

Report to Cabinet

28 January 2016

By the Director of Corporate Resources

RECOMMENDATION TO COUNCIL REQUIRED

Not exempt



Horsham
District
Council

THE 2016/17 BUDGET AND THE MEDIUM TERM FINANCIAL STRATEGY to 2019/20

Executive Summary

This report sets out details of the proposed 2016/17 revenue and capital budgets and reviews the Medium Term Financial Strategy. The Council is able to set a balanced budget for 2016/17.

Owing to the continuing drive to reduce Government debt, the pressure on Council finances remains as strong as ever. The Comprehensive Spending Review in the Autumn Statement in November 2015 made it clear that the policy to significantly reduce funding to Local Authorities will continue. The settlement in December 2015 confirmed a 23.9% reduction in Settlement Funding Allocation in 2016/17 (and a 62.3% cumulative reduction by 2019/20) when compared to funding of £3.549m in 2015/16.

The current estimate for the future deficit for the Council is about £1.5m for 2017/18, rising to £2.4m in 2018/19 and approaching £3.9m in 2019/20.

The Council expects to deliver savings and income generation to tackle the deficit over the period 2017/18 to 2019/20 through a combination of a range of measures including; a refreshed operating model, commissioning, shared services, procurement, income generation, and other efficiency measures. In addition, consideration will need to be given to the possibility of some reductions to discretionary services.

The report 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 H.

Recommendations

Cabinet is recommended to propose the following for consideration by Council on 24 February 2016:-

- (i) That the level of Council Tax for 2016/17 increases from £135.54 by 1.2% to £137.17 at Band D.
- (ii) That the net revenue budget for 2016/17 of £12.55m be approved (attached as **Appendix A**).
- (iii) That Special Expenses of £270,909 and a Band D charge of £23.93 be agreed in respect of the unparished area for 2016/17. Details are provided in **Appendix D**.
- (iv) That the capital programme for 2016/17 (attached as **Appendix C**) be approved and that the indicative capital budgets in the programme for future years be noted.
- (v) That the projected future deficits on the revenue account be noted and the Medium Term Financial Strategy continue to be reviewed and refined to ensure that decisions are taken to develop a balanced budget in 2017/18 and subsequent years.
- (vi) That the Minimum Revenue Provision (MRP) Statement set out in **Appendix E** be approved.
- (vii) That the prudential indicators and limits for 2015/16 to 2018/19 set out in **Appendix F** be approved.
- (viii) To note the statement on the robustness of the level reserves in **Appendix H**.
- (ix) That a further £2m of New Homes Bonus Reserve is allocated towards the Broadbridge Heath leisure centre capital project.
- (x) That the decision to accept the proposed four year settlement be delegated to the Cabinet member for Finance in consultation with the Section 151 Officer once the detail of the four year settlement is finalised and the results of the consultation are announced (see paragraph 1.4 and 1.5)

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	MTFS 9 December 2015 Council meeting
Consultation	None
Wards Affected	All
Contact	Dominic Bradley, Head of Finance. ext. 5302

BUDGET 2016/17 AND MEDIUM TERM FINANCIAL STRATEGY

1. Introduction and Financial Outlook

- 1.1 This report sets out the Council's budget requirement for 2016/17 for capital and revenue expenditure. The budget is reviewed in the context of the projected outturn for 2015/16, future years' projected deficits and the impact of those deficits on reserves.
- 1.2 The current estimate for the future deficit for the Council is about £1.5m for 2017/18, rising to £2.4m in 2018/19 and £3.9m in 2019/20.
- 1.3 The report also sets out the prudential indicators that are used to measure the affordability of the Council's capital programme.

Finance Settlement 2016/17

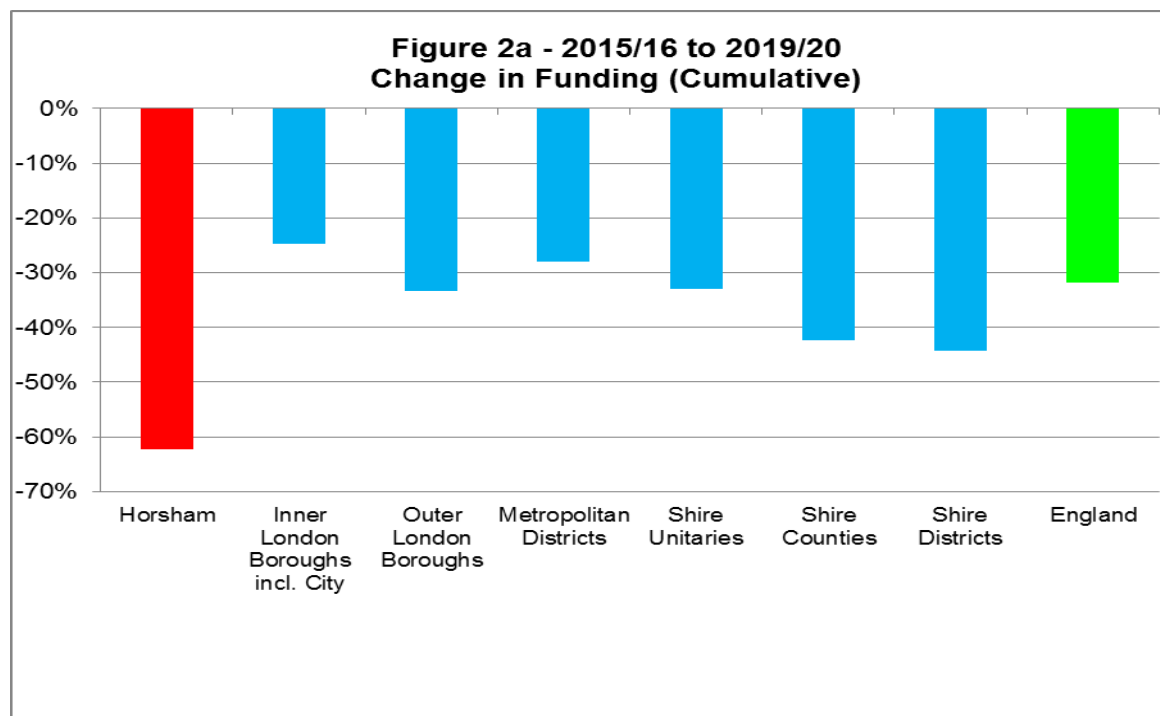
- 1.4 Details of the provisional funding available for a four year settlement were announced in the Local Government Finance Settlement on the 17 December 2015 and we are responding to Government on the proposed settlement. Government has stated that it will offer the four year settlement to any council that wishes to take it up. Councils will need to request this and have an efficiency plan in place, though the government does not state what such a plan should look like.
- 1.5 It is important to note that the Government have qualified the offering by stating that final grant determinations (of the funding figures produced) in future years will still be subject to change. The Government has not yet indicated how Councils are to request the four year settlement or details of the efficiency plans required. Once these details are known a decision of whether or not to accept the settlement will be made. It is proposed to delegate this decision to the Cabinet Member for Finance and Assets in consultation with the Section 151 Officer.
- 1.6 The Settlement Funding Assessment (SFA) is comprised of Revenue Support Grant (RSG) and the Business Rates Spending Baseline which for the purposes of the settlement were brought together and a reduction applied to both elements resulting in this reducing more steeply than we anticipated. The settlement figures for 2016/17 through to 2019/20 for the Council, compared to 2015/16 are as follows in Table 1:

Table 1	2015/16	2016/17	2017/18	2018/19	2019/20
Settlement Funding Assessment (SFA)	£3.549m	£2.703m	£2.064m	£1.722m	£1.339m
SFA actual change		-£0.846m	-£0.639m	-£0.342m	-£0.383m
Annual percentage change		-23.9%	-23.6%	-16.6%	-22.2%
Cumulative actual change		-£0.846m	-£1.485m	-£1.827m	-£2.21m
Cumulative percentage change		-23.9%	-41.8%	-51.5%	-62.3%

- 1.7 The reduction in SFA equates to a 23.9% drop in 2016/17 and cumulatively by 62.3% by 2019/20. When compared to 2015/16, the total level of SFA to Local Authorities in England fell by 12.5% in 2016/17 and cumulatively by 31.8% to 2019/20. Figure 2a shows graphically how Horsham compared with the national

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averages. The reduction in SFA for the Council was more pointed than anticipated and has contributed to the significant projected budget deficits in later periods.



- 1.8 The Governments' core spending power calculation includes the Settlement Funding Assessment, Council Tax income and New Homes Bonus income. The Settlement indicated that the Council's spending power will decrease by £0.4m across the four year period to 2019/20, equating to a reduction of 2.9%.
- 1.9 Rather than all local authorities receiving the same percentage reduction in Revenue Support Grant (RSG) funding, the Government proposed to take into account the amount that can be raised locally from Council Tax. The Government has worked on the assumption that district councils with Band D Council Tax levels in the lower quartile (of which Horsham is one) are permitted to and will raise Council Tax by £5 per annum where this is the case. Where a Council isn't in the lowest quartile, Government has assumed an average increase of 1.75% in Council Tax per annum for the period – based on an inflationary measure provided by the Office for Budget Responsibility. See section 6 for further analysis of this source of funding. The Government has also altered the split of funding between tiers of local government, which would appear to favour upper tier services and lead to higher funding reductions for district councils.

2. Revenue Budget 2015/16

- 2.1 Expenditure against budget has been monitored during the year and overall it is expected that expenditure will be a small underspend against the budget, despite additional unexpected expenditure on planning appeals including substantial awards of costs against the Council. The estimated forecast outturn for 2015/16 at the end of the 3rd quarter is a £70,000 underspend.

3. Update on the Medium Term Financial Strategy projections

3.1 The Medium Term Financial Strategy (MTFS) has been updated for the projected outturn for 2015/16, the Finance Settlement and other known information. It assumes a Council Tax increase of 1.2% in 2016/17 and 1.75% in 2017/18 and 2018/19. It also reflects the Cabinet's decision on the 23rd November 2015 to increase Green Waste charges for the first bin to £37.50 per annum, discounted to £35 per annum if paid by on-line payment / Direct Debit, and a charge of £20 for an additional bin. It also includes the proposed Cabinet decision to introduce Sunday and Bank Holiday charges of £1.50 considered elsewhere on the Agenda. The current projected deficits assume a significant reduction on the reliance on the revenue contribution of New Homes Bonus by 2019/20 as follows:

Table 3: MTFS

	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000
Net expenditure	12,546	13,252	13,869	14,752
Funded by				
New Homes Bonus	1,166	800	500	200
Council Tax	8,249	8,523	8,804	8,936
Settlement Funding Allocation				
- Revenue Support Grant	825	149	0	0
- Negative RSG/ additional 'tarriff' payment			(250)	(695)
- Baseline Business Rates	1,878	1,915	1,972	2,034
Additional Business Rates	400	400	400	400
Payment to parishes	(49)	(10)	0	0
Collection Fund surplus	120			
Total Funding	12,589	11,777	11,426	10,875
Net (Surplus)/Deficit	(43)	1,475	2,443	3,877

3.2 A continuing factor is the expected reduction in New Homes Bonus (NHB). Whilst the Settlement indicated that NHB is set to remain indefinitely, the new format, currently out to consultation, is indicating a reduced payment for a shorter period, potentially of four years but which may be less, and as a result the Council needs to start to reduce the revenue reliance on NHB. This adds to our projected deficit. New Homes Bonus is discussed in greater detail in paragraphs 3.8 to 3.12.

3.3 The projected deficits also reflect increased additional costs in borrowing and principal repayment costs, Minimum Revenue Provision (MRP), resulting from decisions to increase the expanded capital programme for projects such as the £12.3m Broadbridge Heath leisure centre. The projected revenue deficits are significant despite sizeable savings identified by managers as part of the 2016/17 budget process. Further details of the proposed 2016/17 revenue budget can be found in section 4 below.

- 3.4 The assumptions underlying the current MTFS projections are set out in table 4 below as follows:

Table 4: key budget assumptions used:

Increase in Council Tax	1.2% in 2016/17 and 1.75% in the next two years.
Inflation on net budget	£150k per annum
Increase in salaries budget	1% in 2016/17 and thereafter
Contribution to pension fund	1% in 2016/17 and thereafter
Increase in employer's NI (reduction in discount for opting out)	2% increase in 2016/17
Settlement Funding Assessment	Reducing by 62.3% from £3.549m in 2015/16 down to £1.339m in 2019/20.
Increase in dwellings	1,000 per year

Pension Fund

- 3.6 The last triennial revaluation of the Pension Fund was from 31st March 2013. The Valuation Report recommended increases in the employer's contribution to the Fund to provide for future liabilities and contributions. Contributions have increased by 1% each year from 2014/15 and a 1% increase has been built into the proposed 2016/17 budget taking the employer's contribution to the Fund to 20.5%.
- 3.7 The next triennial revaluation of the Pension Fund is due at 31st March 2016, with the results impacting on contributions from 2017/18 onwards. However, based on early conversations with the actuary, we anticipate that further increases will be limited to 1% in employer's contributions and have included this assumption in our Medium Term financial Strategy.

New Homes Bonus

- 3.8 New Homes Bonus (NHB) was payable for the first time in 2011/12 and has been a major source of finance for the Council. New Homes Bonus is paid for each new property on the Council Tax valuation list and for empty properties brought back into use, with a small additional sum for affordable homes. It is an unringfenced grant and can be used at the Council's discretion. Details on the amounts already payable are shown in **Appendix G**.
- 3.9 Since 2013/14, the Council has allocated a total of £1.166m each year from the NHB to fund the revenue account and transferred any sums in excess of this level to a NHB reserve. This was a Council decision in December 2012 in response to

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the reduction in the Revenue Support Grant. At the end of 2015/16 we anticipate having £3.69m of New Homes Bonus in reserves.

- 3.10 As expected, the Autumn Statement and December 2015 Settlement suggested changes to the future of NHB. Government is currently consulting on its proposed changes and a new policy will emerge during 2016/17. We did obtain certainty for 2016/17, and anticipate a payment of £4.4m, adding a further £1.23m to reserves after considering the £2m allocated to fund the new Leisure Centre at Broadbridge Heath that was approved at the Council meeting on 9 December 2015. In addition to this, the statement on the robustness of reserves in Appendix H proposes a recommendation that a further £2m of NHB Reserve is allocated towards the Broadbridge Heath leisure centre capital project in 2017/18 as well.
- 3.11 The Government is consulting that from 2017/18, the payment period will reduce to four years or fewer and whilst some assurances were given that NHB would remain for the foreseeable future, the indicative settlement figures greatly reduce the sums available to the Council with indicative NHB payments of £2.8m in 2018/19 and £2.7m in 2019/20.
- 3.12 In response to the Government announcement, the reliance on NHB to support revenue is being tapered down over the period from 2017/18 to 2019/20. This tapering period will enable us to take measures to increase income and phase in additional spending reductions.

Localised Business Rates

- 3.13 The Business Rates Retention scheme introduced in 2013/14 set a baseline level of Business Rates based on historic levels. It has allowed authorities to locally retain a percentage of increased rates income above the baseline, while also putting authorities at risk of loss (up to a safety net) if rates income falls below baseline. Business rates are volatile, not only because new properties can be brought on to the list and old ones demolished, but because ratepayers can appeal against the valuation put on their property.
- 3.14 In 2016/17 a cautious approach has been taken to the estimation of Business Rates income because of the historical low growth in the district, the continuing level of uncertainty about appeals and possible reductions in rate income should a number of local schools seek Academy status. £400k income (net of transfers to the NNDR reserve) has again been assumed in preparing the 2016/17 budget. Should we keep our current trajectory of low business rate growth, we estimate that the £400k of income in 2016/17 would remain the same through to 2019/20.
- 3.15 We also await the details of the Government's plans to introduce 100% retention of business rates for local government which may result in a further re-basing of the baseline and any additional responsibilities that will go with this, such as elements of public health funding and for example, taking on responsibility for the funding for the administration of Housing Benefit for pensioners. We currently receive a Housing Benefit administration grant of around £386k, for which around half could be assumed to be for pensioners and therefore remain in place, but half could be removed, resulting in an estimated reduction to us of £193k, which is likely to occur prior to 2019/2020.

Council Tax Support Scheme

- 3.16 Since its inception in 2013/14, when central funding was reduced by 10%, funding for the Council Tax Support (CTS) scheme has subsequently been consolidated into Government grant funding which as shown earlier, has been reduced significantly. The Council introduced a local CTS scheme in 2014/15 which remained unchanged in 2015/16 which required non-protected groups to pay at least 10% of their Council Tax bill.
- 3.17 Despite these changes, the reduction in funding has far outweighed the additional contribution from those minimum payments in the scheme. This has had a significant financial cost to the Council of approximately £500k in total over the three years. Following a public consultation in October 2015 a Council decision was made in December 2015 to increase the minimum payment percentage to 20% from April 2016, but this will not cover the existing costs of the scheme, therefore adding further pressure to the financial gaps in the future. Further revision of the scheme may be necessary in forthcoming years.

4. Draft Revenue Budget for 2016/17

- 4.1 The 2016/17 budget has been prepared following a detailed “Budget Challenge” with Service Managers 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.
- 4.2 The budget requirement is for £12.55m. The detail of the revenue budget is shown in Appendix A. The budget is balanced and a small transfer of £43k to general reserves is envisaged. We are including £1.166m of NHB funding in revenue in 2016/17 which remains unchanged from 2014/15.
- 4.3 The main items of growth and savings in the 2016/17 budget are detailed in Appendix B. By far the largest area of cost pressure in 2016/17 is on salary related costs which include a 1% pay award to staff and a number of increments, a 1% increase in employer’s superannuation contributions discussed in paragraph 3.7 and the loss of a 2% discount previously received on National Insurance contributions which ceases from April 2016 as a result of Government legislation. Reduction made in posts and hours of around £440k have reduced the growth requirement for salaries to around £0.3m.
- 4.4 The significant items of growth include an expected renegotiation of the recycling credits with West Sussex County Council as discussed elsewhere on this Agenda, additional cost of repairs and maintenance at two leisure centres and the expected loss of some Housing Benefit Subsidy.
- 4.5 The significant areas of revenue growth include a new stream of income from the property investment fund, an increase in planning fee income due to the increase in volume of planning applications, an increase in the price of garden waste collection after three years of no price increase, the introduction of a £1.50 flat rate car-parking charge on Sundays and Bank Holidays and additional income from more car-parking season tickets being sold. In total, the additional income and savings

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generated exceeds the cost pressures and the net budget at £12.55m is requirement is £0.45m lower than the £13m from the previous year.

Grants to Voluntary and Community Groups

4.6 The budget includes the following grants to voluntary groups.

Table 5 – Grants to voluntary groups

	£
Citizen Advice Bureau - Horsham	94,000
Age UK	51,950
Impact Initiatives, Dingemans Centre	9,840
Horsham Voluntary Action - cost to HDC	20,408
Home-Start, Crawley, Horsham and Mid-Sussex	4,120
West Sussex Mediation Service	3,090
Relate North	2,580
Billingshurst Community Transport	3,000
Y Centre	20,000
Purple Bus, West Sussex Rural Mobile Youth Trust	3,000
Horsham District Community Transport	21,750
Action in rural Sussex	8,000
Community and individual grants	7,750
Total Grants	249,488

5. Capital Budget

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- 5.1 The draft capital programme is attached as **Appendix C**. This includes changes to the programme approved during the year and an estimate of the likely budget slippage from 2015/16 to 2016/17. The new programme for 2016/17 is for approval by full Council. Budgets for future years are included to indicate the scale of provision which may be required to maintain the life of the Council's assets and meet the aspirations in the District Plan.
- 5.2 The Council's project management methodology will be applied to projects detailed in the Capital Programme for 2016/17. Business cases are completed to ensure that decisions taken by the Council represent Value for Money.
- 5.3 Of the £24.8m capital programme proposed to be delivered in 2016/17, the majority has already been approved in preceding years. Details of new schemes totalling £883,500 are as follows:

Replacement Storage Area Network (SAN) £50,000 The current SAN is out of date, has high maintenance costs and is unreliable. The replacement will be more resilient and reliable and use newer technology, increasing storage capacity.

Identity and Access Management Controls tool £10,000 This will provide an effective management tool to properly enforce key ICT security policies which are needed to meet its statutory, commercial and Governmental obligations. It will reduce the likelihood of the security breaches thus reducing or eliminating their associated cost penalties

Mobile working application £72,500 Procurement of appropriate technology to allow the staff of the Authority to be more flexible in their day to day work, carrying out more work remotely and reducing the amount of rework undertaken back at the office, either by the officer themselves or administrative staff in the department.

Horsham park pond improvements £30,000 Essential improvements to the pond area in Horsham Park to de-silt the pond and install an aeration system. This will also provide greater capacity for surface water from surrounding urban areas.

Bennets Field improvements £105,000 To refurbish the unsafe changing rooms at Bennetts Field, to maintain the provision of sports in the Forest Neighbourhood area. This is financed by S106 funds.

Warnham Nature Reserve improvements £50,000 Redesign of the garden area, Reserve entrance area and visitor centre indoor space, resurfacing the entrance area and entrance path for improve customer accessibility. Additionally, removal of the line of large conifer trees which are currently blocking views of the Mill Pond from the visitor centre will improve the customer's experience at the Reserve.

Southwater Country Park toilets £80,000. To provide permanent toilet facilities at the new Dinosaur Island, to replace the temporary 'portaloo' facilities that were provided following customer feedback that young children were unable to make it back to the facilities that were a ten minute walk away.

Capitol theatre lighting desk £20,000 The lighting desk in the Studio is almost beyond repair and replacing the lighting desk will help future proof the venue for LED lighting, providing a higher level of performance than the current desk.

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Capitol theatre projector £36,000 The Capitol is reliant on the ability to show films and digital content in both dedicated cinemas and when possible in the theatre. Projectors tend to have a life-span of 5 to 7 years and the venue's oldest projector is now 7 years old. Replacement of this essential piece of equipment is vital to enable films to be shown and income targets to be achieved.

Automatic Number Plate Recognition (ANPR) system equipment £125,000 Installation of ANPR equipment at Hurst Road and Denne Road car parks, following the successful introduction of such equipment at three other car-parks in Horsham where there has been an increase in income. Hurst Road and Denne Road are the next two most heavily used car parks using outdated pay and display equipment. The anticipated increase income resulting from this investment is included in the revenue projections.

Swimming pool at Billingshurst £55,000 Re-grouting of the swimming pool tiles to ensure that there are no sharp edges where the grout has washed away, so that health and safety standards are met. This is part of the continuing contract arrangement with the Places for People contractor.

Wickhurst Pump Station £200,000 Legislation exists for the transfer of the liability for pumping stations from private ownership to Water Companies by October 2016. The pump station has been offered to Southern Water under this legislation, but has been declined due to the condition of the asset. We would look to re-charge part of the cost of improving the asset to the two other users of the pump station on the Wickhurst site.

Swan Walk CCTV centre £50,000 The CCTV control room is a temporary building not fit for purpose which impedes the operation of the service. Improvements will help meet health and safety requirements and the redesign and rebuild of the room will improve security, comfort and working conditions.

Minimum Revenue Provision

- 5.4 The Council is required to set aside funds to repay the borrowing need each year through a revenue charge (the Minimum Revenue Provision – MRP). Regulations have been issued which require full Council to approve an MRP Statement in advance of each year and the statement is shown in **Appendix E**.

Prudential Indicators

- 5.5 The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code (2011) and produce prudential indicators. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. This report revises the indicators for 2015/16, 2016/17 and 2017/18 and introduces new indicators for 2018/19. The Council is asked to approve the indicators set out in **Appendix F** to be adopted. The individual indicators are discussed below.

Capital Expenditure Plans

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- 5.6 The first prudential indicator is the Council's capital expenditure plans and how they will be financed. **Appendix F** shows the projections and the Council is asked to approve the estimates as the first prudential indicator. This is the impact of the Capital Plans set out in **Appendix C**, the anticipated financing and the resultant financing need.

The Council's borrowing need, the Capital Financial Requirement

- 5.7 The second prudential indicator is the Council's Capital Financial Requirement. This 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.

Gross Debt and the Capital Financing Requirement

- 5.8 This indicator is designed to show that borrowing is only for capital purposes by showing gross borrowing against the Capital Financial Requirement.

Limits to Borrowing Activity and Affordability

- 5.9 The first two prudential indicators cover limiting levels of debt and final two indicators are designed to assess the affordability of the capital investment plans. Borrowing is subject to two limits and both are increasing over the period shown as the Council's need to borrow increases. Affordability is dealt with in two indicators which show estimates of the ratio of financing costs to the net revenue stream and the incremental impact of the capital decisions on the Council Tax. The estimates are set out in **Appendix F** and the Council are asked to adopt them as the final group of prudential indicators.

6. Council Tax

- 6.1 There has been no increase in Council Tax since 2010/11. It is the lowest Council Tax in West-Sussex and is in the bottom quartile of all district councils. The Autumn Statement announcement in November 2015 and settlement in December 2015 puts significant further pressure on resources in the medium term due to the reductions in Government grant income.
- 6.2 In the past, the Government has encouraged councils to freeze Council Tax by making available freeze grants to those who do so. This grant has been incorporated into the Council's Revenue Support Grant (RSG) allocation. However, in the settlement, the RSG element will be eliminated to zero in 2018/19. No freeze grant has been made available for 2016/17. An increase in Council Tax gives an assured continuing income to the Council into the future.
- 6.3 The figures in this report are based on the assumption that after five years without an increase, Council Tax is increased by 1.2%, reflecting RPI to December 2015, in 2016/17, which would increase the Council Tax from £135.54 to a higher figure of £137.17 for a Band D property.
- 6.4 In the 2015 Settlement though, the Government has set the funding levels based on the assumption that the Council is able to raise the reduced Government income through increasing Council tax. In addition to the normal limit of 2% on increases

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where a breach would trigger a Council Tax referendum, the Government has permitted that any council in the bottom quartile can raise the Council Tax by a maximum of £5 each year where it remains in the bottom quartile. Despite Horsham being in the lowest quartile, it is recommended by Cabinet that this Council raise Council Tax by 1.2% - the RPI figure for December 2015, reflecting pledges made during the election process.

- 6.5 Where a council isn't in the lowest quartile, Government has assumed an average increase of 1.75% in Council Tax per annum for the period – based on an inflationary measure provided by the Office for Budget Responsibility. Thus a 1.75% increase in Council Tax is assumed in the MTFs for 2017/18 and 2018/19. Table 6 below shows the cumulative £2.49m loss of potential income over the four year period 2016/17 to 2019/20 that not increasing Council Tax by £5 p.a. will have on the Council.

Table 6 Council Tax

Council Tax	2016/17	2017/18	2018/19	2019/20	Total
Council Tax income assumed by central Government £5 increase	£8.45m	£8.95m	£9.48m	£10.02m	£36.90m
Council Tax income if inflation 1.2% is applied in 2016/17 and 1.75% in 2017/18 and 2018/19.	£8.25m	£8.52m	£8.80m	£8.84m	£34.41m
Loss of potential income between £5 and lower percentage used	£0.20m	£0.43m	£0.68m	£1.18m	£2.49m

7. Special Charge

- 7.1 Details of the Special Charge expenditure of £270,909 are included in **Appendix D**.
- 7.2 As a result of the changes to council tax benefits, the tax base of the unparished area reduced in 2013/14. To ensure comparability with the funding of the parishes, an element of the Council Tax Support Grant needs to be attributed to the unparished area, a sum of £6,148.
- 7.3 It is currently proposed that the Special Charge for 2016/17 is set at £23.93, raising a sum of £264,762. This, with the addition of the grant, is sufficient to fund the proposed Special Expenses. A small increase in the special charge was discussed with the Neighbourhood Councils in November 2015 and January 2016.

8. Table 7 - Council tax for 2016/17

2015/16 £000		2016/17 £000
13,000	Net expenditure	12,546
175	Contribution to/(from) general reserves	43
13,175		12,589
(1,603)	Revenue Support Grant	(825)
82	Less parish share of Council Tax support grant	49
(83)	Council Tax freeze grant	0
(2,937)	New Homes Bonus	(4,398)
1,771	Less contribution to New Homes Bonus Reserve	3,232
(1,862)	Business Rates Retention Scheme Baseline	(1,878)
(400)	Business Rates Retention Scheme net additional business rates	(400)
8,143	Expenditure to be financed from District Council Tax	8,369
(255)	<u>Less</u> funding by Special Charge taxpayers	(265)
(184)	<u>Less</u> share of estimated surplus on Collection Fund	(120)
7,704	Expenditure to be funded from District Council tax	7,984
56,836.4	Estimated Band D equivalent properties	58,208
£135.54	Council Tax at Band D	£137.17
£2.61	Cost per week at Band D	£2.64

9. Potential actions

- 9.1 An updated Medium Term Financial Strategy will be brought back to the Council later in the year, once the outcome of the New Homes Bonus Consultation is known. It will also elaborate further on how the Council expects to deliver future savings and

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income generation to tackle the deficit over the period 2017/18 to 2019/20. This is likely to be through a combination of a range of measures including the next phase in Business Transformation - "Future Horsham", commissioning, shared services, procurement, income generation, other efficiency measures and also potentially some reductions to discretionary services.

- 9.2 A number of income generating and efficiency opportunities that could help to reduce the deficit are set out in Table 8 below. For example, a 1% increase in Council Tax raises about £80k. Central Government has used an inflation measure of 1.75% for the period based on information provided by the Office for Budget Responsibility. The budget assumes a 1.75% increase in 2017/18 and 2018/19 but if the Council raises Council Tax by 1.75% in 2019/20 as well, it would raise a further £140k.

Table 8 – policy options

Options	2017/18 £000s	2018/19 £000s	2019/20 £000s
1.75% year on year increase in C-Tax in 2018/19 and 2019/20 as per Central Government assumptions on inflation	-	-	140
Alternative weekly collection of household waste	125	500	500
Increase Green waste charges £2 p.a.	70	140	210
Reduction of Council Tax Support	85	175	175
Rural Car park business season tickets	20	20	20
Total	300	835	1,045

- 9.3 Other income generating alternatives include a small increase in green waste charges each year generating a total of £420k over the three year period and the introduction of rural car parking business season tickets generating a total of £60k over the three year period.
- 9.4 On the efficiency and savings side, an alternate weekly bin collection would save an estimated £0.5m per full year of savings. This may also help to improve the Council's recycling rates (currently hovering at around 46%) to above the 50% target. A high proportion of the top recycling authorities in the country achieving the 50% recycling rate have alternative weekly collection, which encourages residents to recycle rather than dispose of recyclable material in the dustbin. Reducing current Council Tax Support levels to that of only pensioners would save a total of £435k over the period.
- 9.5 Officers are also working hard on income generation, reviewing commissioning and shared services, and other efficiency measures. Appendix I sets out some indicative areas against these headings which officers are exploring and targeting for implementation in 2017/18 to 2019/20. Further detail and progress against these schemes will be reported back as the savings are hardened into future budgets.
- 9.6 The combined effect of the savings and opportunities would have the following effect on the budget deficit as set out in table 9. Should these all be implemented, deficits would still remain in each of the three years to 2019/20. We would aim to fill the remaining gap from by continuing to identify other savings opportunities, including the savings from Future Horsham.

Table 9 – deficit after savings and income

Options	2017/18 £000s	2018/19 £000s	2019/20 £000s
Deficit	1,475	2,443	3,877
Table 8 policy options	300	835	1,045
Potential deficit after policy options	1,175	1,608	2,832

Business Transformation – Future Horsham

- 9.7 The previous Business Transformation Programme has delivered over £1m of cashable savings and helped to modernise the Council’s working practices. Office assets were reduced moving from four separate buildings into our present accommodation. The Council’s organisational structure was overhauled to take out a middle management layer and to ensure we built capacity and expertise in critical areas. We harmonised and modernised staff terms and conditions, introduced electronic document management and made substantial progress in developing our digital capabilities. However, there is a lot more still to do.
- 9.8 The next phase in our Transformation Programme will focus on how we ensure that all services are designed to meet customers’ needs and to do so in the most efficient ways. This will involve examining how services and the processes that support them are organised and how we can use technology to maximise efficiency, to improve the customer experience and increase opportunities for digital self-service. As part of this approach we will undertake benchmarking with other councils and service providers to inform future choices on service provision as part of our commissioning agenda. This next phase in Business Transformation will be known as “Future Horsham”.
- 9.9 We have engaged consultants to help us build a business case and blueprint for the Future Horsham programme for members to consider later in 2016. This will outline how we can meet the challenges and provide a clear roadmap for delivery. When we report back, the business case will also quantify the level of investment needed to deliver the changes. Based on a high level review, it is anticipated that the business case will enable savings in the region of 10% of our total pay bill excluding operational services.
- 9.10 In addition, we will continue with our programme to review the how we commission outcomes for residents across all our services. We have set a further target of £500k for efficiencies arising from commissioning.
- 9.11 After considering these two potential savings targets the projected deficit is projected in Table 10 below:

Table 10	2017/18 £000s	2018/19 £000s	2019/20 £000s
Potential deficit after policy options	1,175	1,608	2,832
Future Horsham	250	750	1,000
Commissioning efficiencies	250	500	500
Potential deficit after Future Horsham and Commissioning efficiencies	675	358	1,332

Appendix 1

Consequences of the Proposed Action

<p>What are the risks associated with the proposal?</p> <p>Risk Assessment attached Yes/No</p>	<p>CRR01 Financial Source: The Council is reliant on Central Government funding. Event: Grant funding from Central Government is less generous than assumed in the MTFS plan.</p>
<p>How will the proposal help to reduce Crime and Disorder?</p>	<p>There is no specific impact on Crime and Disorder.</p>
<p>How will the proposal help to promote Human Rights?</p>	<p>There is no specific impact on Human Rights.</p>
<p>What is the impact of the proposal on Equality and Diversity?</p> <p>Equalities Impact Assessment attached Yes/No/Not relevant</p>	<p>There is no specific impact on Equality and Diversity.</p>
<p>How will the proposal help to promote Sustainability?</p>	<p>There is no specific impact on sustainability.</p>

