

Cherwell District Council
Budget Planning Committee

24 September 2019

Medium Term Financial Strategy 2020/24 Update
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Report of Executive Director – Finance (Interim)

This report is public

Purpose of report

This report provides an update on the latest information on the Spending Review 2019 along with the outline timeline leading up to Council in February 2020, where the Council's budget will be agreed.

1.0 Recommendations

- 1.1 To note the contents of the report.

2.0 Introduction

- 2.1 The government previously stated its intention to hold a new Spending Review in 2019 covering the period 2020/21 to 2022/23. However, it has recently announced that a one-year Spending Round would be provided for 2020/21 with a full Spending Review now being completed in 2020. Council is committed to financial monitoring reviews on a monthly basis.
- 2.2 Within the Spending Round the government has indicated that it will continue to provide increased funding for Local Government and that it projects that core spending power will increase by £2.9bn, a real term increase of 4.3%. Within this there will be a continued focus on social care with up to an additional £1.5bn in total, which will include the continuation of the Improved Better Care Fund, which will see an increase of 3.4% in real terms.

3.0 Report Details

- 3.1 The Chancellor, Sajid Javid announced the one-year Spending Round 2019 on 4 September 2019, which provides information covering the 2020/21 financial year. The information provided allows Cherwell District Council to incorporate the information into its Medium Term Financial Strategy and Budget Setting processes. This report focuses on the changes relevant to the Council locally and also updates members on the events and timeline that will see the Council set its budget at Council in February 2020.

- 3.2 Indications from the Spending Round are that there will be a 2% increase in terms of Council Tax. For Districts in the lower quartile, such as Cherwell District Council it is understood that Council Tax can be raised by £5 and this is now assumed in our Medium-Term Financial Strategy.
- 3.3 The reset of Business Rates and Fair Funding Review will now not place until 2021/22 so the current arrangements for the business rate baselines seem to be staying the same but with inflation, which means the current arrangements continue for at least a further year. This arrangement will benefit the Council in the short term, but the medium-term assumptions need to continue to reflect this as a one off bonus that cannot be relied on going forward, with the potential for an even more stark drop in funding in later years.
- 3.4 The government have announced there will be changes regarding the New Homes Bonus, but that the main reforms to the system will be deferred until next year. In 2020/21 the legacy payments from earlier years will continue along with an additional payment for homes built during 2019/20. This latter element will not be subject to legacy payments, in other words continue for the current scheme four years, which will then allow for reforms of the system next year. The Council will benefit from this announcement during 2020/21, but as with the business rates above will need to factor into the Medium-Term Financial Strategy period the drop off anticipated as the legacy income and additional payment for new homes built this year drops out.
- 3.5 The above factors will be incorporated alongside the information being returned by the budget managers on 13 September, to assess the funding gap in both 2020/21 and what might be anticipated in later years, where based on the information from government the gap in later years is anticipated to be stark.
- 3.6 The Council has set out a budget planning timeline that will deliver the full budget proposals for Council in February 2020. The diagram below helpfully summarises the route through to full Council, including scrutiny opportunities from both CEDR and members.

4.0 Conclusions and Reasons for Recommendations

- 4.1 It is recommended that the contents of the report are noted.

5.0 Consultation

- 5.1 The report provides an update on the Council's budget setting process, following the announcement of the government on 4 September 2019 of its Spending Review. There are no consultation requirements from this report.

6.0 Alternative Options and Reasons for Rejection

- 6.1 This report provides an update on the Council's budget setting process. As this is a update report, no further options have been considered. However, members may wish to request that officers provide additional information.

7.0 Implications

Financial and Resource Implications

- 7.1 The financial implications arising from the production of this report are being included within the Council's Medium-Term Financial Strategy processes.

Comments checked by:

Dominic Oakeshott, Assistant Director of Finance (Interim)
01295 227943

Dominic.Oakeshott@cherwell-dc.gov.uk

Legal Implications

- 7.2 There are no legal implications arising directly from this report. The process outlined in the timeline below will ensure that the Council sets a legally compliant budget in accordance with the Executive Director of Finance's requirement.

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious. 01295 221695,

Richard.hawtin@cherwell-dc.gov.uk

Risk Management

- 7.3 The risk management aspects of the budget setting process are being managed as part of an overall Medium Term Financial Strategy and Budget Setting Project.

Comments checked by: Louise Tustian

Acting Performance and Communications Manager

01295 221786

Louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Tony Illott, Portfolio Holder for Finance and Governance

Document Information

Appendix No	Title
None	
Report Author	Joanne Kaye – Strategic Business Partner
Contact Information	Joanne Kaye – Strategic Business Partner 01295 221545 Joanne.kaye@cherwell-dc.gov.uk