

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder for Strategic Finance and Strategic Planning, Portfolio Holder for Internal Services, Performance & Business Development and the Executive Director (Place) (S151)

**To:** Cabinet 17 February 2015

**(Author:** Greg Pearson – Corporate Improvement and Performance Manager and Mark Finch – Finance Manager)

**Subject:** Draft Budget, Medium Term Financial Plan and Draft Corporate Plan

**Purpose:** To consider the Draft Budget, Medium Term Financial Plan and Corporate Plan

### **Recommendations to Full Council:**

- 1) That the General Fund revenue estimates (Appendix A), use of reserves (Appendix D) and Fees and Charges (Appendix H) be approved;
- 2) That the Council Tax for a Band D property in 2015-16, to be set at £154.84, be approved;
- 3) That the Spalding Special Expenses estimates (Appendix C) be approved;
- 4) That the Spalding Special Expense for a Band D property in 2015-16, to be set at £23.10, be approved;
- 5) That the Medium Term Financial Plan (Appendices A and B) be approved;
- 6) That the Capital Strategy and Programme (Appendices E and F) be approved, including the delegation to the Chief Executive to purchase land or property assets that support the Council's priorities;
- 7) That the Treasury Management Strategy Statement, including the Minimum Revenue Provision Policy and Annual Investment Strategy (Appendix G) be approved;
- 8) That the authority extends its discretionary business rates relief scheme to include the extension of transitional relief to business premises with a rateable value equal to or less than £50,000 in accordance with Government guidelines, delegating to the Section 151 Officer the development and inclusion of an addendum to the current Discretionary Rate Relief Policy to cover this scheme; and
- 9) That the Corporate Plan and priorities be approved.

### **1.0 BACKGROUND**

- 1.1 This report and its appendices outline the Corporate Plan and priorities (2015-19); revenue and capital estimates for the General Fund (2015-16); the proposals for the setting of discretionary fees and charges; the outline position to 2018-19; the Medium Term Financial Plan (MTFP) and the Capital Strategy.

- 1.2 The Medium Term Financial Plan sets out the framework within which the budget is to be set to ensure that it enables the Council to achieve its corporate objectives. The capital strategy sets out the framework for the capital budget setting.
- 1.3 During recent years the council, alongside many public sector service providers, has experienced a period of unprecedented financial pressure, including in various combinations; public sector funding cuts as part of our national austerity measures, all time low returns on cash deposits and a national economic downturn affecting jobs, housing and business growth. During this same period the basis on which the public sector is funded has undergone substantial reform; radical changes that affect the Council's financial funding position (directly and indirectly) include National Welfare Reform, Localisation of Council Tax Relief, Business Rates Retention and New Homes Bonus. In addition, there has been the reduction and in some cases, the removal of a range of grant funding sources. Each change bringing elements of uncertainty in terms of impact.
- 1.4 In keeping with many local authorities, the challenge the council faces to identify savings in the future becomes increasingly difficult and complex as the need to deliver further efficiencies continues. Against this backdrop, Members will recall the basis of the budget setting for 2014-2015, which utilised reserves in the short term. This was as an integral part of a clear financial strategy to identify and deliver the more complex transformational changes in the medium and longer term, which are required to meet the significant financial challenges of future years.
- 1.5 Securing a sustainable financial position across the medium term remains a key challenge for the future. In keeping with good financial practice, to secure this longer term stability the council will focus its future financial strategy on the medium term. This will drive a shift in our financial focus, away from the traditional incremental approach to annual budgeting to a more strategic outcome focussed approach.
- 1.6 Delivering efficient and effective services that represent value for money remains a critical aspect of our business. To continue to drive down costs whilst maintaining our service commitment will demand innovative approaches to service delivery alongside a commercial focus to maximise our income in order to continue to provide the widest benefit to our communities.
- 1.7 In the draft budget which South Holland District Council consulted on, the authority was able to present a balanced budget for 2015-16 using an element of New Homes Bonus (which is the funding received as a result of successful delivery of housing growth in the district) and additional income from new trading opportunities. Additional retained business rates and service cost savings meant that the authority was able to remove the speculative income planned to be generated from these new trading activities which have not yet received formal approval. This made the budget for 2015-16 more robust. However, ongoing negotiations with the County Council about the future of recycling in Lincolnshire and changes to the scheme of recycling credits has meant that, at the eleventh hour, a potential £211k cost pressure has emerged as it is looking more likely that recycling credits will be withdrawn in 2015-16 and the parachute payments originally proposed to assist districts with the transition to the new arrangement have been considerably scaled back in 2015-16, and withdrawn in future years. It is proposed that this cost pressure is provisionally funded from a contribution from reserves, should it be necessary, as the Council is required to set a balanced budget in 2015-16.

- 1.8 There has been limited feedback from the public consultation on the budget, with one correspondent querying some of the expenditure in the Spalding Special Expense. It is not proposed to change the overall precept for Spalding, but the Spalding Forum will have the opportunity to suggest virements within the budget once it has had the opportunity to consider the consultation comments. Any virements could be approved by Cabinet and would not need to come back to Council.
- 1.9 The transitional business rates relief scheme was introduced in 2010 to help those business ratepayers who were faced with higher bills. The scheme ends on 31 March 2015 and as a result a small number of ratepayers will face a jump to their full rates bill from 1 April 2015. The government announced in the Autumn Statement on 3 December 2014 that it will extend to March 2017 the current transitional relief scheme for properties with a rateable value up to and including £50,000. The guidelines attached in Appendix I provides details of the scheme.
- 1.10 Any reliefs awarded by the council will be reimbursed through Section 31 grant and will therefore not have an adverse impact on the authority's finances. The government is not changing legislation to extend transitional relief available for small premises, therefore it will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief. It is proposed that the council supports this government policy by extending its discretionary business rate relief policy in accordance with the attached guidelines, and include an addendum to the current Discretionary Rate Relief Policy to cover this scheme.
- 1.11 Corporate planning is a key part of running a successful organisation. A corporate plan ensures:
- a. Everyone in the organisation is working to the same priorities, pulling in the same direction and clear about what they are trying to achieve
  - b. It helps ensure that risks are effectively managed
  - c. It provides a tool to measure performance, success and hold people to account
  - d. It enables the organisation and its managers to plan resource and the budget more effectively
- 1.12 The Council has an existing Corporate Plan that runs from 2011 to 2015. As this expires shortly, a new Corporate Plan has been drafted in order to set the vision for the organisation. Four priorities are proposed:
- a. To develop safer, stronger, healthier and more independent communities whilst protecting the most vulnerable
  - b. To have pride in South Holland by supporting the district and residents to develop and thrive
  - c. To provide the right services, at the right time and in the right way
  - d. To encourage the local economy to be vibrant with continued growth
- 1.13 These priorities will be supported by a series of Critical Activities that the Council will undertake. The progress of these will be monitored through the Corporate Delivery Plan and Performance Management Framework. Progress will be reported on a quarterly basis to Scrutiny Committee and to Cabinet.
- 1.14 A consultation exercise on the draft Corporate Plan has now been concluded. Feedback has been considered and changes have been made as appropriate in the final document (Appendix 1). The majority of changes made to the document as a result of the consultations were minor wording amendments to clarify or strengthen the emphasis of the Council's corporate vision throughout.

- 1.15 The following more significant changes have been made to the Corporate Plan as a result of the consultation exercise:-
- a. The 'Vision and Priority' page has been restructure to give greater emphasis and focus on the Corporate Vision and Priorities.
  - b. The 'Finance' page has been restructured to give a clear and more accessible picture of the council's financial position over the next four years.
  - c. The 'Digital Age' page has been reformatted to make it similar to the rest of the document whilst making it more visually interesting to draw the reader's attention. It was felt this was necessary to promote its status as one of the key elements of the Council's proposed transformation programme.
- 1.16 The existing corporate plan 2011-15 has been closed down and a review of achievements undertaken with key accomplishments being included within the proposed new plan as 'We have' sections.

## 2.0 **OPTIONS**

- 2.1 That the draft capital and revenue budget estimates, medium term financial plan and capital strategy are noted as part of the consultation. Any feedback as a result of the consultation will be considered before the final position is presented to Cabinet and Council in February.
- 2.2 There are no alternative options presented.

## 3.0 **REASONS FOR RECOMMENDATIONS**

- 3.1 To comply with the budgetary and policy framework.

## 4.0 **EXPECTED BENEFITS**

- 4.1 To set an affordable and balanced budget for 2015-16 which delivers on the Council's priorities.
- 4.2 To set a clear direction for the Council resulting in improved transparency and clearer objectives being able to be set for all employees.
- 4.3 The revised Performance Management Framework will ensure that the delivery of these priorities will be able to be more effectively measured and monitored.

## 5.0 **IMPLICATIONS**

### 5.1 **Carbon Footprint / Environmental Issues**

- 5.1.1 It is the opinion of the Report Author that there are no implications.

### 5.2 **Constitution & Legal**

- 5.2.1 It is the opinion of the Report Author that there are no implications.

### 5.3 **Contracts**

- 5.3.1 It is the opinion of the Report Author that there are no implications.

#### 5.4 **Corporate Priorities**

5.4.1 Approval and ratification of a final Corporate Plan will set the Council's priorities and the Critical Activities that support their delivery. The budget should support the Council's priorities.

#### 5.5 **Crime and Disorder**

5.5.1 It is the opinion of the Report Author that there are no implications.

#### 5.6 **Equality and Diversity / Human Rights**

5.6.1 It is the opinion of the Report Author that there are no implications.

#### 5.7 **Financial**

5.7.1 The report is of a financial nature and all implications are covered within the appendices.

#### 5.8 **Risk Management**

5.8.1 Risks have been given careful consideration and have been reported within the appendices.

#### 5.9 **Staffing**

5.9.1 It is the opinion of the Report Author that there are no implications.

#### 5.10 **Stakeholders / Consultation / Timescales**

5.10.1 The main Corporate Plan will be taken to Overview Scrutiny Committee and Cabinet in January 2015. There will be public consultation via appropriate routes, alongside the draft Budget. The final Corporate Plan will be taken to Full Council on 25 February 2015.

#### 5.11 **Health & Wellbeing**

5.11.1 It is the opinion of the Report Author that there are no implications.

#### 6.0 **WARDS/COMMUNITIES AFFECTED**

6.1 As this sets the direction of the Council going forward, all wards and communities are indirectly impacted.

#### 7.0 **ACRONYMS**

7.1 BPI – Basic Performance Increase  
CIPFA – Chartered Institute of Public Finance and Accountancy  
CLG – Communities for Local Government  
CMT – Corporate Management Team  
LABV - Local Asset Backed Vehicle  
LCTRS – Localised Council Tax Reduction Scheme  
LEGE – Local Enterprise Growth & Efficiency  
LEP – Local Enterprise Partnership  
NHB – New Homes Bonus  
NNDR/NDR – National Non-Domestic Rates (Business Rates)

NPDO – Non Profit Distributing Organisation  
PFI – Private Finance Initiative  
PRP – Performance Related Pay  
RSG – Revenue Support Grant  
S31 – Section 31 of the Local Government Act 1972  
VFM – Value for Money

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Background papers:- None

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**Key Decision:** No

**Exempt Decision:** No

**This report refers to a Mandatory Service / Discretionary Service**

**Appendices attached to this report:**

Appendix A – Budget estimates and medium term financial plan

Appendix B – General Fund Summary

Appendix C – Spalding Special Expenses

Appendix D – Reserves

Appendix E – General Fund Capital Programme

Appendix F – Capital strategy

Appendix G – Treasury management Strategy Statement

Appendix H – Fees and Charges

Appendix I – Government Guidelines - Extension of Transitional Relief for small and medium properties

Appendix J – Corporate Plan