FINANCIAL RECOVERY PLAN:

2017/18 TO 2019/20

SEPTEMBER 2016
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INTRODUCTION BY THE LEADER OF THE COUNCIL & MANAGING DIRECTOR

Like most Councils, Cannock Chase District Council is now facing the most difficult financial position for many years.

The Council has responded flexibly to the 64% reduction in Government grant funding over the last four years by being pro-active in reducing management and administration costs, sharing services and management with Stafford Borough Council, entering a long term partnership with a charity for the provision of leisure and cultural services, market testing services such as waste collection and sharing accommodation at the Civic Centre with various public bodies. The Council has focused on economic development which has resulted in a 6% increase in the Gross Rateable Value of the District which generates additional business rates income. Over this period, the Council has not reduced frontline services to the public and has worked in partnership with the full range of public bodies who deliver services in the District so that all public funds can be maximised.

The Council now faces a situation where the entire revenue support Government grant will cease by 2019 as part of major changes to the way in which local authorities are funded. This combined with the closure of Rugeley Power Station on 8 June 2016 and other funding changes pushes the Council into very difficult financial circumstances. The closure of the power station has been a blow to the District in many ways; it has already led to the loss of £700,000 business rates income in this financial year and will result in a loss of over £1m next year. This represents a 25% reduction in total income from business rates. The Council requested transitional funding support from Government to bridge the difficulty until the proposed Mill Green Outlet Village opens in 2019, which mitigates about 73% of the loss of business rates from the power station. Unfortunately, confirmation has been received that no transitional funding support from Government will be made available.

What this means now is that the Council faces a funding deficit that peaks in 2018/19 at £2.15m and with an ongoing deficit of £1.6m from 2019/20, subject to the Mill Green Outlet Village opening. The deficit relates to the General Fund revenue budget of the Council which in total is circa £11m. It does not relate to the ring-fenced Housing Revenue Budget of the Council which is circa £20m. The Council also has some £20m capital resources across housing, S106 and general capital but these are one off sums that cannot be used to address an ongoing revenue deficit.

Cannock Chase Council now has to take decisions about how it will achieve financial balance in the future. As Leader and Managing Director, we wish to do so in an open transparent way rather than out of the public spotlight. We also understand that there will be different views and many concerns about what services are affected and we will listen to all views and opinions as part of the decision making process. This Financial Recovery Plan is intended to provide you with the background information and specific savings options in order that you can tell us your views.

Councillor George Adamson
Leader of the Council

Tony McGovern
Managing Director
1. THE COUNCIL’S MISSION, PRIORITIES AND STRATEGIC OBJECTIVES

The Council’s mission and priorities set the strategic framework for all of its activities and will inform how the Council decides to address its financial challenges.

The Mission is broken down into priorities and strategic objectives which set out what the Council seeks to deliver for the residents, businesses and communities of the District.

Some examples of what the Council delivers against its strategic objectives include:

**Mission**

Leading our community to deliver better jobs and skills, more and better housing, cleaner and safer environments and better health outcomes.

**Better jobs and skills**

- Supporting a successful business economy
- Growing the number of successful businesses
- Improving skills and accessibility to local employment opportunities
- Supporting attractive and competitive town centres

**More and better housing**

- Planning for the housing needs of the District
- Increasing the supply of affordable housing
- Improving the Council’s social housing stock and raising standards in the private rented sector

**Better health outcomes**

- Increasing access to physically active and healthy lifestyles
- Working with our partners to reduce health inequalities in the District

**Cleaner and safer environments**

- Striving for cleaner, greener and attractive public environments across the District
- Working with partners to foster safer and stronger communities

**Customers**

- Delivering Council services that are customer centred and accessible
- Making the best use of limited resources
BETTER JOBS AND SKILLS
- Progressing proposals for a designer outlet village in Cannock which could result in £100m investment and 1,200 new jobs in 2019.
- Supporting 99.7% of all food premises in District to maintain high standards.
- ‘Let’s Grow’ Investment of £31,000 in 2015 to support eight businesses which has helped to create 24 new jobs and safeguard a further 2.
- Working with stakeholders in support of the electrification of the Chase Line by December 2017 which will result in a better service for commuters.
- Achieving a reduction of 31 in the number of 16-18 year olds not in employment, education or training in 2015/16 to 172.
- Creating 4 new apprenticeships at the Council.

MORE AND BETTER HOUSING
- Securing 150 new social dwellings via Section 106 agreement with developers
- 23 new social housing units delivered and let at Green Lane, Rugeley.
- Delivering 26 new social housing units as part of the Moss Road redevelopment programme.
- 1,201 Council houses fitted with new double glazing.
- 950 Council houses benefitting from external improvement works.
- 16 out of 45 Houses of Multiple Occupation inspected and two landlords served with Prohibition Notices for safety improvements.

CLEANER AND SAFER ENVIRONMENTS
- Collected over 18,000 tonnes of waste in 2015/6, with 53% of all the waste collected being recycled
- Five Green Flag national awards for quality of parks and Stile Cop cemetery
- Licensing over 300 taxi drivers and providing over 1,000 Environmental Health inspections and advice visits across the District.

BETTER HEALTH OUTCOMES
- Purchased site and completed preparatory work to deliver a new full size artificial turf pitch in Hednesford on disused site in Bradbury Lane.
- Provided new play areas, skate park and pavilion at Hednesford Park
- New play facilities at the old stadium site, Pye Green Road
- The Activity Referral Scheme/MacMillan After Cancer Scheme was launched in May 2015 and has actioned 563 individual referrals.

CUSTOMERS
- Introducing new online forms that make it easier for customers to complete transactions with the Council at a time convenient to them.
- Introducing a mobile app for waste services to report issues such as missed bins.
- Installing modern user friendly dispersed alarms for vulnerable people.
- Upgrading the Council website to make more user friendly, with over 1 million visits per year
- Training staff on Personal Budget Skills for Universal Credit claimants
2. FINANCIAL SUMMARY

Where does the money come from?

The Council is currently funded by a combination of

A. Government Revenue Support Grant (RSG)
B. New Homes Bonus
C. Council Tax
D. Business Rates
E. Income from fees and charges

A: Revenue Support Grant from Central Government

The Revenue Support Grant (RSG) is the funding received by local authorities from central Government. However, the policy direction is to reduce and ultimately remove this funding and shift local government funding towards growth based incentives such as Business Rate retention and New Homes Bonus. In line with this policy, the RSG amount received by Cannock Chase Council has decreased considerably in recent years and is to cease altogether in 2019-20, as illustrated in the chart below. The Government are consulting on a new system of business rates funding for local government which is to be introduced by 2020. This has the potential to materially change the basis upon which all Councils and their services are financed but no final decisions have been made on this new system yet.

[Chart showing the decrease in Revenue Support Grant from 2013/14 to 2019/20]
B: New Homes Bonus

New Homes Bonus is currently subject to review by Government and the outcome of the consultation process is awaited. The Government provides a financial incentive equating to the value of six years Council Tax at Band D for each new home delivered in the District, whether a new build or a long term empty property brought back into use. The value of this financial incentive is likely to be reduced now to four years Council Tax at Band D and this incentive will only be paid from the 84th new home delivered each year. The rationale for this incentive is that the Council has the responsibility as Local Planning Authority for granting planning permission for housing developments and also has the legal duty to take action to bring long term empty homes back into use. The overall financial impact for Cannock Chase Council as a result of these proposed changes is expected to be an ongoing loss of £400,000 per annum.

C: Council Tax

Cannock Chase Council decides only on the local level (i.e. the 13% in the chart above) of Council Tax charge and not on the 100% charge to all residents that funds a number of services across Staffordshire, and locally if you are in an area with a Town or Parish Council.
The record of recent decisions by Cannock Chase Council on Council Tax levels on the 13% element is:

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Increase in Council Tax element by Cannock Chase Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>0%</td>
</tr>
<tr>
<td>2015/16</td>
<td>0%</td>
</tr>
<tr>
<td>2016/17</td>
<td>1.95%</td>
</tr>
</tbody>
</table>

The increase in 2016/17 was essential to mitigate the loss of £700,000 revenue grant from Government when compared with the 2015/16 financial year.

D: Business Rates

Cannock Chase Council collects approximately £37m from businesses across the District and also administers the national Small Business Rates Relief Scheme. Approximately £29m is returned to central Government and the remainder is distributed to Staffordshire County Council, Staffordshire Fire and Rescue and Cannock Chase Council. The locally retained business rates element for this Council is £4m per annum and this is used to fund District Council services excluding Housing which has its own ring-fenced budget. The District pools business rates growth within Greater Birmingham & Solihull Local Enterprise Partnership which allows all local authorities to retain a greater element locally rather than increasing the return to Government.

E: Income from Fees and Charges

The Council also charges for some services that it provides such as football pitch hire, burial services, car parking, market stalls and planning applications. In addition, the Council recharges Stafford Borough Council for providing certain shared services and received recycling credits from Staffordshire County Council for waste recycling collections. All this income is used to fund local services provided by the Council and none of these funds have to be passed back to Government. The total amount of income generated per annum is £15.6m.

The Council also collects £20m income from tenants of the 5,500 Council houses that it provides in the District and this income is retained locally and is ring-fenced for use on housing services only as part of the Housing Revenue Account and the Capital Programme.
3. BUDGET STRATEGY

Since 2012, Cannock Chase Council has based its response to financial austerity on a number of key principles:

- No cuts to frontline services
- Service enhancements kept to a minimum
- Jobs, economic growth, improving health and the environment representing the Council’s key priorities
- Council Tax increases only to take place when absolutely essential
- Compulsory employee redundancies to be avoided if at all possible

However, these principles do not mean that the Council has stood still and not changed anything. Cannock Chase Council has taken a proactive approach to financial austerity over the previous six years, focussing on efficiency and stabilisation whilst adapting to the changing environment for public services. This approach has delivered £4.2 million savings ongoing.

- Transferring the management of the Council’s leisure and cultural services to a charity has saved £760,000.
- Sharing a range of services with Stafford Borough Council (ICT, Legal, HR, Audit, Financial Management etc.) has saved £580,000 per annum to date.
- The Council has reduced management and administration year on year saving £600,000 to date.
- The Council now provides accommodation for staff from Staffordshire County Council, Cannock Chase CCG and Staffordshire and Stoke on Trent Partnership NHS Trust at the Civic Centre in Cannock.
- The Council market tested waste collection services and changed the arrangements for food collection which has saved £500,000 per annum.
- Through more efficient in house arrangements, the Council has saved £110,000 from grounds maintenance and streets cleansing services.
Current and projected financial position:-

Impact of Rugeley Power Station closure

In February 2016, Cannock Chase Council received final confirmation by ENGIE that Rugeley Power Station would cease operations at the end of June 2016. This followed a period of consultation with employees and trade unions. The closure, which occurred earlier than planned on 8 June 2016 due to the deterioration in market conditions for UK coal-fired power generation, was particularly bad news for the workforce and the wider District. With the expected loss of £4 million in business rates, this closure has implications for frontline services provided by the District Council. The direct impact on Cannock Chase Council has been a loss of £700,000 business rates in this 2016/17 financial year and an ongoing shortfall of £1,055m per annum. The Council have been aware of the volatility in income from Business Rates in relation to Rugeley Power station since the introduction of business rates retention. The Council were disappointed in the decision not to convert to Biomass and have been in dialogue with the Power Station since that decision. Initial indications provided by ENGIE indicated that the expected life of the coal plant was to be 2020 to 2024 but obviously market conditions have resulted in an earlier than planned closure.

A key strategy of the Council was to offset the employment and financial impact of the eventual closure via economic growth within the Cannock Chase area including Kingswood Lakeside and Mill Green Designer Outlet Village (see below), which itself had the potential to offset most of the potential loss of Business Rates from the power station. The importance of the latter is to provide a bridge between the potential closure of the power station and the opening of Mill Green, if transitional funding was not provided by the Government. Ultimately the Council have had to use such resources, which could have been invested in the area to balance its budget. Looking ahead, the important challenge is to continue to work closely with ENGIE, Lichfield District Council and other key stakeholders as part of the Rugeley Power Station Taskforce, chaired by Cannock Chase Council, to create a new and sustainable future for this 374 acre site.

Mill Green Designer Outlet Village

The Mill Green Designer Outlet Village is a proposed major investment in the District to establish a new 130 retail unit selling high quality branded goods at a minimum 30% discount. The proposal represents a £100m investment, creating 1,200 retail jobs, 400 construction jobs, and an estimated 3 million visitors to the area per annum. Due to the scale of the development, it was referred to the Secretary of State for Communities & Local Government who decided in December 2015 not to call this in. It represents the single most important priority for jobs and investment in the District and is intended to start trading during 2019/20 financial year. The Council has established that this proposed development has not been affected by the outcome of the EU referendum in June 2016 and planning consent has been granted which allows this proposal to proceed.

Assuming it proceeds as planned, the Mill Green development could mitigate about 73% of the loss of business rates from Rugeley Power Station, so the net deficit facing the Council is projected at £1.6m. If Mill Green does not proceed, the deficit faced by the Council will be £2.3m.
Transitional Funding

Central Government made available transitional funding of £300m to some local authorities in February 2016 but this just pre-dated the announcement by ENGIE of the closure of the power station. Unfortunately, following a meeting with Parliamentary Under-Secretary of State Marcus Jones MP in July 2016, it has been made clear that no transitional support can be made available to Cannock Chase DC to mitigate the interim impact of the significant loss of business rates from the closure of Rugeley Power Station until Mill Green Outlet village starts trading.
4) CONSULTATION & PEER REVIEW

The combined effect of loss of Government Grant, the loss of Business Rates from the closure of Rugeley power station, the likely reduction in the level of New Homes Bonus funding places the Council in the invidious position of having to consider cuts to frontline services, compulsory redundancies and not being able to protect grants to voluntary sector and Parish and Town councils.

It should also be noted that Staffordshire County Council also faces significant financial pressures and thus any decisions implemented to reduce or cease services at the County level may also have implications for District residents.

The decisions that the Council now needs to make to achieve financial balance in the next Budget period require consultation with the public, businesses, community groups and with trades unions. Potential risks are that services to the public will be affected and the capacity of the Council to continue to deliver economic growth, housing growth and jobs may be materially impacted.

The Council has also invited an external independent Peer Review conducted by the Local Government Association. This is a voluntary process whereby a team of our peer Councillors and Officers spend 3 days during September 2016 in the organisation reviewing how the Council is meeting the challenges it faces, with a particular emphasis on our financial position. The Peer Reviewers will be taking to a wide cross section of stakeholders, Councillors and employees and will produce a written report with recommendations which are intended to help the Council to address its challenges.

The Council are thus presenting potential financial savings options that include all the services of the Council with the exception of the recently let Refuse and Recycling Waste Contract. Summaries of these options are appended to this document and all information can be accessed at www.cannockchasedc.gov.uk.

The options are presented under the following categories:

A. Capitalisation / Use of Reserves
B. Optimisation & Transformation
C. Management Savings
D. Shared Services
E. Democratic / Governance
F. Reductions in Corporate and Support Services
G. Reduction in funding to external bodies
H. Reduction in Frontline Services to the public & income generation proposals

The process undertaken to present the proposed budget options for consultation has involved Cabinet Members and Council officers working together to identify the potential for efficiencies, savings and income generation.
The consultation period is from 23 September 2016 to 4 November 2016.

If you wish to submit a response as part of this consultation, please use any of the methods below:

**BY EMAIL**

Policy@cannockchasedc.gov.uk

**BY POST**

Rob Lamond, Civic Centre, PO BOX 28, Beecroft Road, Cannock, Staffordshire WS11 1BG

Twitter @CannockChaseDC

The consultation responses will also provide a key element in the Equality Impact Assessment process for any proposed service changes, ensuring that the decisions made are fully informed of the potential implications and consequences. These reports will be public documents, and the Council will continue with regular public dialogue as the process continues.

Following the consultation period, the opinions, suggestions and views received from our residents, stakeholders and communities will be analysed and presented to the Council’s Cabinet on 15 December 2016. Formal decisions will then be made on 26th January and 8 February 2017 as part of setting the Council’s Budget. A full timetable is attached as Appendix A.

**Appendix A** – FINANCIAL RECOVERY PLAN TIMETABLE

**Appendix B** – FINANCIAL RECOVERY PLAN OPTIONS
# FINANCIAL RECOVERY PLAN TIMETABLE

<table>
<thead>
<tr>
<th>Month</th>
<th>Events</th>
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| April | • Council Management Team briefed about financial position of the Council.  
      • Trade Union representatives briefed on same |
| May   | • 3rd – Financial Recovery Plan Working Group convenes  
      • 12th - Deadline for indicative savings targets to be notified to MD |
| June  | • Working up detailed savings proposals (Officers)  
      • 16th (1pm) - Cabinet session on financial position  
      • 20th - Brief Trade Unions - prior to staff briefings  
      • 29th - Staff briefings (face to face) |
| July  | • Working up detailed savings proposals (Officers)  
      • Pre-consultations, early engagement  
      • 1st - Staff briefing (face to face)  
      • 15th - Deadline for working up detailed savings proposals (Officers)  
      • 21st (4pm) - Cabinet - Budget update & brief on outcome of application for transitional funding to Government |
| August| • Production of HR documentation (Officers)  
      • Development of documents for Cabinet and proposed public / staff consultation |
| September | • 7th - Cabinet sessions on emerging options (2)  
        • 9th – Offer briefing to M.P.  
        • Between 12th - 23rd – LGA Peer Challenge (3 days)  
        • 12th - Brief Trade Unions  
        • 12th & 13th - All Managers to keep free to brief Staff  
        • 14th - Publication of Cabinet Papers  
        • 22nd - Cabinet Meeting  
        • 23rd - Brief Trade Unions - outcome of Cabinet Meeting  
        • 23rd - 6 week Public consultation commences on draft options  
        • 23rd - All Managers to keep free to brief Staff  
        • 23rd - 30 day staff consultation commences (individual or groups)  
        • 23rd - 6 week Public consultation commences on draft options |
<p>| October| • Consultation (Staff and Public) |</p>
<table>
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<tr>
<th>Month</th>
<th>Events</th>
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| **November** | • HR Feedback Selection  
• Peer Challenge reports  
• Collate all feedback from public consultation  
• 7<sup>th</sup> onwards - Redundancy selection process  
• 4<sup>th</sup> week - Staff Briefings |
| **December** | • 7<sup>th</sup> - Cabinet session to receive consultation feedback and decide final options (3)  
• 7<sup>th</sup> - Publication of Cabinet Papers  
• 7<sup>th</sup> - Trade Union Briefing - Draft Budget/New Policy Options  
• 15<sup>th</sup> (4pm) - Cabinet Meeting (Draft budget for consultation)  
• 16<sup>th</sup> - Possible additional employee consultation  
• 16<sup>th</sup> - Trade Union Briefing - From Cabinet Meeting  
• 16<sup>th</sup> - Public consultation on draft budget |
| **January**  | • 6<sup>th</sup> onwards - Commencement of staff notice period (from first consultation)  
• 19<sup>th</sup> (4pm) - Cabinet (Budget recommendation to Council) |
| **February** | • 1<sup>st</sup> - Commencement of staff notice period (from second consultation)  
• 8<sup>th</sup> (4 pm) - Council (Budget Meeting)  
• 15<sup>th</sup> (4pm) - Cabinet (Provisional subject to budget referral)  
• 22<sup>nd</sup> (4pm) - Council (Council Tax Precept meeting) |
| **March** | • Communication to Public re. any service changes  
• HR Issues to finalise |
| **April** | • Savings options to be implemented for 2017/18 financial year onwards. |