

# Cherwell District Council

## Executive

4 February 2019

<p><b>Business Plan 2019/20 and Medium Term Financial Strategy 2019/20 – 2023/24</b></p>
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### Report of Executive Director Finance and Governance (interim)

This report is public

#### Purpose of report

The Business Plan and Summary Medium Term Financial Strategy are presented as an integrated report. This demonstrates the Council's strategic approach to aligning its resource to the delivery of Council's priorities.

This report details the Business Plan 2019/20 and the Council's Medium Term Financial Strategy (MTFS) for 2019/20 to 2023/24 prior to final approval by full Council in February 2019.

#### 1. Recommendations

The meeting is recommended:

- 1.1. To consider and recommend to Council approval of the Business Plan set out in Appendix 1
- 1.2. To note the Risk Register contained at Appendix 2
- 1.3. To consider and recommend to Council an increase in the level of Council Tax for Cherwell District Council of £5 for 2019/20
- 1.4. To consider and recommend to Council approval of the Medium Term Financial Strategy (MTFS), Revenue Budget 2019/20 and Capital Programme including recommending the growth and savings proposals included at Appendix 9
- 1.5. To consider and recommend to Council a minimum level of General Fund reserves of £2m
- 1.6. To consider and recommend to Council that authority be delegated to the Chief Finance Officer in consultation with the Lead Member for Finance & Governance, and where appropriate the relevant Director and Lead Member to:
  - Transfer monies to/from earmarked reserves should that become necessary during the financial year.
  - Update prudential indicators in both the Prudential Indicators Report and Treasury Management Strategy Report to Council, for any budget changes that impact on these.

- 1.7. To consider and recommend to Council that the Fees & Charges set out in Appendix 7 be approved.
- 1.8. To consider and recommend to Council that the Treasury Management Strategy be approved, including the Prudential Indicators, Minimum Revenue Provision (MRP) Policy and Affordable Borrowing Limit for 2019/20.
- 1.9. To consider and recommend to Council that authority be delegated to the Chief Finance Officer to make any technical changes necessary to the papers for the Council meeting of 25 February 2019, including changes related to the finalisation of the national Finance Settlement and any associated changes to Parish Precepts and Council resulting from those changes.
- 1.10. To note the contents of the Section 25 report from the Chief Finance Officer in relation to the robustness of estimates and adequacy of reserves.

## **2. Introduction**

- 2.1. The Executive has the responsibility of considering and recommending a budget and all associated strategies for consideration to Council on 25 February 2019.
- 2.2. The purpose of this report is to present the Business Plan and Medium Term Financial Strategy for review including the context within which Local Government is operating currently.

## **3. Overview**

### **National**

- 3.1. Local Government is continuing to commission and deliver services to its residents and businesses during a period of prolonged financial uncertainty and significant change. This uncertainty relates to both the overall UK economy as well as the impact of national policy changes to the way in which local government is funded in the medium term. Local Government has seen substantial reductions in direct central government funding including the continued reduction and ultimately ceasing of the Revenue Support Grant (RSG) in 2019/20 and a shift towards more specific funding that often is targeted and has to be bid for. Cherwell District Council has been successful in bidding for such funding, as well as in partnership across Oxfordshire for Growth Deal funding.
- 3.2. It is important that we continue to manage our resources in a prudent and sustainable way, ensuring that we understand and can plan and manage our risks effectively over the medium term which is why a strong link between our service outcomes and financial measures is imperative.
- 3.3. The way in which local government is financed is changing and there is also a shift in focus in how we monitor and manage our resources. In the future we will be much more reliant on income from individuals and businesses and management of our cash flow will be much more akin to that of commercial businesses than it ever has been before.

## **Local**

- 3.4. The district is experiencing significant economic growth. Increasing numbers of housing developments have brought new skills to the area and the boost in business is providing new opportunities to shape the area. The Council has been working in partnership with others as part of the Growth Deal in Oxfordshire to bring forward significant investment in infrastructure to support this growth.
- 3.5. The Council is committed to investing and developing its local economy and this investment can be seen clearly through key decisions taken at a local level including direct property investment for regenerative purposes.
- 3.6. As an ambitious Council, Cherwell District Council has developed a number of strategies to support growth in the area including the setting up of council owned companies for development in Bicester and Banbury, direct investment in town centre sites and housing, establishing a Teckel company to run its revenues and benefits service as well as supporting community activities and the arts. By making best use of a number of delivery vehicles that are available to deliver and commission services, the council continues to offer a broad range of services to support our residents and businesses. Ensuring that these are financially sustainable in the medium to long term is a key plank of our medium term financial strategy.
- 3.7. The Council delivers a wide range of services to support our residents, communities and businesses. Some of these services are provided by all Councils as a requirement of national legislation whilst Cherwell District Council chooses to provide others as a result of the specific needs of our communities and the priorities of the Council. Through the Healthy New Towns initiative, the Council has placed a specific emphasis on ensuring the growth in Bicester supports the health and well-being of our communities in that town. Following the success of this work, the Council is now looking to roll out this approach to other communities across Cherwell. This ensures that the growth agenda that we are delivering is sustainable both in positive outcomes for our residents and businesses but also financially in the longer term for us and our partners.

## **4. Business Planning**

- 4.1. The business plan for 2019/20 is attached as Appendix 1. The business plan informs the development of the annual budget and the operational Service Plans for the delivery of all Council services. The Service Plans will set out the activities that each service will undertake to deliver against the priorities set out in the Business Plan. Ultimately, these activities will be reflected in the individual objectives of employees providing a clear 'golden thread' through the organisation for the delivery of the Council's priorities.
- 4.2. The 2018/19 Business Plan was a joint business plan covering Cherwell and South Northamptonshire Council. The 2019/20 Business Plan will cover Cherwell District Council only as the joint working arrangements between the two Councils come to an end.
- 4.3. The content of the 2019/20 Business Plan represents a "light touch" review, broadly retaining the themes and priorities of the Council from the previous year updated where appropriate to align with emerging issues and challenges across the district.

New areas of focus for the plan this year include the Healthy Place Shaping agenda, the Industrial Strategy and the Oxfordshire Growth Deal. An overview of these areas are provided below in section 4.4.

- 4.4. Healthy place shaping involves us working in partnership to create sustainable, well-designed communities where healthy behaviours are the norm and which provide a sense of belonging and safety, a sense of identity and a sense of community. District councils can help to shape healthy and thriving places where the right policies, environment and partnership working are adopted to empower individuals, communities and organisations to make healthier choices. The Industrial Strategy is a new 10 year strategy replacing the previous Economic Development Strategy. The strategy will be aligned to both the National Industrial Strategy and the Local Industrial Strategy being developed by OxLEP. The Oxfordshire Housing and Growth Deal is a contract between HM Government and the Oxfordshire Partnership (6 Councils and OxLEP) which provides funding and planning flexibilities over a 5 year term linked to a commitment to accelerate the pace of housing development across the county.
- 4.5. The vision for the district remains 'A great place to live, work, visit and invest'. The three strategic priorities are:
  - Clean, Green and Safe;
  - Thriving Communities and Wellbeing;
  - District of Opportunity and Growth.
- 4.6. The Business Plan is underpinned and enabled through an Organisational Plan, illustrated as three pillars, representing the basis upon which we continue to develop our organisation:
  - Operational Excellence;
  - Customer Focus;
  - Best Council to work for.
- 4.7. The service plans currently in development will help shape the performance management framework for 2019/20, of which progress against will be reported to Executive through the monthly Performance, Risk and Finance report.
- 4.8. The business plan has been discussed with Executive Members and will be considered by the Overview and Scrutiny Committee on 22 January. A full review of the business plan and corporate priorities will take place during 2019/20 to inform the 2020/21 Business Plan.

## **5. Medium Term Financial Strategy**

- 5.1. Our medium term financial strategy outlines our expected resourcing requirements over the next 4 years as well as assumptions around funding to support those requirements. The way in which local government is resourced will be fundamentally changing from 2020/21 onwards. There are currently two important Government consultations regarding the future financing of local government that we will respond to by the deadline of 26 February 2019. Further details on these consultations are provided later in this report.

- 5.2. Through the four year funding settlement from central government we were given certainty about the level of revenue support grant (RSG) that we would receive as well as an indication of the expected level of business rates that we should collect and redistribute over that time. However, 2019/20 is the final year of this four year settlement and therefore we do not currently have the same level of certainty about future levels of central grant funding. Other funding that we receive such as the New Homes Bonus and Disabled Facilities Grant are subject to annual announcements and each year we have to make judgements about the level of funding we could expect. Finally, we have had to estimate the amount of council tax we would collect and consider the level at which we set council tax for this and future years.
- 5.3. On 13 December 2018, the provisional local government finance settlement was announced. This settlement information supported the Draft MTFS and confirmed our assumptions regarding the levels of anticipated funding for 2019/20. We are expecting the final settlement to be announced in early February 2019. We do not anticipate any significant changes for our MTFS arising from the final settlement; any changes will be incorporated into our budget and reported to Members.
- 5.4. From 2020/21 we know that this system will change as detailed throughout this report. We have estimated the impact of this throughout the life of the MTFS using the best estimates that we can.

### **Summary MTFS**

- 5.5. The table below sets out the summary MTFS. It is important to note that 2019/20 reflects a balanced budget although this does include the planned use of one off funds from some earmarked reserves. For future years of the MTFS a funding gap has been identified and the Council has already established a process that will shape how we look to review opportunities to reduce this gap for future years and balance the budget.

**CHERWELL DISTRICT COUNCIL  
MTFS Summary (Draft)**

	2019-20	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000	£000
<b>Approved base budget</b>	15,788	20,287	20,006	20,877	21,748
<i>Salary Reviews &amp; Inflation</i>	849	800	800	800	800
<i>Growth Pressures</i>	1,958	0	0	0	0
<i>Budget Realignment</i>	2,345	0	0	0	0
<i>Contract Inflation</i>	71	71	71	71	71
<b>Budget pressures</b>	<b>5,223</b>	<b>871</b>	<b>871</b>	<b>871</b>	<b>871</b>
Efficiency/Savings/Additional Income	(724)	(1,152)	0	0	0
<b>Additional Income</b>	<b>(724)</b>	<b>(1,152)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET COST OF SERVICES</b>	<b>20,287</b>	<b>20,006</b>	<b>20,877</b>	<b>21,748</b>	<b>22,619</b>
Transfers to reserves / Pension Adj / Interest	2,424	5,489	4,427	4,480	3,956
<b>NET BUDGET REQUIREMENT</b>	<b>22,711</b>	<b>25,495</b>	<b>25,304</b>	<b>26,228</b>	<b>26,575</b>
<b>FUNDING</b>					
<i>Revenue Support Grant</i>	(114)	0	0	0	0
<i>Transfer to Parish Councils - CTRS</i>	349	175	0	0	0
<i>New Homes Bonus</i>	(5,087)	(5,137)	(5,019)	(5,211)	(4,288)
<i>Business Rates</i>	(10,760)	(10,111)	(9,543)	(9,003)	(8,777)
<i>Council Tax income</i>	(7,099)	(7,365)	(7,749)	(8,143)	(8,547)
<b>TOTAL INCOME</b>	<b>(22,711)</b>	<b>(22,438)</b>	<b>(22,311)</b>	<b>(22,357)</b>	<b>(21,612)</b>
<b>FUNDING GAP / (Surplus)</b>	<b>0</b>	<b>3,057</b>	<b>2,993</b>	<b>3,871</b>	<b>4,963</b>
<i>Council tax base</i>	53,472	54,274	55,088	55,914	56,753
<i>Council tax amount</i>	£128.50	£133.50	£138.50	£143.50	£148.50

5.6. To ensure that the budget for 2019/20 reflects our current service and activity levels there are a number of budget growth and savings proposals that are included as appendix 9. These proposals reflect either:

- where a service has grown and our resources to support that need to reflect this,
- where a new service is proposed and the financial implications of these need to be considered,
- where our income budgets need to take account of current activity levels either to increase or reduce the amount expected
- where our transformation process has identified cost reductions or additional income opportunities for the council.
- Where we have made a capital investment, the revenue implications have to be reflected in our budgets

5.7. The full financial implications of all of these growth and savings proposals are included within the budget and medium term financial plan as presented. Any changes to those proposals would have a financial impact on the overall budget.

5.8. The medium term will present further challenges and opportunities for the Council and these will result from a couple of key areas, both specific to Cherwell as well as arising from the changes to national funding.

- 5.9. Cherwell District Council is ceasing its strategic partnership with South Northants Council due to the changes that are happening in Northamptonshire and their move to establishing two unitaries. However, Cherwell District Council will continue to consider partnering arrangements in the future including: alignment with Oxfordshire County Council services where this will benefit our residents and businesses; joint contracting and commissioning arrangements; and continuing our journey to transform the way in which we deliver with other partners.
- 5.10. The future of local government funding is set to change as detailed in para 7.2. The impact on our assumptions in the MTFS is included at 7.3.

### Key Assumptions

- 5.11. A number of key assumptions underpin the MTFS. The assumptions are reviewed through the financial year and the latest estimates are built into the budget. The key assumptions are set out in the table below

Type	Annual increase	Future direction
General Inflation	2%	Same
Payroll	2.4%	Same
Council Tax Base Increase	2%	Same
Council Tax Level Increase	£5 (approx. 4%) MAX	Future increases
Interest Receivable	1.0%	Upward
Interest Payable	1.1%	Upward
Utilities	20%	Same
Contracts	Average 5%	Same
Rents (Build!)	2%	Same

### 5.12. Service and Corporate Budgets

#### Wellbeing and Environmental Services

- 5.13. Our suite of environmental services delivers statutory services for environmental health and licencing and aims to reduce environmental crime through education and enforcement. The service also delivers an efficient waste and recycling service, street cleansing and grounds maintenance to residents across Cherwell. To date this year (April to December 2018) our recycling rate is 55.98% and is reflected in our high position in the recycling league table. Our most recent customer satisfaction survey indicated that 86% were very satisfied with our waste and recycling service.
- 5.14. The Wellbeing service delivers enhanced leisure provision, arts and cultural experiences, supports housing registry and advice, homelessness prevention, housing strategy and new affordable housing provision alongside the safeguarding of children, young people and vulnerable adults within the district. In the last year

we have delivered 359 affordable homes across Cherwell, and are on track to exceed the target of 400. There have been 1,132,972 visits to our leisure centres and 4,250 children took part in our summer holiday activities.

Service Areas	Draft Expenditure Budget 2019-20 £000	Draft Income Budget 2019-20 £000	Draft Net Budget 2019-20 £000
Wellbeing	5,901	(1,559)	4,342
Environmental	11,268	(5,640)	5,628
<b>Wellbeing and Environmental Services Total</b>	<b>17,169</b>	<b>(7,199)</b>	<b>9,970</b>

## Place and Growth

- 5.15. The Place and Growth service provides a broad range of support for and facilitation of development across the District that meets our environmental, social and economic objectives. Driven by a commitment to make Cherwell a great place to live, work, visit and invest we provide regulatory, direct delivery, design and support services that ensure we secure appropriate development that contributes positively and meets the needs of our residents and businesses. The statutory planning and Building Control functions ensure development is appropriate in terms of its scale, location, appearance, safety, and impact on services and infrastructure. Protection of our built heritage is guided through the work of the Design and Conservation team while the Build! team deliver high quality affordable housing provision for sectors of our community traditionally excluded from home ownership or social rent while at the same time contributing to regeneration of local areas. In Bicester new ways of working between the Council and communities have been pioneered to deliver exciting new approaches to development and place shaping, including through such programmes as Healthy New Towns and Eco-Towns. The work of the Economic Growth team attracts new business investment and visitors so that more residents and local businesses get to share in the benefits of prosperity and growth.
- 5.16. During 2018/19 92 new homes will be delivered by our Build! team. We have supported two careers workshops attended by over 250 students at jobs fairs in Banbury to present a wide variety of local jobs and skills options and worked with other organisations on creating opportunities across the District for work experience for our young people as part of our economic development activity.
- 5.17. We have great performance in terms of our planning application processing times with over 87% of our major planning applications processed within 13 weeks and over 91% of other applications processed within 8 weeks. As a District where growth is significant this is a way to recognise that we are able to ensure that alongside our ambitions to ensure developments are appropriate, that when decisions need to be made we are ensuring that process is not held up.

Service Areas	Draft Expenditure Budget 2019-20 £000	Draft Income Budget 2019-20 £000	Draft Net Budget 2019-20 £000
<b>Place and Growth</b>	<b>6,809</b>	<b>(3,793)</b>	<b>3,016</b>



## Customers and Service Development

- 5.18. This service area delivers vital support services including the delivery of the organisation's Communications Strategy, customer services, IT and digital service. Business insight and information supports the business in its management and decision making. This includes complaints, performance and transformation support alongside an effective HR, organisational development, learning and development, occupational health and payroll service.

Service Areas	Draft Expenditure Budget 2019-20 £000	Draft Income Budget 2019-20 £000	Draft Net Budget 2019-20 £000
Customers and Service Development	4,829	(42)	4,787

## Law and Governance

- 5.19. Our law and government teams deliver professional, high quality legal services for our organisation and manage the effective running of the Council's democratic decision-making processes through servicing and supporting the elected Members and the Committees on which they sit. The team also maintains an accurate electoral register and delivers legally robust elections and referenda in line with legislation and statutory deadlines.

Service Areas	Draft Expenditure Budget 2019-20 £000	Draft Income Budget 2019-20 £000	Draft Net Budget 2019-20 £000
Law and Governance	1,662	(346)	1,316

## Finance and Property

- 5.20. These teams provide effective financial and procurement advice, oversight and management to the Council, as well as to the Council-owned companies in addition to managing, maintaining and creating value to Council-owned properties and ensuring the organisation is fulfilling its obligations towards the health and safety of residents and its employees. Facilities Management Team (including Health & Safety) key successes this year include delivering a new Health & Safety Policy promoting safety and wellbeing, created a new audit framework to ensure the Council is delivering safety, quality and value for money across all directorates and improved Manual Handling training within our high risk areas such as Environmental Services.

Service Areas	Draft Expenditure Budget 2019-20 £000	Draft Income Budget 2019-20 £000	Draft Net Budget 2019-20 £000
Finance & Property	39,905	(38,710)	1,195

## Capital Strategy

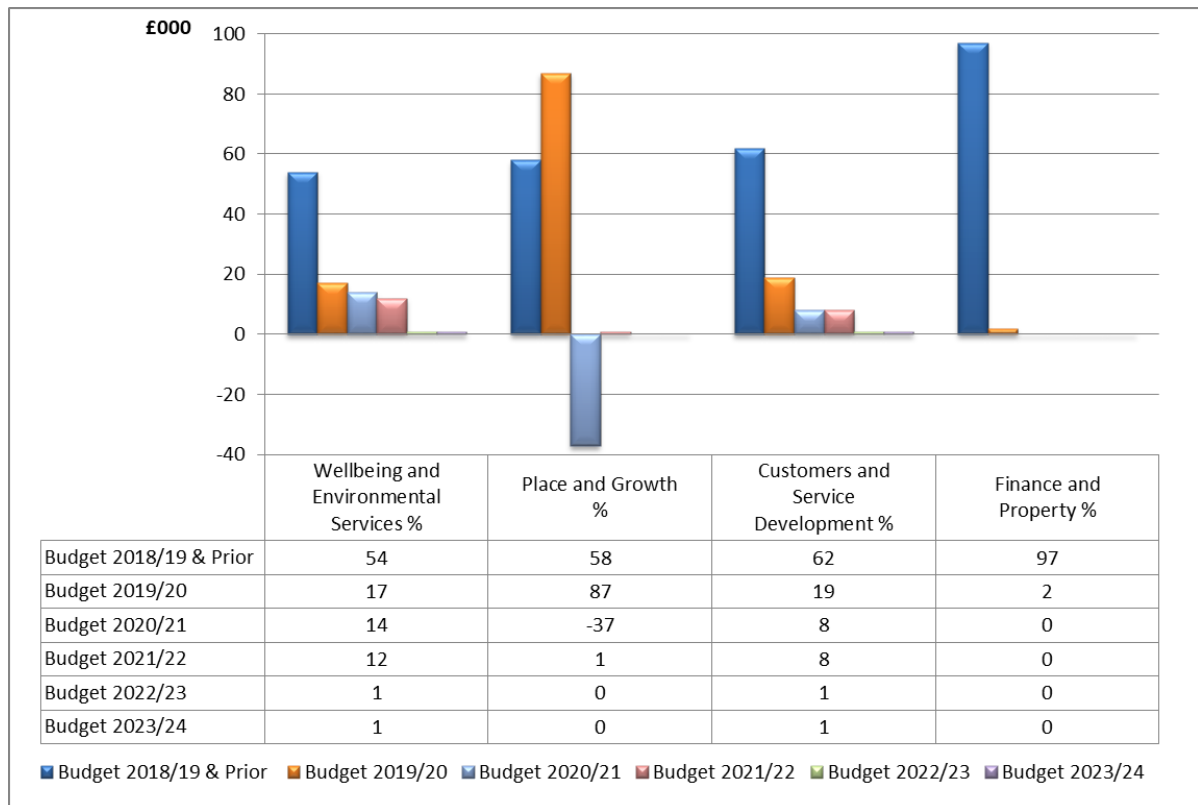
- 5.21. The draft Capital Strategy is at Appendix 3 and reflects the latest updates to the Prudential Code and the requirement for the Chief Finance Officer to report explicitly on the deliverability, affordability and risks associated with the Capital Strategy.
- 5.22. The Capital Strategy aims to set a clear framework for capital decision making alongside the Council's Business Plan, vision and priorities. The Capital Strategy is closely aligned with the Council's service plans, asset review and plans.
- 5.23. The recent requirement within the enhanced Capital Guidance and Prudential Code from Chartered Institute of Public Finance and Accountancy (CIPFA) further ensures that the Council's Capital Strategy is given further importance in decision making.

## Capital Programme

- 5.24. The capital programme sets out a significant plan for investment in the organisation and the district. It forms an integral part of the Council's core activity and is an important part of the MTFS.
- 5.25. The capital programme is funded through a mix of capital grants, S106, capital receipts, revenue and borrowing. This remains the case over the medium term and the Council will continue to ensure that the right mix of funding is utilised to minimise the risks and costs associated with financing the capital programme.
- 5.26. A list of capital projects put forward is set out in Appendix 4. The financial implications of these are incorporated into the MTFS.
- 5.27. The table below shows the summary Capital Programme. The total proposed programme is £130.6m.

Service Areas	Budget 2018/19 and Prior £000	Budget 2019/20 £000	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget Total £000
Wellbeing and Environmental Services	5,762	1,750	1,500	1,275	150	150	10,587
Place and Growth	14,626	19,635	(9,410)	290	0	0	25,141
Customers and Service Development	804	248	108	108	18	18	1,304
Finance and Property	91,754	1,665	165	20	0	0	93,604
<b>Capital Total</b>	<b>112,946</b>	<b>23,298</b>	<b>(7,637)</b>	<b>1,693</b>	<b>168</b>	<b>168</b>	<b>130,636</b>

5.28. The capital programme investment is split across services as set out below.



5.29. During 2018/19 the Council implemented a number of enhanced governance initiatives to support and further develop the awareness, monitoring and insight surrounding the capital programme. An officer based Capital Programme Working Group provides guidance, scrutiny and oversight of all projects on a regular basis. Three programme boards have been established to manage and monitor significant projects and maintain links with the Council’s strategic priorities.

5.30. Each capital project is supported by capital appraisals and business cases. The robust use of capital appraisal tools is being further developed moving into 2019/20.

5.31. There are revenue implications that arise from our capital investment including: treasury management costs; ongoing maintenance and revenue costs (and in some cases cost reductions); and, increasing income. These have all been built into the overall financial model and MTFS.

### Corporate Investment Strategy

5.32. The corporate investment strategy provides a vehicle and decision making process for non-operational investments. The strategy outlines the principles for investment that will deliver long term, sustainable income and/or capital growth to support the Council’s objectives as well as driving economic growth and generation within the district.

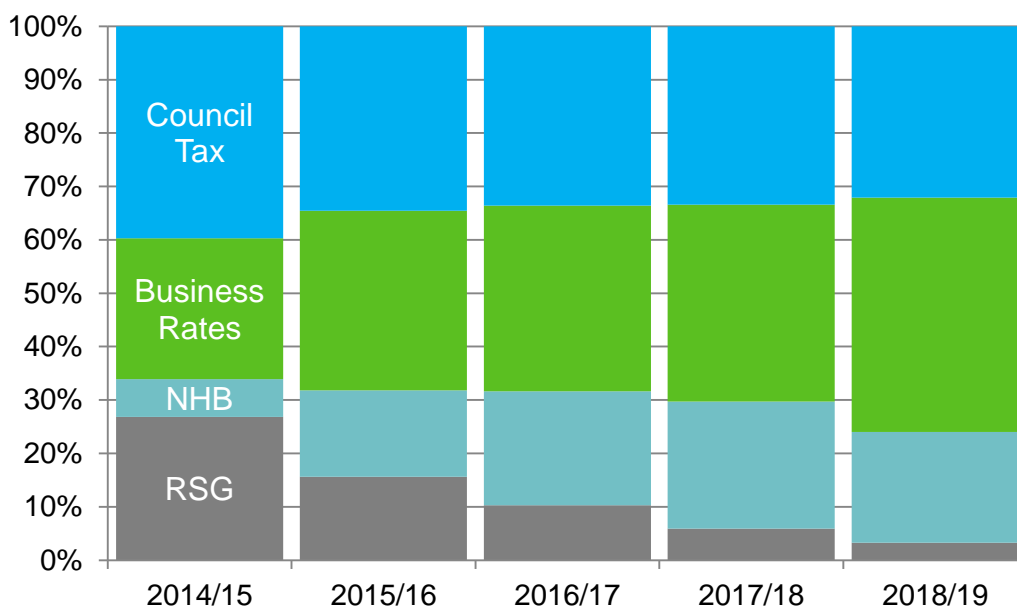
5.33. The corporate investment strategy has been utilised during 2018/19 and provided an efficient and effective governance and decision making framework. The Council will continue to develop the strategy over the medium term.

## 6. Fees & Charges

- 6.1. Fees and charges are reviewed on a regular basis and the Council has undertaken a review as part of the budget setting process for 2019/20.
- 6.2. The draft Fees and Charges schedule is at Appendix 7. The fees and charges have been reflected in the MTFs where feasible.

## 7. Funding

- 7.1. The MTFs is developed against a backdrop of changing and reducing funding. Local Government has experienced a reduction of around 35% in overall funding and a shift from Governmental to more locally derived funding provides local government with further incentives to drive growth and innovation.
- 7.2. In future it can be seen that we need to place greater emphasis on cash flow and income management given our income sources relate to individuals, businesses and other fees and charges. The graph below shows the change in funding from central government derived funding such as Revenue Support Grant (RSG) and New Homes Bonus (NHB) to more local and volatile income sources such as Council Tax and Business Rates.



- 7.3. The table below sets out the Council's future funding estimates. There remains a lot of uncertainty regarding this position over the medium term with the upcoming consultations surrounding Fair Funding Review and Business Rates.

Service Areas	Draft Budget 2019-20 £000	Draft Budget 2020-21 £000	Draft Budget 2021-22 £000	Draft Budget 2022-23 £000	Draft Budget 2023-24 £000
Revenue Support Grant	(114)	0	0	0	0
Transfer to Parish Councils - CTRS	349	175	0	0	0
New Homes Bonus	(5,087)	(5,137)	(5,019)	(5,211)	(4,288)
Business Rates	(10,760)	(10,111)	(9,543)	(9,003)	(8,777)
Council Tax income	(7,099)	(7,365)	(7,749)	(8,143)	(8,547)
<b>TOTAL INCOME</b>	<b>(22,711)</b>	<b>(22,438)</b>	<b>(22,311)</b>	<b>(22,357)</b>	<b>(21,612)</b>

### Revenue Support Grant

- 7.4. 2019/20 is the final year of the four year settlement. Revenue Support Grant (RSG) has reduced over the settlement period and 2019/20 will be the final year for receiving RSG at Cherwell. £114,000 has been built into the 2019/20 budget.

### New Homes Bonus

- 7.5. The Provisional Local Government Finance settlement for 2019/20 was announced on 13 December 2018. As part of the settlement the New Homes Bonus scheme did not change for 2019/20. It is unclear what impact the Fair Funding Review will have on the future of New Homes Bonus as a funding stream from 2020/21 onwards but for 2019/20 for Cherwell, £5.1m will be received in New Homes Bonus.
- 7.6. Similar to previous years the Council is utilising a proportion of New Homes Bonus to support district economic development and growth as well as supporting communities. This is incorporated into the MTFS. The proportions of how this is included have not changed from previous years.
- 7.7. It should be noted that if there were any changes to national policy about awarding New Homes Bonus or the overall way in which this is calculated in future this could have a significant impact on CDC.

### Business Rates

- 7.8. Business rates now make up the largest proportion of funding of our budget. Cherwell has seen significant growth in businesses over the last two years and in 2019/20, the budget for business rates income is £10.8m, an increase of £2.2m on last year's budget.
- 7.9. The Government has recently published its consultation paper on the proposed 2020/21 Redesign and Reset of the Business Rates Retention (BRR) scheme. The results of the consultation will not be known until after the budget for 2019/20 has been set but we do not expect these changes to be implemented until 2020/21. Further information is set out below.

## **Council Tax**

- 7.10. For 2019/20, the Government have continued to set differential limits that will trigger the need for a council tax referendum. For district councils, increases of less than 3% or up to and including £5 (whichever is higher) above the authority's relevant basic amount of council tax for 2018/19 can be made without triggering a referendum.
- 7.11. The budget for 2019/20 includes an increase in Council Tax of £5, from £123.50 to £128.50 per Band D property. This rise, and an equivalent rise across each of the years in the MTFS have been included in our modelling.

## **Collection Fund**

- 7.12. The Collection Fund surplus for Council Tax is estimated at £1m, of which Cherwell's share is £120,000. This has been incorporated into the 2019/20 budget.

## **Fair Funding Review Consultation**

- 7.13. The Government is intending to simplify the way local government funding works. A paper has recently been published which consults on the assessment of needs, resources and transitional arrangements.  
<https://www.gov.uk/government/consultations/review-of-local-authorities-relative-needs-and-resources>
- 7.14. The Council will be reviewing the consultation and assessing the impact it may have. This will be reviewed and reported to Members in due course.

## **Business Rates Retention Consultation**

- 7.15. The Government has also recently published a consultation paper "Sharing risk and reward, managing volatility and setting up the reformed system". This is a technical consultation which seeks views on proposals for setting up a reformed business rates retention system.  
<https://www.gov.uk/government/consultations/business-rates-retention-reform>
- 7.16. The consultation outlines proposals to update the balance of risk and reward to better reflect the wider context for local authorities in 2020, mitigate volatility in income and simplify the system.
- 7.17. The potential impact of the Council will be assessed and reported to Members in due course.

## **8. Treasury Management**

- 8.1. The CIPFA Code of Practice on Treasury Management requires the preparation of an annual Treasury Management Strategy Statement (TMSS) and associated documents. The 2003 Prudential Code for Capital Finance in Local Authorities introduced requirements on how capital spending plans should be considered when determining the Council's Treasury Management Strategy.
- 8.2. The Treasury Management Code provides a framework for effective management of Investments and Borrowing requirements in public sector organisations.

- 8.3. The Treasury Management Strategy considers a number of key matters
- The institutions the Council will invest surplus cash with
  - The types of investment instruments that may be used
  - Limits in place to manage risk
  - Borrowing limits and levels
  - The economic environment
  - Minimum Revenue Provision (MRP)
  - Annual Investment Strategy for the coming year
- 8.4. The strategy also sets out the treasury management practices which are undertaken by the Council. These practices are designed to effectively manage risk within treasury management activities.
- 8.5. A key part of the strategy is setting out the Council's authorised limit and operational boundary. These are detailed within the appendices to the strategy.
- 8.6. The Council regularly reviews investment limits for types of, and individual, institutions. The limits are set based upon advice from Treasury Management advisors alongside the Council's own insight. These are also detailed within the appendices to the strategy.

## **9. Reserves**

- 9.1. Reserves are held to ensure the Council can manage and mitigate current and future risk. The Council regularly reviews its level of reserves to ensure they are adequate. They are more specifically reviewed as part of the budget setting process and as part of the year-end closure of accounts.
- 9.2. Earmarked reserves are held for specific purposes and to manage specific risks or to smooth transactions that may happen at irregular periods or where peak activity happens over a longer period than a year. Examples of the type of activity that may require a reserve can include funding elections (where these would disproportionately impact just one year in a financial planning period), the impact of some volatile income streams (such as demand led services such as planning fees) or where funding may be awarded or received in one year but expenditure happens over more than one year (such as S106 developer contribution related activity).
- 9.3. A breakdown of the forecast reserves position is shown at Appendix 8.
- 9.4. As part of the budget setting process the Council determines a minimum level of general reserves to be held for general risks. The minimum level is designed to cope with unpredictable circumstances which cannot be addressed by management or policy with the year. The minimum level is informed through risk assessment and it is suggested that the minimum level be set at £20.9m.

## **10. Risks**

- 10.1. The Council has a well-developed risk management approach which regularly updates the key Leadership Risks and identified actions which can reduce the

likelihood and impact of those risks. The Leadership risk register feed into the business planning and budgeting process as appropriate. The latest risk register is shown at Appendix 2.

### **Strategic Budget considerations**

- 10.2. The approved budget recommends the inclusion of 2% inflation within expenditure budgets, other than payroll estimated at 2.4%. It is important that the trend and impact of inflation is closely monitored to ensure this risk can be managed as part of the budget monitoring process.
- 10.3. The Council needs to remain alert to budgets which can be subject to pressure arising from volatility due to 'demand led' activity which can to some degree be outside of the Council's control. These budgets, including spending on housing benefits, income from planning applications, land charges, car parking and interest on cash balances can contribute to variations against budget. Some of these budgets could be affected by the economic climate.
- 10.4. The Council has a record of maintaining good financial and budgetary control. Managers with budgetary responsibility receive financial training and support and this is being enhanced during 2019/20. The shift from quarterly to monthly monitoring is improving the level of control and ability for the organisation to react and deal with any variances to budget in a timely manner.
- 10.5. The Local Government Act 2003 places a duty on the Chief Finance Officer to comment on 'the robustness of the estimates' included in the budget and the adequacy of the reserves for which the budget provides. This is subject to a separate report to this meeting.

### **Further Considerations**

- 10.6. 2019/20 is the final year of the current spending review period. This means that there is less certainty regarding funding in future years. The Council is working closely with advisors to ensure that it is able to plan effectively for future years.
- 10.7. The current period of change and uncertainty is posing a number of challenges which the Council needs to consider further during the budget setting process.
- 10.8. In July 2018 the Council formally agreed to end the current joint working arrangements with South Northamptonshire District Council. The implications of this will be kept under close review during 2019/20.

### **Next Steps**

- 10.9. The process for setting the budget for 2020/21 and beyond will begin early during 2019/20.





## **11. Conclusion and Reasons for Recommendations**

11.1. This report, alongside the appendices, sets out the Business Plan and MTFS for Council to consider alongside the setting of the 2019/20 Council Tax. The Council must set a budget for 2019/20.

## **12. Consultation**

12.1. The Overview and Scrutiny Committee considered the report on 22 January 2019.

12.2. The Accounts Audit and Risk Committee considered and recommended to full Council, the Treasury Management Strategies and the associated appendices on 23 January 2019.

12.3. The Budget Planning Committee will consider the report on 29 January 2019.

12.4. The draft budget will be on the Councils consultation portal.

## **13. Alternative Options and Reasons for Rejection**

13.1. This report presents the final Business Plan and MTFS for 2019/20.

13.2. It is a legal requirement to set a balanced budget and the recommendations as outlined set out a way to achieve this. The following alternative option has been identified and rejected for the reasons as set out below.

Option 1: To reject the current proposals and make alternative recommendations. Members will not be aware of the medium term financial forecast or implications of alternatives if they choose to take this option.

## 14. Implications

### Financial and Resource Implications

- 14.1. The financial implications are set out in this report. The Council has a statutory duty to set a balanced budget and could be subject to intervention of the Secretary of State if it failed to do so.

Comments checked by:

Kelly Watson, Deputy Section 151 Officer, 0300 003 0206,  
[kelly.watson@cherwellandsouthnorthants.gov.uk](mailto:kelly.watson@cherwellandsouthnorthants.gov.uk)

### Legal Implications

- 14.2. The Council is legally required to set a balanced budget each year. Officers consider the recommendations will achieve this if ultimately approved by Full Council.

Comments checked by:

Richard Hawtin, Team Leader Non-contentious  
01295 221695, [richard.hawtin@cherwellandsouthnorthants.gov.uk](mailto:richard.hawtin@cherwellandsouthnorthants.gov.uk)

### Risk Management

- 14.3. The business plan and MTF5 are reflected in the risk register. The report also highlights the relevance of maintaining a minimum level of reserves and budget contingency to absorb the financial impact of changes and unforeseen events during the year. Any increase in risk will be escalated through to the Leadership risk register.

Comments checked by:

Louise Tustian, Team Leader Insight Team  
01295 221786, [louise.tustian@cherwellandsouthnorthants.gov.uk](mailto:louise.tustian@cherwellandsouthnorthants.gov.uk)

### Equality and Diversity

- 14.4. Impact assessments are carried out where relevant.

Comments checked by:

Louise Tustian, Team Leader Insight Team  
01295 221786, [louise.tustian@cherwellandsouthnorthants.gov.uk](mailto:louise.tustian@cherwellandsouthnorthants.gov.uk)

## 15. Decision Information

### Key Decision

**Financial Threshold Met: Yes**

**Community Impact Threshold Met: Yes**

## Wards Affected

All

## Links to Corporate Plan and Policy Framework

All

## Lead Councillors

Councillor Barry Wood, Leader of the Council

Councillor Tony Ilott, Lead Member for Financial Management & Governance

## Document Information

Appendix No	Title
Appendix 1	Business Plan
Appendix 2	Risk Register
Appendix 3	Capital Strategy
Appendix 4	Capital Bids
Appendix 5	Capital Programme
Appendix 6	Treasury Management Strategy, Capital & Investment Strategy
Appendix 7	Fees & Charges
Appendix 8	Reserves
Appendix 9	Growth and Savings Schedule
Background Papers	
None	
Report Author	Adele Taylor, Executive Director Finance & Governance (Interim) Hedd Vaughan-Evans, Assistant Director Performance & Transformation
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