

Mid Sussex District Council Corporate Plan and Budget 2007 - 2008

Council 28th February 2007



- Better Lives
- Better Services
- Better Environment



Better | MidSussex

The Corporate Plan and Budget Report 2007/08

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CORPORATE PLAN AND BUDGET 2007/08

REPORT OF: Head of Finance and Head of Corporate Improvement
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Wards Affected: All
Key Decision Yes

EXECUTIVE SUMMARY AND RECOMMENDATIONS

1. Purpose Of Report

The purpose of this report is to

- Present the Corporate Plan for 2007/08
- Propose a detailed revenue and capital budget for 2007/08

2. Summary

- 2.1 The proposals in this report continue to ensure that appropriate resources are in place to fund the Council's corporate priorities based around the three themes of Better Environment, Better Lives and Better Services. They will ensure that the Council continues not only to provide 'fit for purpose' services but drives down administrative costs to invest in front line services. Significant service efficiencies will again be secured but improvements in business processes mean there are no proposals to reduce current service levels or increase car park charges.
- 2.2 The proposals in this draft budget result in a council tax increase of 3%. This means that the Mid Sussex element of the council tax would rise from the current band D of £130.95 by £3.96 a year to £134.91, or, in other words, 7.6p per week.
- 2.3 The proposals include increases in service budgets/inflationary pressures of £1.4m. The key elements are:
- a) Pay and pension cost increases of £723,000;
 - b) Increase in energy and contract costs of £350,000
 - c) Removal of budgeted Planning Delivery Grant income of £200,000
 - d) Increasing the budget for area planning by £94,000
 - e) Reduction in Benefit administration subsidy of £57,000
- 2.4 The proposals also include reductions in expenditure from service efficiencies and other initiatives totalling nearly £1million – again, more than double the Gershon savings imposed on the authority by Central Government. The key elements are:

- a) Increasing the efficiency of Leisure and Wellbeing by £100,000;
- b) Increasing the budget for rental income from our assets by £70,000;
- c) Targeting further procurement savings of £92,000;
- d) Securing savings amounting to £268,000 from management posts and the support services;
- e) Realising first year savings from Census Revenues of £50,000; and,
- f) Achieving other efficiency savings across a range of services totalling £300,000.

2.5 Other key points include the third year contribution to the Repairs and Renewals reserve of £280,000 in order to maintain our assets.

2.6 This report also proposes allocations for new Capital spending totalling £4.783m :

- a) £420,000 for major capital renewals;
- b) £3,213,000 for other non housing projects;
- c) £650,000 for housing renewal assistance; and
- d) £500,000 for affordable housing.

2.7 The average council tax for the Mid Sussex area will be :

Average Council Tax		
	£	<i>Change from 2006/07</i>
Mid Sussex District Council	134.91	+3.0%
Parish/Town Councils	48.43	+3.8%
	183.34	+3.2%
West Sussex County Council	1,050.84	+4.9%
Sussex Police Authority	122.67	+6.0%
	<u>1,356.85</u>	+4.8%

3. RECOMMENDATIONS TO COUNCIL

3.1 *Corporate Plan*

- 1) That the proposed Corporate Plan 2007/08 be endorsed;
- 2) That the Chief Executive be authorised to approve any final minor changes to the Plan prior to it being published;

3.2 Mid Sussex District Council budget 2007/08

1) Revenue Budget and MSDC council tax 2007/08 :

- (a) to approve the Budget Requirement as follows (see appendix 2 for details):

	<i>£'000</i>
Service Net Expenditure	14,403
Balance Unallocated	44
	<hr/>
Council Net Expenditure	14,447
Procurement savings	(107)
Local Authority Business Growth Incentive (LABGI)	(90)
Better Mid Sussex capitalised salaries	(300)
Service Efficiencies	(265)
Service Reviews	(60)
	<hr/>
Revenue Spending	13,625
Payback to Reserves (re Dolphin)	200
Contribution to Repairs & Renewals Reserve	280
	<hr/>
Budget Requirement before use of interest	14,105
Use of interest to meet contributions to Repairs and Renewals Reserve	(280)
	<hr/>
Budget Requirement after use of interest	<u>13,825</u>

- (b) With respect to pensions, that the employer's contribution rate should be 17.2% for 2007/08
- (c) to approve the transfer of £280,000 to the Repairs and Renewals Reserve;
- (d) to approve an increase in band D Council tax of 3.0%.

2) Capital Programme 2007/08 (see appendix 3 for details):

- (a) To approve the allocations for new Capital Spending in 2007/08 as follows :

<i>Title</i>	<i>Project Cost</i>	<i>Project Cost</i>
	<i>£'000</i>	<i>£'000</i>
Town Centre Revitalisation		1,050
<i>Major Capital Renewals:</i>		
Dolphin Leisure Centre	115	
Kings & Jesters & Noddy	20	
Triangle Leisure Centre	35	
Clayton Green Pavilion	35	
Cuckfield Recreation Pavilion	27	
Victoria Park Pavilion	23	
Jack & Jill	20	
Lindfield Common Car Park	20	
Green Crescent	30	
Playgrounds	40	
Car park Ticket Machines	55	
<i>Total Major Capital Renewals</i>	420	
<i>Other Projects</i>		
PC Replacement programme		130
Central Server Replacement		89
CenSus ICT strategy		tbd
EDRMS Data migration		15
Network Infrastructure upgrade		30
Voice over IP Phone rollout & Network Switch Upgrade		64
Corporate Online Booking System		22
Sussex e-recruitment portal		9
FMS Development		13
Corporate Contact Centre		33
Queue Management system		8
Local Development Scheme		29
Rural Community Provision & Capital Grants		100
Waste and Recycling Wheelie Bins		1,568
Garden Waste Scheme		53
<i>Housing:</i>		
Housing Renewal Assistance		650
Unallocated Funding - Affordable Housing		500
		4,783

(b) The totals for Capital Spending for 2007/11 be approved at £8.151m for Environmental, Protective and Cultural Services and £5.850m for Housing Services.

(c) the amounts estimated for financing be noted.

3) Reserves and other balances and Treasury Management :

(a) To note the estimates for cash balances (see appendix 4 for details).

(b) To endorse the Treasury Management Strategy for 2007/08 (see appendix 8 for details).

(c) To approve the following borrowing limits for 2007/08 as calculated under Section 3(1) of the Local Government Act 2003:

Overall borrowing limit	...	£5m.
Short term borrowing limit	...	£5m.
Borrowing at variable interest rates	...	£5m.

4) Medium Term Financial Plan :

To note the summary Medium Term Financial Plan to 2010/11 (appendix 5).

5) Collection Fund (see appendix 6 for details):

To note the estimated deficit on the Collection Fund totalling £43,000 for the year ended 31st March 2007, of which the Mid Sussex District Council share is £5,899.

3.3 Council taxes for the Mid Sussex area :

6) It be noted that at its meeting held on 13th December 2006 the Council calculated the following amounts for the year 2007/08:

(a) 56,012.6 being the amount calculated, in accordance with the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003, as its council tax base for the year;

(b) Part of the Council's area

Parish area of:

Albourne	279.3
Ardingly	705.3
Ashurst Wood	751.7
Balcombe	822.3
Bolney	603.7
Burgess Hill	11,387.0
Cuckfield	1,520.2
Cuckfield Rural	755.4
East Grinstead	10,540.8
Fulking	142.8
Hassocks	3,074.5
Haywards Heath	10,739.3
Horsted Keynes	707.2
Hurstpierpoint & Sayers Common	2,758.4
Lindfield	2,731.0
Lindfield Rural	1,195.0
Newtimber	41.8
Poynings	132.9
Pyecombe	99.5
Slaugham	1,022.2
Turners Hill	635.7
Twineham	128.0
West Hoathly	930.4
Worth	4,308.2

being the amounts calculated by the Council, in accordance with Regulation 6 of the Regulations, as the amounts of its council tax base for the year for dwellings in those parts of its area to which special items relate.

7) That any expenses incurred by the Council in 2007/08 in performing in part of its area a function performed elsewhere in its area by a Parish or Community Council or the Chairman of a Parish Meeting shall not be treated as special expenses for the purposes of Section 35 of the Local Government Finance Act 1992.

- 8) That the following amounts be now calculated by the Council for the year 2007/08 in accordance with Section 32 to 36 of the Local Government Finance Act 1992:
- (a) £57,073,897 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(2)(a) to (e) of the Act;
 - (b) £40,536,323 being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act;
 - (c) £16,537,574 being the amount by which the aggregate at 8)(a) above exceeds the aggregate at 8)(b) above, calculated by the Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year;
 - (d) £6,268,070 being the aggregate of the sums which the Council estimates will be payable for the year into its General Fund in respect of redistributed non-domestic rate and revenue support grant, increased by the amount of the sums which the Council estimates will be transferred in the year from its Collection Fund to its General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988, increased by the amount of any sum which the Council estimates will be transferred from its Collection Fund to its General Fund pursuant to the directions under Section 98(4) of the Local Government Finance Act 1988 made on 7th February 1994 and reduced by the amount of any sum which the Council estimates will be transferred from its General Fund to its Collection Fund pursuant to the directions under Section 98(5) of the Local Government Finance Act 1988 made on 7th February 1994;
 - (e) £183.34 being the amount at 8)(c) above less the amount at 8)(d) above, all divided by the amount at 6)(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its council tax for the year;
 - (f) £2,712,844 being the aggregate amount of all special items referred to in Section 34(1) of the Act;
 - (g) £134.91 being the amount at 8)(e) above less the result given by dividing the amount at 8)(f) above by the amount at 6)(a) above, calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for-dwellings in those parts of its area to which no special item relates;

(h) Part of the Council's area

Parish area of:	£
Albourne	186.94
Ardingly	231.86
Ashurst Wood	179.01
Balcombe	173.83
Bolney	163.07
Burgess Hill	195.80
Cuckfield	198.22
Cuckfield Rural	177.27
East Grinstead	191.93
Fulking	167.86
Hassocks	189.42
Haywards Heath	171.62
Horsted Keynes	170.49
Hurstpierpoint & Sayers Common	194.21
Lindfield	175.19
Lindfield Rural	168.03
Newtimber	138.50
Poynings	152.81
Pyecombe	178.13
Slaugham	170.13
Turners Hill	203.35
Twineham	154.83
West Hoathly	152.52
Worth	161.60

being the amounts given by adding to the amount at 8)(g) above the amounts of the special items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the amount at 6)(b) above, calculated by the Council in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which special items relate;

(i) Part of the Council's area

Parish area	band A £	band B £	band C £	band D £	band E £	band F £	band G £	band H £
Albourne	124.63	145.40	166.17	186.94	228.48	270.02	311.57	373.88
Ardingly	154.58	180.34	206.10	231.86	283.39	334.92	386.44	463.73
Ashurst Wood	119.34	139.23	159.12	179.01	218.79	258.57	298.35	358.02
Balcombe	115.88	135.20	154.51	173.83	212.45	251.08	289.71	347.65
Bolney	108.71	126.83	144.95	163.07	199.31	235.55	271.78	326.14
Burgess Hill	130.54	152.29	174.05	195.80	239.31	282.83	326.34	391.61
Cuckfield	132.15	154.17	176.20	198.22	242.27	286.32	330.37	396.45
Cuckfield Rural	118.18	137.88	157.57	177.27	216.67	256.06	295.45	354.54
East Grinstead	127.95	149.28	170.60	191.93	234.58	277.23	319.88	383.85
Fulking	111.91	130.56	149.21	167.86	205.16	242.46	279.76	335.72
Hassocks	126.28	147.33	168.38	189.42	231.52	273.61	315.71	378.85
Haywards Heath	114.41	133.48	152.55	171.62	209.76	247.90	286.03	343.24
Horsted Keynes	113.66	132.61	151.55	170.49	208.38	246.27	284.16	340.99
Hurstpierpoint & Sayers Common	129.47	151.05	172.63	194.21	237.37	280.53	323.69	388.42
Lindfield	116.79	136.26	155.72	175.19	214.12	253.05	291.98	350.38
Lindfield Rural	112.02	130.69	149.36	168.03	205.37	242.71	280.05	336.06
Newtimber	92.33	107.72	123.11	138.50	169.28	200.05	230.83	277.00
Poynings	101.87	118.85	135.83	152.81	186.77	220.73	254.68	305.62
Pyecombe	118.75	138.54	158.33	178.13	217.71	257.29	296.88	356.25
Slaugham	113.42	132.32	151.23	170.13	207.93	245.74	283.55	340.26
Turners Hill	135.56	158.16	180.75	203.35	248.53	293.72	338.91	406.69
Twineham	103.22	120.42	137.63	154.83	189.24	223.65	258.05	309.66
West Hoathly	101.68	118.63	135.57	152.52	186.42	220.31	254.20	305.04
Worth	107.74	125.69	143.65	161.60	197.52	233.43	269.34	323.21

being the amounts given by multiplying the amounts at 8)(h) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- 9) **That it be noted that for the year 2007/08 the West Sussex County Council have stated the following amounts in precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwelling shown below:**

Valuation band	£	Valuation band	£
band A	700.56	band E	1,284.36
band B	817.32	band F	1,517.88
band C	934.08	band G	1,751.40
band D	1,050.84	band H	2,101.68

- 10) **That it be noted that for the year 2007/08 the Sussex Police Authority have stated the following amounts in precept issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:**

Valuation band	£	Valuation band	£
band A	81.78	band E	149.93
band B	95.41	band F	177.19
band C	109.04	band G	204.45
band D	122.67	band H	245.34

- 11) That, having calculated the aggregate in each case of the amounts as at 8)(i), 9) and 10) above, the Council in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of council tax for the year 2007/08 for each of the categories of dwellings shown below:

Parish area	band A £	band B £	band C £	band D £	band E £	band F £	band G £	band H £
Albourne	906.97	1,058.13	1,209.29	1,360.45	1,662.77	1,965.09	2,267.42	2,720.90
Ardingly	936.92	1,093.07	1,249.22	1,405.37	1,717.68	2,029.99	2,342.29	2,810.75
Ashurst Wood	901.68	1,051.96	1,202.24	1,352.52	1,653.08	1,953.64	2,254.20	2,705.04
Balcombe	898.22	1,047.93	1,197.63	1,347.34	1,646.74	1,946.15	2,245.56	2,694.67
Bolney	891.05	1,039.56	1,188.07	1,336.58	1,633.60	1,930.62	2,227.63	2,673.16
Burgess Hill	912.88	1,065.02	1,217.17	1,369.31	1,673.60	1,977.90	2,282.19	2,738.63
Cuckfield	914.49	1,066.90	1,219.32	1,371.73	1,676.56	1,981.39	2,286.22	2,743.47
Cuckfield Rural	900.52	1,050.61	1,200.69	1,350.78	1,650.96	1,951.13	2,251.30	2,701.56
East Grinstead	910.29	1,062.01	1,213.72	1,365.44	1,668.87	1,972.30	2,275.73	2,730.87
Fulking	894.25	1,043.29	1,192.33	1,341.37	1,639.45	1,937.53	2,235.61	2,682.74
Hassocks	908.62	1,060.06	1,211.50	1,362.93	1,665.81	1,968.68	2,271.56	2,725.87
Haywards Heath	896.75	1,046.21	1,195.67	1,345.13	1,644.05	1,942.97	2,241.88	2,690.26
Horsted Keynes	896.00	1,045.34	1,194.67	1,344.00	1,642.67	1,941.34	2,240.01	2,688.01
Hurstpierpoint & Sayers Common	911.81	1,063.78	1,215.75	1,367.72	1,671.66	1,975.60	2,279.54	2,735.44
Lindfield	899.13	1,048.99	1,198.84	1,348.70	1,648.41	1,948.12	2,247.83	2,697.40
Lindfield Rural	894.36	1,043.42	1,192.48	1,341.54	1,639.66	1,937.78	2,235.90	2,683.08
Newtimber	874.67	1,020.45	1,166.23	1,312.01	1,603.57	1,895.12	2,186.68	2,624.02
Poynings	884.21	1,031.58	1,178.95	1,326.32	1,621.06	1,915.80	2,210.53	2,652.64
Pyecombe	901.09	1,051.27	1,201.45	1,351.64	1,652.00	1,952.36	2,252.73	2,703.27
Slaugham	895.76	1,045.05	1,194.35	1,343.64	1,642.22	1,940.81	2,239.40	2,687.28
Turners Hill	917.90	1,070.89	1,223.87	1,376.86	1,682.82	1,988.79	2,294.76	2,753.71
Twineham	885.56	1,033.15	1,180.75	1,328.34	1,623.53	1,918.72	2,213.90	2,656.68
West Hoathly	884.02	1,031.36	1,178.69	1,326.03	1,620.71	1,915.38	2,210.05	2,652.06
Worth	890.08	1,038.42	1,186.77	1,335.11	1,631.81	1,928.50	2,225.19	2,670.23

CORPORATE PLAN AND BUDGET 2007/08

1. INTRODUCTION

1.1 The purpose of this report is to present the revised Corporate Plan for 2007/08 and the budget which has been prepared to enable its delivery. The report explains:

- through the budget, the financial resources necessary to deliver the corporate objectives and Council services, and
- how, through the service plans, each service will be delivered including how this delivery will be measured.

2. COUNCIL PRIORITIES FOR 2007/08

2.1 Prior to refreshing the Corporate Plan and preparing the budget for 2007/08, the Council's priorities were reviewed to ensure that they remain fit for purpose in 2007/08. The three themes of Better Lives, Better Environment and Better Services were first introduced in 2004/05.

2.2 It is considered that the current priorities are satisfactory and retention of them would offer a degree of continuity in the Council's Business Planning. The three Better Advisory Groups supported this view when they considered this issue at their meetings in September and October. The new Corporate Plan has been prepared on the basis of the existing priorities.

3. THE CORPORATE PLAN

3.1 The Corporate Plan is a pivotal part of the Council's performance management system, setting out in one document the Council's objectives for 2007/08 and how they are going to be achieved. It pulls together the service plans prepared for each Division which were considered in summary form as part of the budget deliberations of Performance and Scrutiny Committee. The budget set out in this report has been constructed to resource the actions included in the Corporate Plan.

3.2 The new Corporate Plan is included as appendix 1 to this report and retains the main features of last year's document as follows:-

- It keeps the format of a Part 1 introduction, Part 2 Action Plan and Part 3 Summary Service Plans for each Division (like last year).
- Part 2 of the Corporate Plan reflects the main actions from the service plans. For each action, milestones and/or performance indicator targets have been set which enables progress to be monitored through our performance management system. The number of key actions in part 2 has been reduced from 71 to a more manageable 46.

- 3.3 The Corporate Plan also acts as the Council's Best Value Performance Plan (BVPP). BVPP's are statutorily required but do overlap considerably with our Corporate Plan. Therefore, to support work to rationalise the number of Plans produced by the Council, officers have secured Audit Commission approval to merge the two plans. To comply with BVPP statutory requirements, a Part 4 appendix will be issued at the end of June setting out both our outturn performance to the 2006/07 Best Value Indicators and our future year targets. The recent White Paper indicates that this will be the last year in which there is a requirement to produce a BVPP.
- 3.4 Over the past year there has been a drive within the authority to further refine the business planning process. One of the key outcomes from this has been a far closer alignment between corporate planning, service planning and budget planning. In reflection of this the budget is included for the first time as an integral Part 5 of the corporate plan. This will enable readers to clearly see how the council's plans are financed and, conversely, how budgets are translated into services.
- 3.5 It is planned to publish the full Corporate Plan and Budget on the website, with a summary version issued in hard copy in an accessible format. This will be circulated to members and partner organisations, with copies available at Council offices and help points in April.
- 3.6 Progress against targets in part 2 of the Corporate Plan will be reported quarterly to Members through Cabinet and Performance and Scrutiny Committee in the usual way.
- 3.7 The Corporate Plan highlights the key areas of work next year that will be most important in delivering against the Council's three themes. These are shown below. Further information can be found in Part 2 and in the Service Plans.

Better Lives

- Spotlight on activities/opportunities for older people.
- Delivering more affordable homes
- More cultural activities taken into the community, focused on the Big Culture Season beginning in May.
- Improved performance in dealing with council tax and housing benefit claims.
- Delivery of more/improved community facilities (for example the Sidney West Health Centre and new pavilion, playground development).
- Programme to ensure every child of primary school age can swim in place.
- Development of more community leisure activities, building on the success of the football in the community scheme and seeking to establish similar external partnerships in other sports starting with cricket.

Better Environment

- Further progress with the Better Mid Sussex Partnership work, including the securing of planning consents to begin the redevelopment of East Grinstead and a scheme brought forward for Haywards Heath station.
- Reshaped waste collection services and significantly improved recycling performance.
- Improved performance in dealing with planning applications.

Better Services

- A council tax rise limited to 3%.
- High recognition of the community of Mid Sussex District Council as a “value for money authority” and the Better Mid Sussex promotional campaign.
- An improved Revenues and Benefits service through the CENSUS partnership with Horsham and Adur District Councils.
- Implementation of new ICT developments such as Electronic Document Records Management Systems to improve customer service and deliver efficiencies.
- Launch of improved council help point.

4. OUTCOMES FROM THE PERFORMANCE AND SCRUTINY COMMITTEE

- 4.1 Performance and Scrutiny Committee examined the draft budget and service plans on 10th January 2007. Amendments to the draft budget were proposed by the Head of Finance at that meeting and were supported by the Committee. These have been incorporated into the budget contained within this report.

5. REVENUE BUDGET

5.1 Introduction

- 5.1.1 This section of the report describes the calculation of the budget to support day to day spending and Cabinet's recommendation for council tax for 2007/08.
- 5.1.2 The ‘Strategy for Revenue Spending’ is the context for the revenue budget. Whilst the whole of this part of the Financial Strategy is relevant (as detailed in appendix 5), the key elements in recommending the level of Revenue Spending and council tax are :

2. *All expenditure decisions to be led by the Council's priorities, in particular, the Corporate Plan.*

6. *The Council will continue to adopt a prudent approach to financing the Budget Requirement which will, in the main, be financed by the council tax and Formula Grant, but will be supported from other sources as necessary to maintain a level of council tax considered, at the time of setting, to be in the best interests of the community as a whole.*

5.1.3 The next sections of the report describe the key issues in constructing the budget for 2007/08.

5.2 **Draft Budget**

5.2.1 A draft budget was published for consultation during December 2006 which set out the forecast budget position for 2007/08. The key features of the draft are as described below.

5.3 **Net general inflation**

5.3.1 Inflation is the extent to which the base budget should be increased to account for normal price increases in both expenditure and income. A detailed examination of inflation estimated to be required for 2007/08 amounts to £682,000. The inflation calculation is shown in appendix 2d.

5.4 **Efficiency Reviews**

5.4.1 In line with the national efficiency agenda and consistent with the local financial pressures, the budget assumes that efficiency savings are made within the financial year amounting to £940,000. These are to be found from the general areas identified below:

- £100,000 arising from increased margins on the Catering business within the Leisure and Wellbeing Division;
- income generation from taking on the payroll of Horsham DC
- £50,000 from the Census partnership. This will be achieved from a variety of staffing efficiencies within the areas of joint working with Horsham and Adur DCs.
- £92,000 will be found from better procurement in a variety of areas
- headcount reduction achieved by engineering opportunities for absorption of workload and de-layering teams where practical.

5.4.2 All these savings have plans for their achievement together with alternative options as fail-safes and will be specifically monitored as discrete items through Budget Management reports during 2007/08. The individual divisional budgets set out within this report have the savings built-in.

5.5 Pensions

Financial Strategy and Current Policy

5.5.1 The Council's current policy on meeting pension fund commitments is to attempt to minimise the effect on the revenue budget and to contribute to reducing the deficit on the fund. This has been achieved by earmarking part of our reserves to pay for:

- a) costs of added years and pre 1974 pensioners;
- b) additional lump sum payments to offset revenue contributions

5.5.2 No change is envisaged to this strategy for this budget year, from that set out in the 2005/06 budget report. Its effects are shown below.

<i>Financial Year</i>	<i>Employer %</i>	<i>Increase on 2005/06</i>	<i>Sum met from Revenue £000 Increase</i>
2005/06	12.7%	-	
2006/07	15.0%	+ 2.3%	202
2007/08	17.2%	+ 4.5%	394
2008/09	21.9%	+ 9.2%	833

5.5.3 It should be noted that the next triennial valuation will be reported towards the end of this financial year. The Council has already had 'early warning' that a further rise in employer's contributions of 1% will be sought. This will need to be accounted for in the 2008/09 budget and beyond.

5.6 Planning Delivery Grant (PDG)

5.6.1 The future of PDG is uncertain. If the grant system continues it will almost certainly not be at present levels. The Council therefore needs to plan to rely on this funding less and less. All expected sums have been removed from the budget as they can no longer be relied upon.

5.6.2 The effect of this is that any PDG awarded will be treated as windfall income and be transferred into reserves. Members will then be involved in any decisions on its application to one-off projects or necessary capital investment designed to increase the efficiency of the planning process at Mid Sussex.

5.7 **'Better Mid Sussex' project**

5.7.1 The budget includes the capitalisation of Officer salaries in the amount of £300,000 arising from the Town Centre revitalisation project. The effect of this is to reduce the revenue budget and move the cost to the Capital Programme. This is consistent with the accounting practice of the last two years and will continue whilst the project itself continues.

5.8 **Contribution to Repairs and Renewals Reserve**

5.8.1 An amount of £280,000 as the annual contribution to the Repairs and Renewals Reserve was recommended by Cabinet as a previous result of reviewing the Medium Term Financial Plan. This annual contribution allows the Council to meet its requirements for achieving the Asset Management Plan backlog repairs and Disabled Discrimination Act works. This is the third year of such sums being provided.

5.9 **Local authority finance settlement 2007/08**

5.9.1 The Final Settlement was laid in Parliament on 18th January 2007. There was no change to the settlement announced as a provisional figure.

5.9.2 An analysis of the settlement is included in the annex to this report.

5.10 **Budget Requirement and council tax**

Cabinet considered the overall position for 2007/08 on 5th February 2007 and recommended a council tax increase of 3.0%, a band D of £134.91.

5.11 **Summary of Revenue Spending 2007/08**

This position is summarised in table 1 below and detailed in appendix 2.

Table 1 : Summary of Revenue Spending 2007/08	
	<i>£'000</i>
Base Revenue Spending (excl Capital Charges and Specific Items*)	14,403
Efficiency savings to be identified	(265)
Service Reviews	(60)
Balance Unallocated	44
	<hr/>
Council net expenditure	14,122
Procurement Savings	(107)
Local Authority Business Growth Improvement (LABGI)	(90)
Better Mid Sussex Capitalised salaries	(300)
	<hr/>
Revenue Spending	13,625
Payback to reserves (re Dolphin)	200
Contribution to Repairs & Renewals Reserve	280
	<hr/>
Budget Requirement before use of interest	14,105
Use of interest to meet contribution to Repairs and Renewals Reserve	(280)
	<hr/>
Budget Requirement after use of interest	13,825
Formula Grant :	
Business Rates (from the Pool)	(5,372)
Revenue Support Grant	(902)
Collection Fund deficit	6
	<hr/>
Income from council tax	<u><u>(7,557)</u></u>

* Refer to glossary for definitions

6. CAPITAL SPENDING

- 6.1 Cabinet agreed on 5th February to adopt a capital programme consisting of a limited number of schemes, all of which further the Council's corporate priorities, and that these be financed from reserves with no recourse to borrowing. These are set out below:

Table 2 : Allocations for Capital Spending 2007/08		
	<i>£'000</i>	<i>£'000</i>
Environmental Protective and Cultural Services		
Allocated for major Capital Renewals	420	
Other new projects	3,213	
	<hr/>	
Housing		3,633
Housing Renewal Assistance	650	
Unallocated Funding – Affordable Housing	500	
	<hr/>	
		1,150
		<hr/>
Total programme for 2007/08		<u><u>4,783</u></u>

6.2 Table 3 below shows how the proposed programme will be financed.

Table 3 : Financing Capital Spending 2007/08	
<i>Description</i>	<i>£'000</i>
Capital Grants (re. Housing renewal assistance- 50% financed from central govt)	246
2006/07 Capital Receipts	624
Anticipated 2007/08 Capital Receipts	2,331
Defra Grant (capital element)	53
Section 106 monies for Affordable Housing	500
Use of Revenue Reserves (interest)	420
Use of General Reserve	609
Total Capital Spending 2007/08	4,783

6.3 The current Capital Programme is shown in appendix 3 and includes the items above.

7. INDICATORS UNDER THE PRUDENTIAL CODE

7.1 A fundamental principle of the Prudential Regime is that it is for the Council itself to decide the best means for undertaking capital investment and the investment of its cash assets. To assist local authorities in this and to ensure transparency and accountability to the wider community, the Code requires the calculation and publication of indicators. These indicators show that the Council has remained within its own boundaries of prudence in undertaking capital investment and its treasury management. The indicators are not for comparison between local authorities.

7.2 The code requires a calculation of the indicators for the next financial year and at least the two following years, based on reasonable estimates. After the year-end, the actual figures need to be shown. All indicators are to be monitored throughout the year.

7.3 The categories for indicators are:

a) **Capital Expenditure**

The Council, when preparing its future capital investment plans, is required to consider how the expenditure is to be financed, and whether that finance is sustainable and affordable.

b) **Treasury Management**

The Council has adopted the key recommendations of CIPFA's Treasury Management in the Public Services. In accordance with the Treasury Management Policy document, the Council's authorised overall borrowing limit is £5m, and applies to periods of less than one year. This is to cover temporary cash flow shortages arising from day to day operations. The authorised borrowing limit is reviewed each year (see Treasury Management – appendix 8).

The Prudential Code indicators for Treasury Management relate to the key risk areas in respect of changes to fixed and variable rates. The Treasury Management Practice (TMP1) - Treasury Risk Management refers to 'Interest rate risk management', and states that 'where considered appropriate, deposits will be placed on the basis of a fixed interest rate throughout the term. Interest earnings on such deposits will, therefore, not be subject to fluctuations in interest rates.' It is proposed that the indicator is set so that a maximum of 95% of lending is at fixed rates and a maximum of 25% is at variable rates.

The Council has also opted to invest for terms in excess of 364 days. Again, this is in accordance with existing practice. At any one time, the maximum level of this investment is not expected to exceed 20% of the average sum available in any year.

7.4 The indicators are shown in appendix 9.

8. **RESERVES & OTHER BALANCES AND TREASURY MANAGEMENT**

8.1 Estimated reserves and other balances for the current year (2006/07) and 2007/08 are summarised in table 4 below and are detailed more fully in appendix 4.

	2006/07		2007/08	
	Revenue £'000	Capital £'000	Revenue £'000	Capital £'000
Balances at 1st April	8,965	1,397	6,709	1,488
Additions during the year	2,310	1,402	2,743	3,811
Less proposed utilisation	(4,566)	(1,311)	(4,126)	(3,935)
Estimated balances at 31 st March	6,709	1,488	5,326	1,364

8.2 The management of the Council's cash balances (which include the effect of cash flow and Collection Fund transactions) is carried out within the framework of the Treasury Management Policy, which adheres to the CIPFA Code of Practice. This Code requires the Head of Finance to report on the strategy for the coming year. The proposed strategy is detailed in appendix 8 together with the borrowing limits required to be approved by the Prudential Code under the Local Government Act 2003.

9. **MEDIUM TERM FINANCIAL PLAN**

9.1 The Medium Term Financial Plan supports the Financial Strategy and projects spending and income for the period to 2010/11 based on current assumptions. The Plan also indicates the Council's cash balances at the end of each year. A summary is shown at appendix 5. The plan is important in understanding the future effects of current decisions and included in the statement are projected council tax levels. Whilst it has been the practice for a number of years to include projected council tax increases, this practice now also enables compliance with the Prudential Regime.

9.2 The expenditure and income projections in the Medium Term Financial Plan are based on likely commitments apparent at the present time. It is important to note that they do not dictate the estimate for any particular year. Their purpose is to provide a view of the Council's likely financial position for the period of the plan. The figures making up the plan will need to be analysed further and approved when the annual budget for each year is prepared.

9.3 Similarly the council tax figures are purely indications of increases for each year. They are not intended to show the amounts that will be approved. That will be for the Council to decide in relation to the circumstances and budget decisions for the particular year.

9.4 Members should note that pending the outcome of the Lyons Review and the Comprehensive Spending Review 2007, it is not possible to accurately forecast over the medium term. It is therefore proposed that during the summer of 2007, the plan is revisited, taking these factors into account, before being agreed with Members well in advance of the 2008/09 budget timetable.

10. **COUNCIL TAX AND COLLECTION FUND**

10.1 The Council, as billing authority, collects council tax and business rates in the district, accounting for these transactions through the Collection Fund. The estimated balance on the Collection Fund for the year 2006/07 which must be taken into account in calculating council taxes for the district for 2006/07 is £43,000 (deficit) which is shared between Mid Sussex and the other precepting authorities. The Mid Sussex share is £5,899 and this amount has been taken into account in the recommendation to Council to increase council tax by 3.0%.

10.2 Notification has now been received of the increases by the other precepting authorities and the average band D council tax for Mid Sussex is shown in table 5 below.

	£	Change from 2006/07
Mid Sussex District Council	134.91	+3.0%
Parish/Town Councils	48.43	+3.8%
	<hr/>	
	183.34	+3.2%
West Sussex County Council	1,050.84	+4.9%
Sussex Police Authority	122.67	+6.0%
	<hr/>	
	1,356.85	+4.8%

10.3 The actual band D council taxes range from £1,312.01 to £1,405.37 depending on the parish, which translate into increases between 4.6% and 5.4%.

10.4 The Collection Fund estimate and details of the council tax calculations are contained in appendices 6 and 7.

11. **S25 LOCAL GOVERNMENT ACT 2003 AND RISK ANALYSIS**

11.1 **S25 Local Government Act 2003**

11.1.1 Section 25 of the Local Government Act 2003 requires that :

"the chief finance officer of the authority must report to it on the following matters-

- (a) the robustness of the estimates made for the purposes of the calculations, and*
- (b) the adequacy of the proposed financial reserves."*

- 11.1.2 The annual budget is compiled in the context of the Corporate Plan, the Financial Strategy and the Medium Term Financial Plan. It provides the means whereby each service plan can be adequately financed to achieve the relevant part of the Corporate Plan. The recommendations for the budget for 2007/08 ensure that the net budget can be financed from council tax income, Formula Grant and limited and defined use of reserves. This budget has been compiled in close consultation and agreement with the Chief Executive, the Corporate Strategic Directors and the Heads of Service. The estimates have been evidenced in detailed working papers which were compiled jointly between the staff of the Accountancy Services Section and each Head of Service. The Head of Finance or his representative has also met with each Head of Service to ensure their detailed budget is well understood. This process has ensured that the implications of the estimates included in the budget are owned and are considered realistic and achievable by each Head of Service.
- 11.1.3 There are risks associated with any estimate and the main risks are explained below. The budget monitoring process updates both officers and Members on the current and forecast position at frequent intervals. If this process exposes areas of concern, action will be taken to minimise the possibility of a significant variation. This process has been evidenced during 2006/07 where Budget Management reports have continually adjusted the budget to ensure spending remains broadly on target.
- 11.1.4 The total of the council's reserves and cash balances at 1st April 2007 are estimated to be £8,197,000 and at 1st April 2008 £6,690,000. The financial strategy includes that the target for the minimum level of total reserves is £1,500,000. The estimated positions at the start and end of the year demonstrate that this minimum level will be maintained. The projections for reserves also include capital expenditure commitments and other commitments (included in the specific reserve). This level of reserves is considered adequate for managing the council's existing commitments but it does not allow the council the scope to invest substantially in new capital projects.

11.2 **Risk analysis**

- 11.2.1 The annual budget is the plan of how the Council will manage its finances in the next year. Approving the budget is the first step in managing the financial risks in the following year. However, in approving the budget there are a number of key high level risks that need to be acknowledged.

Inflation

- 11.2.2 It is necessary to reflect in a budget the realistic probability that prices will increase. Clearly, this cannot be calculated accurately in advance and there is therefore a risk that prices will vary from the estimate. However, inflation in recent years has been relatively stable which reduces this risk. The main difference between the budget for 2007/08 and previous years is the uncertainty around the annual pay settlement for staff. Within this budget a pay increase of 2.5% has been assumed, which is above the aspirations of the Treasury but below that of the staff negotiating bodies. By taking this middle ground it is estimated that the risk of incorrectly forecasting the pay inflation is reduced.

Service savings and enhanced income

- 11.2.3 These are net savings arising from the budget preparation process. Some are budget reductions whilst some relate to increased income. These latter carry similar risks to those outlined below in relation to income. Assumptions have been made at the point the budget was prepared based on information currently to hand and there is always a risk that these assumptions do not hold true. However, again, senior management accept that these projections need to be managed in-year. Every effort will be made to identify opportunities to make further net savings in the year to accommodate any shortfall and to be used to offset further budget pressures that may arise.

Efficiency savings

- 11.2.4 A significant proportion of the savings within the 2006/07 budget relate to these items. As part of the budget process, each delivery plan has been tested and is the subject of a step by step action plan with alternative options for making the savings. Senior Management are therefore satisfied that the risks of not delivering the savings are minimal.

Better Mid Sussex project

- 11.2.5 There are no new risks associated with this transaction beyond those described in the 2006/07 budget report. The greatest risk remains that of over-estimating the Officer time spent on the project and thereby under-capitalising the costs from revenue to capital. In the event that actual employee costs incurred in the year do not amount to budgeted capitalisation, the difference will need to be met from elsewhere in the revenue budget or by a transfer from the General Reserve

Other expenditure budgets

- 11.2.6 Most expenditure budgets can be effectively controlled by management. The experience of controlling the 2006/07 budget is that it is most effective when the budget is considered as a whole, rather than a series of independent service budgets, where the Chief Executive, the Corporate Strategic Directors and the Heads of Service as a group own the need to aim for a nil overspend. This approach will be used and further developed in 2007/08, in which a proactive and robust finance function can be expected to ensure delivery of financial targets.
- 11.2.7 The more difficult areas are those that are demand led and a particular on-going concern is Benefits. There can be no certainty as to the level of take up in the year. However, the risk of an adverse variation is minimised by basing projections on trends, and in that regard, it is not felt that there are any significant risks to the authority inherent in the budget forecast and the budget has been prepared to show a neutral effect; i.e no significant variation from the 2006/07 estimates.

Income budgets

- 11.2.8 The budget requirement includes income from fees and charges which are inherently demand led. There is a risk, therefore, that budgeted income levels will not be achieved; conversely, they could be exceeded. The budget monitoring process during the year aims to continuously track variations to ensure compensatory adjustments are made elsewhere. In addition, the risk of major variations has been reduced by amending base budgets in the light of the experience in previous years.

Capital Programme

- 11.2.9 All the existing projects in the Programme are supported by existing or projected funding in reserves.

12. LEGAL IMPLICATIONS

The Local Government Finance Act 1992 provides that for each financial year a local authority should set the amount of Council Tax before 11th March in the financial year preceding that for which it is set. The Act makes provisions regarding the calculations necessary in setting the council tax and the budget requirement. This report is instrumental in achieving this requirement.

13. **EXPLANATION OF BUDGET RECOMMENDATIONS**

13.1 Under the constitution, only full Council can approve the budget. This report, therefore, is Cabinet's recommendation.

13.2 The budget recommendations are in three parts :

- Those that refer to the approval of the Corporate Plan (recommendations contained in 3.1 of the Executive Summary);
- Those that refer to the approval of the Council's expenditure (recommendations contained in 3.2 of the Executive Summary); and
- Those that refer to the Council's responsibilities for calculating council taxes for the Mid Sussex area.

The latter are set out according to proper practice.

13.3 Recommendations 1-5 are relatively self-explanatory. Recommendations 6-11 are explained below:

6 : the taxbase for each parish area;

7 : whether any part of the Council's expenditure is classed as Special Expenses and should be attributed to a particular parish (this Council does not class any of its expenditure as Special);

8 : this recommendation calculates the council taxes for the District and parish councils :

- (a) gross expenditure of the Mid Sussex District Council plus parish precepts;
- (b) gross income for Mid Sussex District Council;
- (c) net expenditure i.e. the difference between (a) and (b) which is the Budget Requirement including parish precepts;
- (d) Formula Grant plus the effect of the balance on the Collection Fund;
- (e) the average band D council tax for Mid Sussex District Council plus the parishes i.e. (c) - (d) divided by the taxbase;
- (f) the total of parish precepts;
- (g) the band D council tax after subtracting parish precepts i.e. the Mid Sussex District Council band D;
- (h) the band D council taxes for each parish area for Mid Sussex District Council and the parishes;
- (i) the actual council taxes for all bands for Mid Sussex District Council and the parishes;

9 : the West Sussex County Council council taxes for all bands;

10 : the Sussex Police Authority council taxes for all bands:

11 : the full council taxes for all bands for all parishes i.e. Mid Sussex District Council plus parishes plus West Sussex County Council plus Sussex Police Authority.

BACKGROUND PAPERS:

Report to Performance and Scrutiny Committee 14th December 2006 :
Draft Budget 2007/08

Report to Cabinet 5th February 2007 :

Corporate Plan And Budget 2007/08 – Update and recommendation for
Council Tax

West Sussex County Council, Sussex Police Authority and Parish/Town
Council precepts.

Papers from the DCLG : “Local Authority Finance (England) Revenue
Support Grant for 2007/08 and related matters”

Letter from Department for Environment Food and Rural Affairs (defra)
December 2005 -: Waste Performance and Efficiency Grant

Local authority finance settlement 2007/08

The Final Settlement was announced on 18th January 2007, which gave an increase of 2.7%, the minimum guaranteed increase, over the adjusted grant for 2006/07.

The adjusted 2006/07 grant takes into account capital programmes that were previously included in the formula grant system which are now paid out in a different way. The adjusted figure for 2006/07 does not represent a decrease in funding to MSDC, but represents a starting point for the guaranteed increase calculation.

Settlement 2007/08			
	2006/07 £'000	Adjusted 2006/07 £'000	Final 2007/08 £'000
Formula Grant:			
Business Rates	5,152	5,152	5,372
Revenue Support Grant	995	957	902
Total Formula Grant	6,147	6,109	6,274

Under the new system introduced by the government in 2006/07, the distribution of Formula Grant is determined wholly by the result of four blocks: a Relative Needs Formulae, a Relative Resource Amount, a Central Allocation and a Scheme for Floor Damping. These elements taken together determine the level of grant receivable and retain many of the features of the old Formula Spending Share (FSS) system.

The first element, Relative Needs formula, takes into account the population, social structure and other characteristics of each authority. The formulae are designed to reflect the relative needs of individual authorities and the factors that affect local costs, for example, deprivation and area costs, in the same way as the FSS system did. This is not intended to measure the actual amount needed to provide local services.

The second part – Relative Resource Amount, takes account of the ability to raise income locally through the tax-base in the council's area. Councils that can raise more income require less support from the Government.

The third part – a Central Allocation, is shared out on a per head basis.

The final element – Floor damping remains the same as in the previous grant distribution system. The Government ensures that each council has a reasonable grant increase year-on-year. For 2007/08 shire districts were guaranteed an increase of 2.7% (for 2006/07 the guaranteed increase was 3%) over the adjusted settlement for the previous year.

When these elements are added together, they are compared against the population of a group of councils who provide similar services. A minimum amount is agreed for these councils, and then the amount over the minimum is shared out in proportion to the total amount that the Secretary of State has agreed to distribute.

The Formula Grant for the Council for 2007/08 is £6,273,969.

An analysis of how the Formula Grant is determined is included in the annex to this report.

Non-Domestic Rates

The proposed Non-Domestic rate poundage is:

Small properties: 44.1p an increase of 3.6% from 42.6p in 2006/07

Standard properties: 44.4p an increase of 2.5% from 43.3p in 2006/07

Note: More detailed information is available on the Communities and Local Government website:

<http://www.local.communities.gov.uk/finance/0708/grant.htm>

Calculation of Formula Grant 2007-08 - Final

	Amount/Formula	Factor/ Value	Value or Top-Up	Population	Base	ACA	Sub total	Scaling adjustment	Total
Resident Population	128,146	£11.9431	£1,530,460	128,146	1,530,460	9,795	1,540,255	-1.00	1,540,254
Population Density	3.2304	£0.9060	£2.926778640	128,146	375,055	2,400	377,455	-1.00	377,454
Population Sparsity	0.2145	£6.4682	£1.38742890	128,146	177,793	1,138	178,931	-1.00	178,930
					2,083,309	13,333	2,096,642	-3	2,096,639
Net In-Commuters	0	£4.66	£0.0000						
Day Visitors	4,630.136986	£4.09	£18,938.1863		18,938	121	19,059		19,059
<u>Deprivation -</u>									
Incapacity Benefits & Severe Disablement	2,597	£38.72	£100,565.9683						
Income Support/Income-based Job Seeker's Allowance Claimants	4,330	£26.18	£113,354.6370						
Elderly on Income Support/Income-based Job Seeker's Allowance	2,230	£38.72	£86,354.2970						
Unemployment Related Benefit Claimants	621	£26.18	£16,257.0969						
Country of Birth residents	4,917	£3.53	£17,355.7368		333,888	2,137	336,025		336,025
Total Basic EPCS					2,436,135	15,591	2,451,726	-3	2,451,723
Fixed Costs					325,000		325,000	0.156	50,638
Flood defence	136,731		136,731		136,731		136,731	0	19,970
Total EPCS					2,897,866	15,591	2,913,457	-3	2,522,331
<u>Capital Financing</u>									
<u>Debt Charges</u>									
Debt I	8,291,970	0.020	-165,839.40						
	8,291,970	0.040	331,678.80						
	8,126,131	0.059	479,441.71						
			811,120.51		811,121		811,121	0	148,304
Total Capital Financing					811,121		811,121	0	148,304
Total					3,708,986	15,591	3,724,578	-3	2,670,635
Reduction									-882,483
MSDC Share of total DCLG Formula Grant correlated to the measure of relative need									1,788,152
Relative Resource Amount Based on the ability to raise income, as reflected by the taxbase and population.									-4,766,271
Central Allocation									8,729,837
Floor Damping									522,251
Total Formula Grant for 2007/08									6,273,969
RSG for 2007/08									901,595
NNDR for 2007/08									5,372,374