



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

REPORT OF:	HEAD OF CORPORATE POLICY, PERFORMANCE & PARKING
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TO:	EXECUTIVE
DATE:	14 JULY 2016
EXECUTIVE MEMBER:	COUNCILLOR V.W. BROAD

KEY DECISION REQUIRED:	NO
WARD (S) AFFECTED:	ALL

SUBJECT:	CORPORATE BUSINESS PLAN
RECOMMENDATIONS:	
<p>(i) That the Corporate Business Plan be approved; and</p> <p>(ii) That the Head of Corporate Policy, Performance & Parking be authorised, in consultation with the Leader of the Council, to amend the Corporate Business Plan in response to service and financial planning.</p>	
REASONS FOR RECOMMENDATIONS:	
<p>By approving the Corporate Business Plan, the Council will have a clear plan of how we intend to meet the financial challenges facing local government, which will support the annual service and financial planning process.</p>	
EXECUTIVE SUMMARY:	
<p>In 2015, the Council received a Local Government Association Peer Challenge, which included a recommendation to adopt a business plan which would provide a narrative of the Council's future operating model to achieve a sustainable future.</p> <p>This report proposes that the draft Corporate Business Plan, which has been developed in response to the peer challenge recommendation, is approved.</p> <p>The plan then sets out the actions we are taking in order to deliver against a savings target of £3.9m by 2020. First and foremost is a commitment to continue protecting and improving our front line services. The plan also sets out the need for commercial growth and property investment.</p>	

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. There is no statutory requirement for the Council to have a Corporate Business Plan.

BACKGROUND

2. In 2015, the Council received a Local Government Association Peer Challenge. The challenge team were extremely positive about the council's ambition and performance. Some recommendations were made to help the Council maintain its strong performance.
3. One recommendation was to adopt a business plan, a document which would provide a narrative of the Council's future operating model to achieve a sustainable future and provide a link between the priorities and objectives of the 5 Year Plan 2015-20 and the financial targets of the Medium Term Financial Plan.
4. The LGA Peer Challenge Team recommended that the document set out how we will grow the business, how we will get capital returns and what commercial services means to the organisation.

CORPORATE BUSINESS PLAN

5. The draft Corporate Business Plan is attached at **Annex 1**.
6. The document summarises the priorities within our 5 Year Plan and a summary of our financial position. Whilst we have assumed savings targets of £2.5m between 2017 and 2020, the Business Plan sets higher targets to ensure that the Council is truly financially independent. This has resulted in a savings target of £3.9m.
7. The Business Plan then sets out the actions we are taking to manage this financial challenge. First and foremost is a commitment to continue protecting and improving our front line services.
8. Limited savings are expected from service efficiencies, as any significant savings in this area would require staff reductions and likely damage our service performance. Any savings in this area are expected to be reinvested in the business.
9. Limited additional income is expected to come from Council Tax, with annual increases of £5 assumed (in accordance with our adopted Medium Term Financial Plan).
10. Therefore the Corporate Business Plan proposes that the £3.9m savings target can only be achieved through commercial growth and property investment. Some schemes are included and have been approved for delivery. The funding gap that remains is anticipated to be met from further commercial and property investment activities. These will be developed during the plan period and reviewed each year as part of the service and financial planning process.
11. The draft Corporate Business Plan represents a point in time. It will evolve as our income generating proposals come forward and will be refreshed annually as part of the service and financial planning.

OPTIONS

12. The Executive have the following options:
 - a. Approve the Corporate Business Plan. This is the recommended option and will ensure the Council has a strong narrative linking our 5 Year Plan ambitions and our Medium Term Financial targets.

- b. Request that further work be undertaken on the Corporate Business Plan, with a revised version reported to a future Executive meeting.
- c. Reject the Corporate Business Plan. This is not recommended as it would be contrary to the LGA peer challenge action plan adopted by the Executive.

LEGAL IMPLICATIONS

13. There are no legal implications arising from this report.

FINANCIAL IMPLICATIONS

14. The financial implications are set out within the report and attached Corporate Business Plan.

EQUALITIES IMPLICATIONS

15. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

16. There are no communications implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

17. There are no direct risk management considerations arising from this report. However, if we fail to deliver against the service and financial plans it will impact on our services and the outcomes we deliver for our residents.

POLICY FRAMEWORK

18. The Corporate Business Plan does not form part of the policy framework. It provides a link between the 5 Year Plan and the Medium Term Financial Plan, both of which are part of the Council's policy framework.

Background Papers:

1. Corporate Plan 2011-15 (published) http://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/280/our_5_year_plan
2. Medium Term Financial Plan <https://democracy.reigate-banstead.gov.uk/aksreigate/images/att6982.pdf>
3. Local Government Association Peer Challenge report (published) http://www.reigate-banstead.gov.uk/info/20205/plans_and_policies/694/corporate_peer_challenge_2015

Executive
14 July 2016

Agenda Item: 6, Annex 1
Corporate Business Plan

Our corporate business plan

2016/17 – 2019/20

Executive summary

Reigate & Banstead Borough Council is a high performing organisation. We have delivered savings of £8m over the last 5 years, against a net budget of £15.2m. This has been achieved without reducing the quality of services provided to residents, and at the same time as making substantial investments in community and leisure facilities, parks and town centre regeneration.

We have adopted a 5 Year Plan, covering the period 2015-20, which sets out a vision for the borough and Council:

Going forward our vision is for a leading Council recognised by our residents, peers and partners.

We will:

- *Deliver quality services and support*
- *Provide value for money*
- *Make the borough a great place to live*
- *Be flexible and sustainable, responding to the needs and demands of our borough, residents and businesses*
- *Be an increasingly commercial organisation*

In order to achieve this and ensure financial sustainability, the Council has set ambitious savings targets within the Medium Term Financial Strategy. These targets will ensure that the Council becomes financially independent of government controlled funding. Instead, all our services and facilities will be funded locally through Council Tax, fees and charges and commercial and property income.

This business plan sets out how these targets will be achieved. The plan will be a living document, with regular updates to ensure our latest projects and activities are captured.

Introduction

Purpose of the plan

This document is our response to the financial challenges the Council continues to face. In our 5 Year Plan we outline the need to become financially self-sufficient by 2020. This requires us to plan ahead and become a more commercial organisation.

This document sets out how we plan to become financially self-sufficient so that the Council can continue delivering high quality services to our residents and deliver against our 5 Year Plan priorities.

This is a rolling plan, which will be updated each year to reflect the changing conditions and operating context of local government. It is very difficult to plan for the longer term, with a range of issues reshaping the local government landscape (e.g. devolution, changes to New Homes Bonus and the full devolution of business rate retention). We will report progress in the Leader's annual report.

Our priorities

We have set out our corporate priorities within a 5 Year Plan, covering the period 2015-20. This was developed using borough profile data, resident and stakeholder feedback and market research.

Our 5 Year Plan sets out a vision for the borough and Council:

Going forward our vision is for a leading Council recognised by our residents, peers and partners.

We will:

- *Deliver quality services and support*
- *Provide value for money*
- *Make the borough a great place to live*
- *Be flexible and sustainable, responding to the needs and demands of our borough, residents and businesses*
- *Be an increasingly commercial organisation*

The 5 Year Plan outlines the priorities that we have set ourselves to deliver our vision. There are 13 priorities, based around three themes:

- People: supporting residents to enjoy healthy and happy lifestyles
- Place: A great place to live and work
- Organisation: a great Council

The plan expands on each priority, setting out our objective and examples of the activities that will support it, together with the desired outcomes and the indicators that we will use to measure our success.

How do all our plans fit together

The 5 Year Plan does not seek to identify every activity or project that we will deliver in the 5 year period. The nature of public sector services and the wider economic impact make this extremely difficult and even limiting.

We therefore use the 5 Year Plan priorities as the framework for our annual service and financial planning, and for our rolling 3 year business plans. The business plans set out in more detail the activities of each service area, including how they will support our 5 Year Plan.

The Medium Term Financial Plan projects our income and expenditure for the next 5 years based on assumptions around funding and cost pressures, together with an agreed set of principles to maintain financial stability. It is reviewed annually as part of the budget setting process.

This Corporate Business Plan seeks to provide further detail on how we will deliver the financial savings required and ensure that funding is available to deliver our 5 Year Plan.

Financial context

We have delivered substantial savings in recent years. This has led to a reduction in the size and expenditure of the Council. The Local Government Spending Review, announced at the end of 2015, confirmed that there will be no let up from the Government. Reigate & Banstead was confirmed as one of 18 local authorities that will receive no revenue support grant (RSG) from 2017. We have been planning for this, however, and are well placed to rise to this challenge, whilst continuing to protect and improve services.

Our ability to continue to make savings without impacting on front line services and performance is restricted. We have committed to protecting and improving our front line services, which in many areas will require additional spend.

We are now looking at innovative ways for the Council to develop and grow. In doing this we are looking at ways not only to reduce costs further but also ways to generate income for the Council and operate more in keeping with a commercial business.

As set out above, RSG funding is to end more quickly than anticipated. The Medium Term Financial Plan assumption was that it would reduce relatively evenly up to 2018/19. The settlement, however, shows a 70% reduction in 2016/17 and no grant at all from 2017/18. This is summarised in the table below.

Table 1: Revenue Support Grant Reductions for RBBC

	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m
MTFP Forecast	1.67	1.20	0.80	0.40	0.00
Settlement	1.67	0.50	0.00	0.00	0.00
Difference (shortfall)	0.00	-0.70	-0.80	-0.40	0.00
Transitional Funding	0.00	0.22	0.12	0.00	0.00
Net Difference (shortfall)	0.00	0.48	0.68	0.40	0.00

From 2017/18 the only general Government funding we receive will be that part of Business Rates (NNDR) that we are able to retain. However, the retained amount is set to reduce under proposals announced in the settlement, from a current level of over £2m to less than £1m. This is summarised in Table 2.

Table 2: Government Funding for RBBC

	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m
Revenue Support Grant	1.67	0.50	0.00	0.00	0.00
Retained Business Rates	2.16	2.18	2.22	2.23	0.82

The retained business rate figure for 2019/20 is only indicative at this stage as the Government plan to introduce reforms – as yet unspecified - to the system in that year. There is however a possibility that we will be left with little, or no, retained business rates in the future.

If we want to be completely free of Government funding by 2020 (and taking account of “known” growth pressures) then our savings would need to increase significantly above Medium Term Financial Plan targets. This is shown in Table 3.

Table 3: Savings Required

	2017/18	2018/19	2019/20
	£m	£m	£m
MTFP Savings Targets	0.45	0.45	1.60
New Savings Targets	1.50	1.40	1.00

This scenario gives total savings for 2017/18 to 2019/20 of **£3.9m**.

Actions

We have delivered substantial savings in recent years. This has led to a reduction in the size and expenditure of the Council. Our ability to continue to make savings without impacting on front line services and performance is restricted. We have committed to protecting and improving our front line services, which in many areas will require additional spend.

We are now looking at innovative ways for the Council to develop and grow. In doing this we are looking at ways not only to reduce costs further but also ways to generate income for the Council and operate more in keeping with a commercial business.

Over the period of this plan we need to find additional savings of £3.9m per annum. We have agreed the following approach to achieving financial self-sufficiency and delivering the financial savings required:

1. Some service efficiencies, including self-serve and business change activities

Limited savings are expected from service efficiencies, for example, without impacting on the standard of service delivered. Savings and efficiencies generally come as a result of automating processes and ceasing unnecessary activity.

In each case, however, savings are usually delivered through reductions in the staff FTE required to deliver the service and if significant savings were required in this area it would impact on service delivery.

We have investigated alternative models for service delivery that offer the potential for additional efficiency (staff) savings. The Council undertook an assessment with the support of external consultants of alternative business structures, built around activities, rather than services and maximising the use of technology and automation. This identified the potential to save up to £1.2m, however, this would be extremely disruptive and included reductions in key services areas where reductions are not supported.

It is for this reason that the 5 Year Plan anticipates limited reductions in staffing levels and modest savings.

2. Increasing our element of Council Tax

The financial savings set out above assume 2% annual increases in our element of Council Tax. Our ability to increase Council Tax is limited by the Secretary of State. In the finance settlement published in January 2016 the referendum limit was changed from 2% to the greater of 2% or £5. Increases above this level would require a local referendum to be held, at considerable cost.

Increasing Council Tax by £5 per year, in line with the new limits, will generate additional income of £58,000 pa. Council Tax, therefore, is insufficient to close the funding gap.

3. Commercial activities, including income from fees and charges

Our 5 Year Plan sets out the need for the Council to operate more commercially in order to generate higher levels of income that will support service delivery.

This includes maximising income from existing sources (fees and charges) and developing new commercial activities that provide new income streams.

The Council charges fees for a wide range of services. However, these are not all within our control. Planning and licensing fees, for example, are set nationally and in some services fees are limited to cost recovery. In other service areas, such as parking, garden waste and leisure, we are able to set fees locally and can set these according to local priorities and market conditions.

We will regularly review the costs of our services and seek to reduce costs/increase income. Wherever possible we will set fees and charges according to the market for that service and at least recover costs, or generate a surplus that can support wider service delivery across the organisation. We will only subsidise services where we have consciously opted to do so because they support our 5 Year Plan priorities and provide a substantial and otherwise undeliverable benefit to our residents.

In addition to existing fees and charges, we are increasingly seeking to establish our services as trading vehicles, selling services to other organisations. We will seek to expand this into new service areas. These vehicles will be required to generate surplus income that can be used by the Council to support the delivery of quality services. A minimum return on investment has not been set. Instead commercial proposals will be assessed on a case by case basis, with the costs, benefits and risks considered.

Additional income of approximately £250,000 has been identified for 2017/18 and a further £200,000 has been identified for 2018/19. Commercial income is anticipated from a range of existing services, such as Revenues & Benefits, Greenspaces and waste. New service areas will also be explored.

4. Increasing income derived from property investment and development

The Council has a number of property schemes in various stages of development which will generate additional income to support service delivery. Further income will be produced through developments at Marketfield Way and Horley Business Park, however, these are longer term projects. Marketfield Way is anticipated to deliver income from 2020. Horley Business Park will be even later. Other possible developments include Reading Arch Road and Pitwood Park, Tadworth, which could generate revenue and capital income for the Council.

Approximately £490,000 additional income has been identified for 2017/18 budget. £410,000 has been identified for 2018/19. Again, this does not provide sufficient funding to close the financial gap set out above.

5. Further investment in property

Our 5 Year Plan sets out a clear priority to derive more income from property and assets and is delivering against this through the schemes set out above.

Whilst we hold substantial reserves, these are generating limited investment income due to low interest rate levels, which are unlikely to rise for the short to medium term. We will, therefore, seek to use the reserves, as well as borrowing, to purchase additional property assets that provide new income streams to support service delivery both inside and outside the Borough. Where outside the Borough, we will concentrate on property acquisitions and investment / development opportunities in the South East, South M25.

The table below demonstrates the additional income that is required from property investment in order to meet the financial targets set out above. If this income is not achieved, it is likely that the Council will need to draw on reserves in the short term.

This approach will be essential to overcome the financial challenge over the next few years and maintain and improve our services.

Areas for action

We have agreed the following approach to achieving financial self-sufficiency and delivering the financial savings required:

	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
Total service efficiencies	0.15	0.00	0.00	0.15
<i>Green spaces service</i>	<i>0.15</i>	<i>0.00</i>	<i>0.00</i>	<i>0.15</i>
<i>Other miscellaneous savings¹</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Council Tax²	0.06	0.06	0.06	0.18
Total commercial, fees and charges	0.25	0.20	0.10	0.55
<i>Parking</i>	<i>0.00</i>	<i>0.10</i>	<i>0.10</i>	<i>0.20</i>
<i>Environmental Health</i>	<i>0.05</i>	<i>0.00</i>	<i>0.00</i>	<i>0.05</i>
<i>Revenues & Benefits</i>	<i>0.10</i>	<i>0.00</i>	<i>0.00</i>	<i>0.10</i>
<i>Green waste</i>	<i>0.10</i>	<i>0.10</i>	<i>0.00</i>	<i>0.20</i>
<i>Trade waste</i>				
Total property developments and income	0.49	0.41	0.40	1.30
<i>Warwick Quadrant, Redhill</i>	<i>0.14</i>	<i>0.18</i>	<i>0.00</i>	<i>0.32</i>
<i>Marketfield Way, Redhill³</i>	<i>0.00</i>	<i>0.00</i>	<i>0.40</i>	<i>0.40</i>
<i>Town Hall, Reigate</i>	<i>0.00</i>	<i>0.15</i>	<i>0.00</i>	<i>0.15</i>
<i>Merstham regeneration</i>	<i>0.12</i>	<i>0.00</i>	<i>0.00</i>	<i>0.12</i>
<i>Other property income</i>	<i>0.23</i>	<i>0.08</i>	<i>0.00</i>	<i>0.31</i>
Total estimated savings	0.95	0.67	0.56	2.18
Savings Required	1.50	1.40	1.00	3.90
Additional income / savings required⁴	0.55	0.73	0.44	1.72
<i>Income required from property investment (using reserves/borrowing)</i>	<i>0.55</i>	<i>0.53</i>	<i>0.04</i>	<i>1.12</i>
<i>Income required from other commercial activities</i>	<i>0.00</i>	<i>0.20</i>	<i>0.40</i>	<i>0.60</i>

It is important to note that any shortfall in the savings delivered would require the use of reserves in order to meet our financial targets.⁵

¹ whilst some further savings efficiencies are anticipated, this will be relatively low. There will also be budget growth in some areas. It is therefore prudent not to account for these savings in our planning.

² this income is based on a £5 increase

³ further income is anticipated from this scheme in 2020/21

⁴ These figures are aspirational targets at this stage. Further work is required to develop the commercial proposals and identify further property investment opportunities

⁵ Based on our financial assumptions

