

Cherwell District Council

Executive

7 January 2019

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| <p>Draft Business Plan 2019/20 and Summary Medium Term Financial Strategy 2019/20 – 2023/24</p> |
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Report of Executive Director Finance and Governance

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 provides members with an update on the Business Plan 2019/20 and the Council's Summary Medium Term Financial Strategy (MTFS) for 2019/20 to 2023/24 prior to the final MTFS being presented during February 2019.

1. Recommendations

The meeting is recommended:

- 1.1. To note the contents of this report.

2. Introduction

- 2.1. The Executive has the responsibility of recommending a budget for consideration to Council in February 2019.
- 2.2. The purpose of this report is to provide the updated Business Plan and Summary Medium Term Financial Strategy.

3. Context

National

- 3.1. Local Government is continuing to deliver services during a period of prolonged financial uncertainty and significant change. This prolonged period is in conjunction with the UK economy experiencing a turbulent and complex time.

- 3.2. The impact of national events is not yet known. 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.

Local

- 3.3. 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 opportunity to shape the area.
- 3.4. 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.

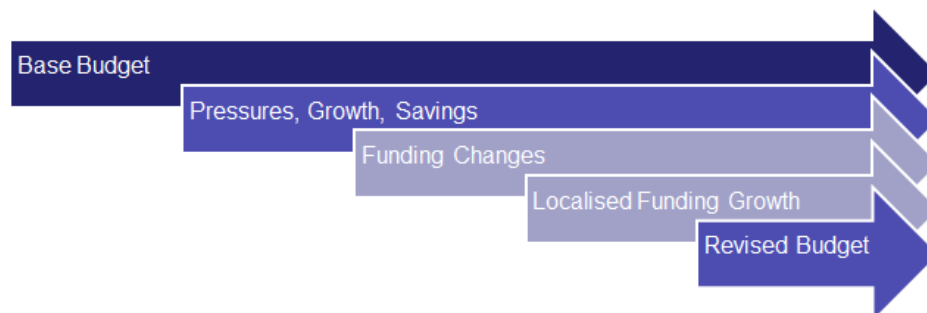
4. Business Planning

- 4.1. The draft 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.
- 4.4. 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.
- 4.5. 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.
- 4.6. 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.

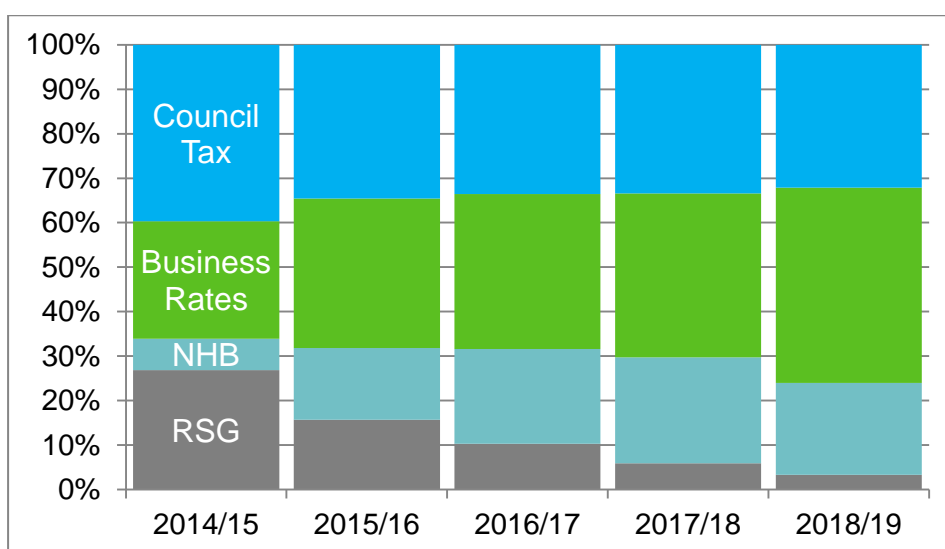
- 4.7. The draft business plan has been discussed with Lead Members and will be considered by the Overview and Scrutiny Committee on 22 January. A full review of the business plan and corporate priorities will take place during 2019/20 to inform the 2020/21 Business Plan.

5. Medium Term Financial Strategy

- 5.1. The MTFS is an important document which underpins the Council's aims and objectives for the medium term. It provides a financial view of the Council's operating environment and provides the backdrop for a fast paced and evolving future.
- 5.2. The MTFS is built upon a set of fundamental building blocks which allow the budget setting process to be transparently managed whilst allowing flexibility for the organisation to set its budget during a period of evolving service design and delivery.



- 5.3. 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.
- 5.4. 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.



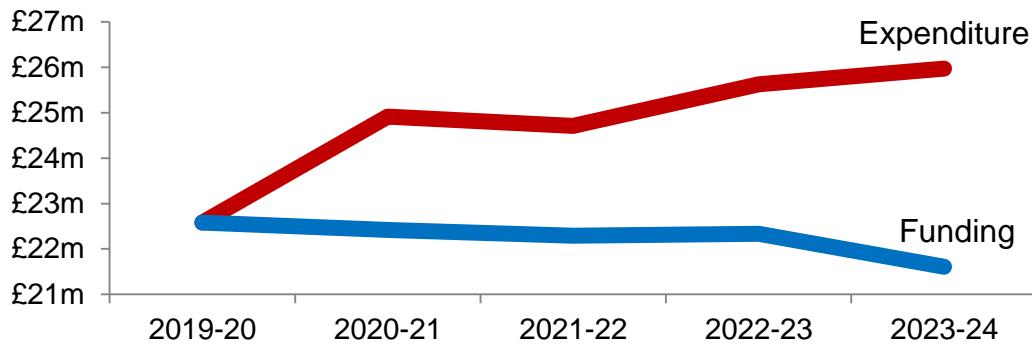
Summary DRAFT MTFS

- 5.5. The table below sets out the draft summary MTFS position which takes into account the latest information regarding the funding settlement and updated budget estimates and assumptions.
- 5.6. This model indicates a number of policy decisions that will have to be agreed when setting the final budget in February 2019.

| DRAFT MTFS | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| NET COST OF SERVICES | 22,550 | 22,259 | 23,120 | 23,981 | 24,842 |
| Transfers to reserves / Pension Adj / Interest | 31 | 2,653 | 1,591 | 1,644 | 1,125 |
| NET BUDGET REQUIREMENT | 22,581 | 24,912 | 24,711 | 25,625 | 25,967 |
| FUNDING | | | | | |
| Revenue Support Grant | (114) | 0 | 0 | 0 | 0 |
| Transfer to Parish Councils - CTRS | 349 | 175 | 0 | 0 | 0 |
| New Homes Bonus | (5,066) | (5,116) | (4,997) | (5,189) | (4,286) |
| Business Rates | (10,760) | (10,111) | (9,543) | (9,003) | (8,777) |
| Council Tax income | (6,990) | (7,365) | (7,749) | (8,143) | (8,547) |
| TOTAL INCOME | (22,581) | (22,417) | (22,289) | (22,335) | (21,610) |
| FUNDING GAP / (Surplus) | 0 | 2,495 | 2,422 | 3,290 | 4,357 |
| Council tax base | 53,472 | 54,274 | 55,088 | 55,914 | 56,753 |
| Council tax amount | £128.50 | £133.50 | £138.50 | £143.50 | £148.50 |

- 5.7. The Draft MTFS sets out a balance position for 2019/20 and a funding gap in future years. The Council will keep the medium term position under close review and work towards reducing the financial pressures in future years.

| DRAFT MTFS | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|--------------|---------------|---------------|--------------|------------|------------|
| | £000 | £000 | £000 | £000 | £000 |
| Expenditure | 22,581 | 24,912 | 24,711 | 25,625 | 25,967 |
| Funding | (22,581) | (22,417) | (22,289) | (22,335) | (21,610) |
| Total | 70,227 | 16,555 | 1,318 | 168 | 168 |



5.8. The MTFS is built upon a set of key assumptions, these are set out below:

| Type | Level | 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 |

5.9. The DRAFT summary capital programme is set out below. The capital programme and investment being made by the Council demonstrates its commitment to ensuring the future sustainability of the district and its ambitions for the future.

| DRAFT Capital Programme | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|-------------------------|---------------|---------------|--------------|------------|------------|
| Services | £000 | £000 | £000 | £000 | £000 |
| Wellbeing | 2,703 | 150 | 150 | 150 | 150 |
| Place & Growth | 1,244 | 0 | 0 | 0 | 0 |
| Environment | 1,786 | 875 | 750 | 0 | 0 |
| Finance & Governance | 64,279 | 15,422 | 310 | 0 | 0 |
| Customers & IT Services | 215 | 108 | 108 | 18 | 18 |
| Total | 70,227 | 16,555 | 1,318 | 168 | 168 |

Funding

5.10. The table below sets out the Councils future funding estimates. There remains a lot of uncertainty regarding this position over the medium term with the upcoming consultations surrounding Fairer Funding Review and Business Rates.

5.11. Central Government has released consultations on both these areas and the Council is analysing potential impact and will respond fully to both of these. This will be subject to future reporting.

| | 19/20 | 20/21 | 21/22 | 22/23 | 23/24 |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| RSG | (114) | 0 | 0 | 0 | 0 |
| Tfr to PC's (CTRS) | 349 | 175 | 0 | 0 | 0 |
| New Homes Bonus | (5,066) | (5,116) | (4,997) | (5,189) | (4,286) |
| Business Rates | (10,760) | (10,111) | (9,543) | (9,003) | (8,777) |
| Council Tax | (6,990) | (7,365) | (7,749) | (8,143) | (8,547) |
| Total Funding | (22,581) | (22,417) | (22,289) | (22,335) | (21,610) |

Fairer Funding Review

- 5.12. 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>

- 5.13. 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

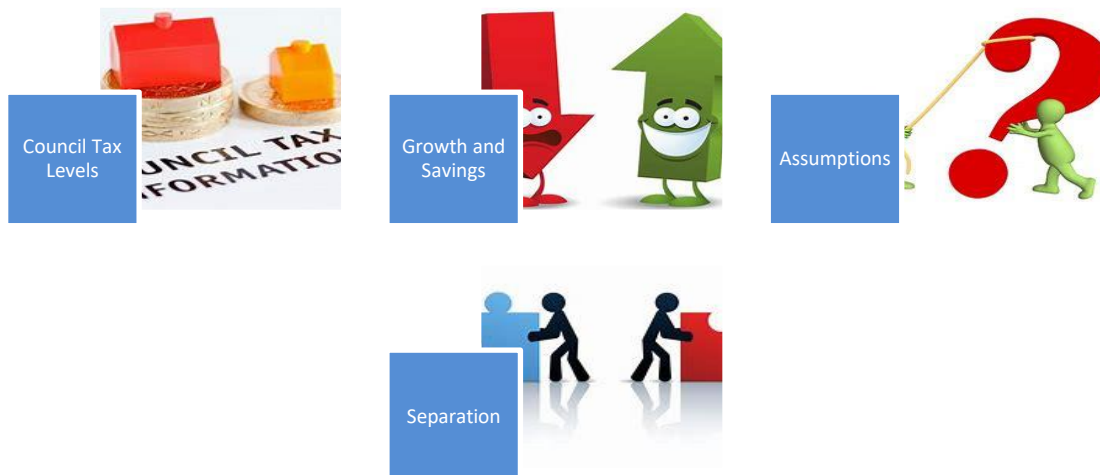
- 5.14. The government has also recently published a consultation paper “Sharing risk and reward, managing volatility and setting up the reformed system”. This is a technical consultation which seeks views on proposals for setting up a reformed business rates retention system.

<https://www.gov.uk/government/consultations/business-rates-retention-reform>

- 5.15. 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.
- 5.16. The potential impact of the Council will be assessed and reported to members in due course.

Further Considerations

- 5.17. 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.
- 5.18. 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. These form five key areas:



| Considerations | |
|------------------|---|
| Council Tax | In February 2019 the Council will need to determine the level at which Council Tax is set for 2019/20 |
| Growth & Savings | The changes put forward as part of the draft budget require further review and challenge |
| Assumptions | The assumptions that underpin the draft MTFs will need to be agreed and are reviewed regularly |
| Separation | In July 2018 the Council formally agreed to end the current joint working arrangements with South Northants. The implications of this are being considered and will be kept under close review and we progress to setting the budget in February 2019 |

Next Steps

5.19. The final budget will be presented to members at all relevant committees during January and February 2019.

6. Conclusion and Reasons for Recommendations

6.1. Members are requested to note the content of this report.

7. Consultation

7.1. The consultation will take place as part of the budget setting process.

8. Alternative Options and Reasons for Rejection

8.1. The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To not note the report but members will not be aware of the medium term financial forecast if they choose to take this option.

9. Implications

Financial and Resource Implications

- 9.1. There are no direct financial implications arising from this report.

Comments checked by:

Kelly Watson, Assistant Director Finance & Procurement

0300 003 0206, kelly.watson@cherwellandsouthnorthants.gov.uk

Legal Implications

- 9.2. The Council has to set a balance budget each year and this report provides the updated position to enable the Council to meet this requirement.

Comments checked by:

Richard Hawtin, Team Leader Non-contentious

01295 221695, richard.hawtin@cherwellandsouthnorthants.gov.uk

Risk Management

- 9.3. The position to date highlights the relevance of maintaining a minimum level of reserves and budget contingency to absorb the financial impact of changes during the year. Any increase in risk will be escalated through the corporate risk register.

Comments checked by:

Louise Tustian, Team Leader Insight Team

01295 221786, louise.tustian@cherwellandsouthnorthants.gov.uk

Equality and Diversity

- 9.4. Impact assessments are carried out in advance of setting the budget where relevant.

Comments checked by:

Louise Tustian, Team Leader Insight Team

01295 221786, louise.tustian@cherwellandsouthnorthants.gov.uk

10. Decision Information

Key Decision

Financial Threshold Met: No

Community Impact Threshold Met: No

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillors

Councillor Barry Wood, Leader of the Council

Councillor Tony Illott, Lead Member for Finance & Governance

Document Information

| Appendix No | Title |
|---------------------|---|
| Appendix 1 | Business Plan |
| Appendix 2 | Summary of Growth & Savings Proposals |
| Background Papers | |
| None | |
| Report Author | Adele Taylor, Executive Director Finance & Governance (Interim) Hedd Vaughan-Evans, Assistant Director Performance & Transformation |
| Contact Information | 0300 003 0103 / 0300 003 0111 adele.taylor@cherwellandsouthnorthants.gov.uk hedd.vaughanEvans@cherwellandsouthnorthants.gov.uk |