

Cherwell District Council

Executive

5 February 2018

<p>Draft Corporate Strategy Corporate Strategy and Revenue and Capital Budgets 2018/19</p>

Report of Executive Director – Finance and Governance and Interim Director

This report is public

Purpose of report

The Council is required to produce a balanced budget for 2018/19 as the basis for calculating its level of Council Tax. It has to base that budget on its plans for service delivery during the year, recognising any changes in service demand that may arise in future years.

The proposed budget and business plan for 2018/19, including the new cycle of growth strategies, are presented as an integrated report to demonstrate that the Council adopts a strategic approach to managing all of its resources, ensuring that the delivery of the Council's priorities for the district directs the allocation of financial resources.

1.0 Recommendations

The meeting is recommended:

- 1.1 To recommend the 2018/19 Corporate Strategy to Full Council (detailed in **Appendix 2**) and to delegate authority to the Interim Director, in consultation with the Leader of the Council to make any minor amendments to the plan as required before consideration by Full Council.
- 1.2 To consider and approve the draft budget in the context of the Council's service objectives and strategic priorities.
- 1.3 To approve and recommend the balanced budget to Full Council.
- 1.4 To note the impact of the proposed budget on reserves and recommend the reserves 2018/19 to full council, see **Appendix 5**.
- 1.5 To note the latest Medium Term Revenue Plan (MTRP) for 2017/18 to 2022/23, at **Appendix 6**; this will be the basis of the work of the Budget Planning Committee for the following year.

- 1.6 To recommend, subject to any further changes Members may wish to include tonight, the updated draft revenue budget for adoption by Full Council on 26 February 2018.
- 1.7 To consider and recommend a Council Tax increase to Full Council.
- 1.8 To recommend to full council the proposed 2018/19 capital programme set out in **Appendix 8**.
- 1.9 To delegate authority to the Executive Director – Finance and Governance, in consultation with the Lead Member for Financial Management to amend the contributions to or from general fund balances to allow the Council Tax to remain at the level recommended to Full Council following the announcement of the final settlement figures, any changes relating to Business Rates or as a result of any financial implications arising from recommendation 1.7, above.

2.0 Introduction

- 2.1 The proposed Corporate Strategy and Budget for 2018/19 are presented as an integrated report demonstrating that the Council adopts a strategic approach to managing all of its resources, ensuring that the delivery of the Council's priorities for the district directs the allocation of financial resources.
- 2.2 This report sets out the draft Corporate Strategy, which the Revenue and Capital budgets for 2018/19 are formulated from. The Corporate Strategy and budgets will be considered and approved by the Executive on the 5 February 2018 and will then form the basis of the council tax setting report which is due to be considered by Full Council on the 26 February 2018.
- 2.2 The report considers the impact of the provisional local government finance settlement, which was announced on 19 December 2017, on its Corporate Strategy, Budget and the Medium Term Revenue Plan.
- 2.3 The Council is in the final year of a five year Corporate Strategy, which will be reviewed and refreshed for 2019/20. The content of the plan has remained largely the same however the presentation of the plan has been updated. It is now represented as a “plan on a page” and will be supported by the key measures and KPI's that will demonstrate the successful delivery of the Plan.
- 2.4 Throughout the autumn and winter officers have been preparing the budget in line with the Corporate Strategy and budget guidelines approved by the Executive at its meeting of the 2 October 2017. A copy of the guidelines is included at **Appendix 1**.

3.0 Report Details

Corporate Strategy 2018/19

- 3.1 **Appendix 2** sets out the Corporate Strategy for 2018/19, which is derived from the Council's five year strategy. These inform the development of the annual budget and direct operational Service Plans for all services. This plan was considered and supported by the Overview and Scrutiny Committee on 23 January 2018.

- 3.2 The five year Business Strategy, the Medium-term Financial Strategy, the Annual Corporate Strategy, individual service plans and ultimately the appraisal targets of all individual employees demonstrate that the council has a clear and robust “golden thread” between resource availability and delivery of the council’s agreed strategic priorities. This is, in times of austerity, fundamental and will help us to provide effective leadership to all of our residents and businesses. It will also demonstrate that we are adopting a more mature and commercially aware approach to running our council.
- 3.3 The integration of services and management structures have created a single organisation on the inside, serving the two councils on the outside. This has recognised the similarities between the two Council areas, but also allowed sufficient flexibility to service the differences and unique elements of each.
- 3.4 The Corporate Strategy for 2018/19 recognises that continuing convergence and represents a joint plan for the two councils, in the form of a single “Plan on a Page”. **(See Appendix 2)**
- 3.5 The content of the plan represents a “light touch” review, broadly continuing with the themes and priorities within the two Councils’ five year strategic plans, but updating, where appropriate to align with emerging issues and challenges across the area.
- 3.6 A combined vision for the area articulates our overall ambition:-
“Great places to live, work, visit and invest”
- 3.7 Our three joint strategic themes break this vision down into the key areas of focus for the plans:-
- Protected, Green & Clean
 - Thriving Communities & Wellbeing
 - District of Opportunity & Growth
- 3.8 Priority workstreams within each of the strategic themes then start to articulate how we will deliver our ambitions
- 3.9 The delivery of the plan is underpinned and enabled through a joint organisational plan, illustrated on the Plan on a Page, as three pillars, representing the basis upon which we will continue to develop our organisation :-
- Operational Excellence – will ensure sound financial management, corporate governance and use of resources
 - Public value – will focus on the quality of the services and solutions that we provide to our broad range of customers and stakeholders
 - Best Council to work for – recognises that the services we provide rely on great people and effective, sustainable partnerships
- 3.10 The Corporate Strategy forms the basis of the Council’s performance management framework and progress will be reported quarterly.
- 3.11 Operational service plans set out detailed performance measures and targets for the forthcoming year. These will be finalised after Council has adopted the budget and Corporate Strategy.

- 3.12 Any Corporate Strategy needs to recognise and articulate the risks the organisation faces in being able to deliver the plan. A new Leadership Risk Register has been developed to align to the Corporate Strategy and is set out at **Appendix 3**.
- 3.13 As with the Financial and Performance information, this will be reviewed and reported into Committee on a regular cycle

Provisional Local Government Finance Settlement

- 3.14 On the 19 December 2017, the Secretary of State for Communities and Local Government, the Rt Hon Sajid Javid MP made a statement on the provisional local government finance settlement for 2018/19. The final settlement is likely to be announced towards the end of January 2018.
- 3.15 The provisional settlement contained no major changes related to the existing Medium Term Settlement, which has a further two years (2018/19 and 2019/20) to run. It also confirmed that the changes to New Homes Bonus scheme would be introduced as agreed i.e. a four year scheme with a baseline of 0.4%.
- 3.16 The relevant changes that were introduced included agreeing the 20% increase for planning fees, albeit that these must be used for service improvements and a 1% increase in the maximum Council Tax increase to 3%.
- 3.17 The settlement proposes RSG, Business Rates Baseline Funding and New Homes Bonus (NHB) for the next two years, until the revised 100% Business Rates Scheme can be introduced.
- 3.18 There were announcements regarding the new scheme, which included a consultation on the proposed "Fair Funding Review." This will form part of the new funding regime and along with a reset in growth will be used to "fairly" redistribute Business Rates to Local Authorities.
- 3.19 As with any redistribution methodology there will be winners and losers. Given the Council has generated significant growth and there will likely be a shift of resources for Social Care and geographical deprivation. We are likely to end up a loser on the redistribution, there is however likely to be a damping mechanism in place which restricts the amount that is lost.
- 3.20 Whilst the settlement itself did not result in changes for 2018/19 the Valuation Office Agency has revised the data on the change in rateable value between rating lists. This has impacted upon the tariffs and top ups, which affects the level of pooled business rates. The impact on Cherwell is an increase of £25k on the estimated pooled rates.

Fees and Charges 2018/19

- 3.21 The current proposed fees and charges for 2018/19 are attached at **Appendix 4** they have been completed in line with the budget guidelines and will form part of the 2018/19 budget book.
- 3.22 Although fees and charges produce significant income for the Council, there are factors that influence the Council's ability to set fees and charges: Some are set by Statute, others are set to break-even and some are outsourced to third parties.

- 3.23 This leaves the Council with fewer discretionary fees and charges to set, and this, in turn, reduces the impact on the overall budget.

Statutory fees and charges

Certain fees and charges are set by Government, and are outside the Council's control, for example planning application fees, and others, such as fees and charges related to gambling are subject to review by the Gambling Commission and the Department for Culture, Media and Sport.

Requirement to break-even

These are fees and charges which are set under regulations that place a requirement to break-even on the Council, for example building control fees and licensing. In these cases the charges are reviewed following completion of the expenditure budget so that a full assessment of break-even can be undertaken.

Fees and charges retained by third parties

The agreements that the Council has for leisure management include provisions to allow the management company to retain the income collected. In this case increases in fees and charges are linked to RPI in January each year.

Discretionary fees and charges

These are the fees and charges which the Council is free to set without restriction from legislation or regulation. Of the total income from fees and charges shown on the attached sheets, which exclude statutory charges, totalling £800,000, approximately half is discretionary. This is made up largely of sports and leisure and waste fees and charges.

Draft Revenue Budget

- 3.24 The initial Medium Term Revenue Plan (MTRP) for 2018/19 showed a funding gap of £0.45m. The budget presented in this report follows significant work by officers and the Budget Planning Committee in order to arrive at a balanced budget position. Table 1 (next page) shows the draft General Fund Revenue Budget for consideration by the Executive.

Table 1 - Revenue Budget 2018/19	Original Budget 2017/18	Proposed Budget 2018/19	Movement	Movement
	£000	£000	£000	%
EXPENDITURE				
Chief Executive	187	250	63	33
Wellbeing				
Communities	1,542	1,584	42	3
Leisure and Sport	3,638	3,564	(74)	(2)
Housing	2,091	2,038	(53)	(3)
Sub Total	7,271	7,186	(85)	(1)
Place & Growth				
Planning Policy and Development	1,407	1,444	37	3
Economy and Regeneration	1,692	1,513	(180)	(11)
Sub Total	3,099	2,957	(142)	(5)
Environment				
Environmental Services	5,170	5,886	716	14
Environmental Health and Licensing	(207)	16	223	(108)
Sub Total	4,963	5,902	939	19
Finance and Governance				
Law and Governance	1,130	1,198	68	6
Finance and Procurement	1,482	1,751	269	18
Property, Investment and Contract Management	(558)	(3,787)	(3,229)	579
Sub Total	2,054	(838)	(2,892)	(141)
Customers and Service Development				
IT Services	2,809	2,762	(47)	(2)
Strategic Marketing and Communication	317	326	9	3
HR, OD and Payroll	401	678	277	69
Performance and Transformation	526	594	68	13
Sub Total	4,053	4,360	307	8
NET COST OF SERVICES	21,627	19,817	(1,810)	(8)
Transfers to/from Reserves	(1,887)	3,451	5,338	(283)
Interest Payments	0	2,074	2,074	0
Interest on Investments	(1,954)	(2,935)	(981)	50
Pension Costs - Historic	4,985	257	(4,728)	(95)
Capital Charges	(4,002)	(4,002)	0	0
NET BUDGET REQUIREMENT	18,769	18,662	(107)	(1)
FUNDING				
Formula Grant Equivalent				
Business Rates Baseline	(3,564)	(3,673)	(109)	(3)
Revenue Support Grant	(1,105)	(637)	468	42
Sub Total	(4,669)	(4,310)	359	8
Grants Awarded				
Transfer to Parish Councils for CTRS	349	349	0	0
New Homes Bonus	(4,468)	(4,009)	459	10
Sub Total	(4,119)	(3,660)	459	11
Business Rates Growth				
Retained Business Rates	(2,231)	(2,600)	(369)	(17)
Pooling Gain	(1,562)	(910)	652	42
Renewable Energy	(213)	(287)	(74)	(35)
S31 Inflation Cap	0	(108)	(108)	(100)
NNDR Collection Fund Deficit	648	(223)	(871)	134
Sub Total	(3,358)	(4,128)	(770)	(23)
Council Tax Income				
Baseline	(6,377)	(6,377)	0	0
Taxbase increase	0	(129)	(129)	(100)
Council Tax Increase	0	0	0	0
Collection Fund	(246)	(58)	188	76
Sub Total	(6,623)	(6,564)	59	1
TOTAL INCOME	(18,769)	(18,662)	107	1
(SURPLUS) / DEFICIT	0	(0)	(0)	0

- 3.25 In order to balance the budget from the initial MTRP, further reductions in costs and increases in income were taken into account. The main drivers for this are summarised in Table 2 below and these adjustments have resulted in a balanced budget.

Table 2: Adjustments to proposed budget 2018/19

Movement Summary	£000
Employee Costs	380
Contracts and General Inflation	200
Major Pressures / Savings / Income	
Recycling Contract	600
Castle Quay & Property Management	(2,895)
Other Savings	(95)
Change to Net Cost of Services	(1,810)
Use of Reserves - NHB and Pension	610
Interest Paid - CQ & GH	2,074
Investment Income	(981)
Budget Requirement	(107)

Funded by	£000
Reduction in Formula Grant	359
Reduction in New Homes Bonus	459
Increase in Business Rates	(770)
Reduction in Council Tax	59
Net Funding Increase	107

Reserves 2018/19

- 3.26 The Budget Planning Committee reviews reserves as part of the budget monitoring process, the impact, on reserves, of the proposed budget are shown at **Appendix 5**. The proposed use of existing earmarked reserves and contributions to reserves are highlighted in the appendix.

Proposal for Council Tax 2018/19

- 3.27 The current level of council tax is £123.50 p.a. at Band D. This has been the level of Council Tax for the last 8 years.
- 3.28 The table below sets out details of potential Council Tax increases of 0%, 1%, 2% and 3% and their impact upon the Band D and Budget 18/19.

	0%	1%	2%	3%
Band D	123.5	124.7	126.0	127.2
Taxbase	52,681.6	52,681.6	52,681.6	52,681.6
Income	£6,506,178	£6,571,239	£6,636,301	£6,701,363
Increase		£65,062	£130,124	£195,185

3.29 The Committee will need to make a recommendation on the proposed level of Council Tax increase for 2018/19.

The Future – Medium Term Financial Strategy 2019/20 to 2022/23

3.30 The coming years will present further challenges, which in the main will result from the move towards the 100% Business Rates regime from 2020/21. The actions the Council has taken in recent years with investments in Graven Hill, Castle Quay and Crown House allied to the strong track record and commitment in delivering efficiencies place it in a strong position to be successful in the Medium Term.

3.31 It is of course important not to become complacent especially given the level of uncertainty surrounding funding from 2020/21. The forward planning together with the joint working with South Northamptonshire Council (and any other partners that we collaborate with), combined with our commitment to identifying alternative sources of income and commercial practice to provide financial independence strengthens our position to meet the forecast challenges of future years. The Council will update its MTRP forecast to be included in the 2018/19 budget book and this is shown at **Appendix 6**.

Capital Programme 2018/19

3.32 A list of capital bids is attached at **Appendix 7** together with the detailed bid appraisal forms.

3.33 A proposed capital programme for five years from 2017/18 is attached as **Appendix 8**. This includes bids submitted for 2017/18 and the six items that are included on a five year rolling programme:

- Disabled Facilities Grants
- Discretionary Grants for Domestic Properties
- Vehicle Replacement Programme
- East West Rail Contribution
- Hardware and Software Replacement Programme
- Business Systems Replacement Programme

Capital Financing

Capital Expenditure and Financing	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£m	£m	£m	£m	£m	£m
Total Expenditure	106.7	74.1	21.7	1.8	1.8	1.8
Capital Receipts	1.1	1.1	1.1	10.7	1.1	1.1
Government Grants	0.4	0.4	0.4	0.4	0.4	0.4
Revenue - MRP	0.0	1.5	1.5	1.5	1.5	1.5
Borrowing	105.2	71.1	18.7	-10.8	-1.2	-1.2
Total Financing	106.7	74.1	21.7	1.8	1.8	1.8

Treasury Management Strategy 2018/19

- 3.34 There is a significant increase in interest on balances as a result of the Council's decision to set up, and invest in the Graven Hill Company. Interest payable by Graven Hill to the Council in 2018/19 is estimated at £1.249m. In addition a commitment fee of £0.661m is also payable, giving total income of £1.91m from the project in 2018/19.
- 3.35 The Council's investment income budget for 2018/19 has been compiled on the basis of close tracking of actual and likely interest rates and with the help of external advice. The emphasis has been on investments with the least risk for the Council's money and this, along with the continued low interest rates on offer and the agreed use of capital receipts has led to continuing low levels of investment income built into the budget. In budgetary terms this is prudent and places the Council at less risk of exposure in-year. A revised Treasury Management Strategy is attached as Appendix 9 and has been recommended to Full Council by the Accounts, Audit and Risk Committee.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The above narrative alongside the appendices represents the draft business, risk register and budget for 2018/19 for approval by the Executive. If agreed, they will be recommended to Full Council on the 26 February and be considered alongside the setting of the 2018/19 Council Tax.

5.0 Consultation

Public Consultation

- 5.1 The development of the Council's Corporate Strategy and budget is shaped by undertaking public consultation including using the Citizen's Panel and an annual customer satisfaction survey.
- 5.2 In addition, the draft budget has been available on the Council's consultation portal for comment.

Other Consultation

- 5.3 As part of our commitment to a whole Council approach to the setting of the budget and our priorities for the year ahead, the Council's Overview and Scrutiny Committee has been invited to help shape the proposed Corporate Strategy for 2017/18.
- 5.4 During its meeting on 18 January 2017, Scrutiny Committee offered a number of suggested changes to the draft Corporate Strategy for 2017/18 which have subsequently been considered and incorporated.
- 5.5 The Budget Planning Committee has considered the budget through its meetings during July 2016 to February 2017.
- 5.6 The corporate values, forming part of the operational excellence strategy have been the subject of consultation with the Managers' Forum and Unison.

6.0 Alternative Options and Reasons for Rejection

- 6.1 This report presents a draft analysis of the Council's revenue and capital budget and Corporate Strategy for 2018/19. They will be presented together to the Executive on 5 February and Full Council on the 26 February to support the setting of the Council Tax at the same meeting.
 - 6.2.1 It is a legal requirement to set a balanced budget and the recommendations as set out and directed by the Corporate Strategy represent what is believed to be the best way of achieving this.
 - 6.2.2 Members could decide not to agree the recommendations or to present alternative budget proposals but that would run counter to the detailed budget setting process that has taken place as part of the formulation of this budget.

7.0 Implications

Financial and Resource Implications

- 7.1 The financial effects of the revenue budget are identified in the report. The new capital schemes are detailed in Appendix 6. Any decisions made in relation to on-going expenditure or income in the budget for 2018/19 will have repercussions in future years when current forecasts indicate the financial environment is likely to become increasingly difficult. The Council has a statutory duty to set a balanced budget and could be subject to the intervention of the Secretary of State if it failed to do so.

Comments checked by:

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Legal Implications

- 7.2. The Council is legally required to set a balanced budget which the recommendations will achieve if recommended by Executive and approved by Full Council. Due consideration of external responses to consultation is also required and I am informed has taken place as part of the budget process.

Comments checked by:
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Risk Management

- 7.3 The Corporate Strategy and Budget position are reflected with the new Leadership Risk register, which is attached to the report as **Appendix 3**. The register reflects that where there are significant risks these are being managed and mitigated appropriately. The risk register is updated on a regular basis and reported to the Accounts, Audit and Risk Committee.

Comments checked by:
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Equality and Diversity

- 7.4 Impact assessments will be carried out in advance of setting the 2018/19 budget.

Comments checked by:
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8.0 Decision Information

Key Decision

Financial Threshold Met: Yes

Community Impact Threshold Met: Yes

Wards Affected

Not applicable

Links to Corporate Plan and Policy Framework

Enhancing the Council Performance

Lead Councillors

Councillor Barry Wood, Leader of the Council &
Councillor Tony Ilott – Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Budget Guidelines 2018/19
Appendix 2	Corporate Strategy 2018/19
Appendix 3	Risk Register 2018/19
Appendix 4	Fees and Charges 2018/19
Appendix 5	Use of Reserves 2018/19
Appendix 6	MTRP 2017/18 to 2022/23
Appendix 7	New Capital Bids 2018/19
Appendix 8	Capital Programme 2018/19 – 2022/23
Appendix 9	Treasury Management Strategy 2018/19
Background Papers	
None	
Report Author	Paul Sutton, Executive Director – Finance and Governance Richard Ellis – Interim Director