breach the rules on state aid.

## **9. Risk Assessment**

9.1. Key risks arising from this project are:

- Procurement challenge arising from the use of the framework.
- Build delays.
- Commercial roll out from another organisation potentially meaning a better agreement could have been achieved before the build is complete.

## **10. Other Considerations**

- 10.1. This project has no negative impacts on any minority group and could aid our reduction of carbon plans through the use of technology rather than travel.
- 10.2. The roll-out of fibre will lead to road digging throughout the streets affected. This will temporarily affect residents and businesses in our area.

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## Report to Cabinet

Cabinet Meeting 23 January 2020

By Tricia Youtan, Cabinet Member for Community and Wellbeing

### DECISION REQUIRED



**Horsham  
District  
Council**

Not Exempt

## Appointment of Auditors for Horsham District Homes Ltd and Horsham District Homes (Holdings) Ltd

### Executive Summary

On 21 March 2019, Cabinet approved the creation of two companies for the purpose of providing affordable rental housing in the District. The two companies have now been incorporated. Horsham District Homes (HDH) is the housing development company and Horsham District Homes (Holdings) (HDH(H)) is the management and holding company for the completed properties.

Horsham District Council is the sole shareholder of HDH. The shareholder agreement for HDH reserves certain matters for Cabinet approval, including appointing and changing the company's auditors. This report seeks approval for the appointment of the company's auditors.

### Recommendations

That the Cabinet is recommended:

- i) To approve the appointment of Richard Place Dobson as the auditors of Horsham District Homes and Horsham District Homes (Holdings).

### Reasons for Recommendations

To comply with The Companies Act 2006 Part 16 - Audit.

### Background Papers

Business case

**Wards affected:** All

**Contact:** Samantha Wells; Corporate Accountant 01403 215309

NB Samantha Wells has been appointed by the Council as a Director of HDH and HDH(H)

## **Background Information**

### **1 Introduction and Background**

- 1.1 Horsham District Homes Limited (HDH) is a company owned and controlled by Horsham District Council, which has been established for the purpose of delivering affordable rented accommodation in Horsham District. The objectives of the company are to (a) increase delivery of affordable housing (b) make the best use of s106 Commuted Sums and (c) provide a financial return to the Council to reinvest in the District.
- 1.2 The Shareholders Agreement for HDH set out a number of shareholder consents, which are used to control the activities of HDH. These consents include appointing and changing the company's auditors.
- 1.3 The directors of HDH and HDH (H) are seeking Cabinet approval to appoint Richard Place Dobson, an accountancy practice based in central Crawley, as auditors of the companies.

### **2 Relevant Council policy**

- 2.1 The 2019 to 2023 draft Corporate Plan sets out the Council's strategic objectives and includes creating great places for people to live and work and creating a strong safe and healthy community. Paragraph 3.2.2 of the corporate plan states the objective of using the Council's affordable housing company to build affordable homes in areas of high demand.

### **3 Details**

- 3.1 Following the incorporation of HDH in August 2019 and HDH(H) in December 2019 the companies are required to file annual accounts with Companies House. Whilst the Companies assets and turnover are small enough to qualify for Small Medium Enterprises (SME) audit exemption, the companies are wholly owned by the Council and the 'body corporate' includes the assets and turnover of the Council. Therefore the accounts of both subsidiary companies account require auditing by an external auditor.
- 3.2 The Directors of the companies have approached three local audit firms to obtain quotes for the work. All three firms provided quality quotes and confirmed that they were available during the months that fit in with the Council's accounts preparation and annual audit.
- 3.3 Richard Place Dobson have been recommended due to their competitive quote and their experience working with housing associations and property companies and not-for-profit organisations. They also have experience of working with the Council's external auditors EY.

### **4 Next Steps**

- 4.1 Following the appointment, the Directors will liaise with the external auditor in preparation for the audit of HDH's first accounts for the period 26 August 2019 to 31

March 2020. These accounts will be prepared during April 2020 and the audit will take place in May 2020.

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

- 5.1 The proposal has been considered by the Community & Wellbeing PDAG and member's comments have been incorporated in this report.
- 5.2 The Head of Finance completed the resources consequences in this report and the Council's Chief Finance Officer and Monitoring Officer were consulted. None of these officers have a role within either housing company.

## **6 Other Courses of Action Considered but Rejected**

- 6.1 None

## **7 Resource Consequences**

- 7.1 The company accounts will be prepared by the Council's finance department and the company will be recharged as per the resourcing agreement between the Council and the company. The anticipated income to the Council for this work is estimated at £1,000.
- 7.2 The Directors of the company will liaise with Richard Place Dobson during the company's audit period.

## **8 Legal Consequences**

- 8.1 The Companies Act 2006 Part 15 states that 'The directors of every company must prepare accounts for the company for each of its financial years' and The Companies Act 2006 Part 16 states 'A company's annual accounts for a financial year must be audited in accordance with this Part unless the company—
- (a) is exempt from audit under—
- section 477 (small companies),  
section 479A (subsidiary companies) or  
section 480 (dormant companies);
- or
- (b) is exempt from the requirements of this Part under section 482 (non-profit-making companies subject to public sector audit).

## **9 Risk Assessment**

- 9.1 The directors have ensured that the appointed audit firm is able to meet The Council's timetable of accounts preparation.

## **10 Other Considerations**

- 10.1 None

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## 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 also includes 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](http://www.horsham.gov.uk)) or by contacting Committee Services at the Council Offices.

Page 71 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](mailto:committeeservices@horsham.gov.uk)

Tel: 01403 215123

Published on 01 January 2020

**What is a Key Decision?**

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

- (i) to result in the Council incurring expenditure which is, or the making of savings which are, 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.

	<b>Subject/Decision</b>	<b>Decision Taker</b>	<b>Date(s) of decision</b>	<b>Is all or part of this item likely to be dealt with in private</b>	<b>Contact Officer</b> <b>Cabinet Member</b> (NB include name, title and email address)
1.	<b>Budget 2020/21</b> Policy Development Advisory Group 6 January 2020	Cabinet  Council	23 Jan 2020  12 Feb 2020	Open	Jane Eaton, Director of Corporate Resources jane.eaton@horsham.gov.uk  Leader and Cabinet Member for Finance and Assets (Councillor Ray Dawe)
2 Page 73	<b>Medium Term Financial Strategy to 2023/24</b>	Cabinet	23 Jan 2020	Open	Jane Eaton, Director of Corporate Resources jane.eaton@horsham.gov.uk  Leader and Cabinet Member for Finance and Assets (Councillor Ray Dawe)
3.	<b>Horsham District Homes reserved matter - appointment of auditors</b>	Cabinet	23 Jan 2020	Open	Adam Chalmers, Director of Community Services adam.chalmers@horsham.gov.uk  Leader and Cabinet Member for Finance and Assets (Councillor Ray Dawe)

	<b>Subject/Decision</b>	<b>Decision Taker</b>	<b>Date(s) of decision</b>	<b>Is all or part of this item likely to be dealt with in private</b>	<b>Contact Officer</b> <b>Cabinet Member</b> (NB include name, title and email address)
4.	<b>Highwood Community Centre - Development Proposal and Construction Contract Award</b> Policy Development Advisory Group 10 July 2019	Cabinet	23 Jan 2020	Open	Brian Elliott, Head of Property & Facilities brian.elliott@horsham.gov.uk  Deputy Leader and Cabinet Member for Leisure and Culture (Councillor Jonathan Chowen)
5.	<b>Extending Ultrafast Broadband Public Connectivity</b>	Cabinet	23 Jan 2020	Open	Jane Eaton, Director of Corporate Resources jane.eaton@horsham.gov.uk  Leader and Cabinet Member for Finance and Assets (Councillor Ray Dawe)
6.	<b>Community Development Strategic Grants</b>	Cabinet	23 Jan 2020	Open	Rob Jarvis, Head of Housing & Community Services robert.jarvis@horsham.gov.uk  Cabinet Member for Community Matters and Wellbeing (Councillor Tricia Youtan)
7.	<b>Horsham District Local Plan Consultation Document</b>	Cabinet	23 Jan 2020	Open	Barbara Childs, Director of Place barbara.childs@horsham.gov.uk  Cabinet Member for Planning and Development (Councillor Claire Vickers)

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8.	<b>Council Tax Reduction Scheme</b> Policy Development Advisory Group 6 January 2020	Cabinet  Council	23 Jan 2020  12 Feb 2020	Open	Jane Eaton, Director of Corporate Resources jane.eaton@horsham.gov.uk  Leader and Cabinet Member for Finance and Assets (Councillor Ray Dawe)
9.	<b>Future Provision of the Bulky Waste Service</b>	Cabinet	Not before 12th Feb 2020	Open	Adam Chalmers, Director of Community Services adam.chalmers@horsham.gov.uk  Cabinet Member for Environment, Recycling and Waste (Councillor Philip Circus)
10.	<b>Housing Strategy 2019 - 2024</b>	Cabinet	26 Mar 2020	Open	Rob Jarvis, Head of Housing & Community Services robert.jarvis@horsham.gov.uk  Cabinet Member for Community Matters and Wellbeing (Councillor Tricia Youtan)

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