

# Chichester District Council

## CORPORATE GOVERNANCE & AUDIT COMMITTEE 16 October 2018

### Financial Strategy and Plan 2019-20

#### 1. Contacts

**Report Author:**

Helen Belenger, Divisional Manager Financial Services,  
Tel: 01243 521045 E-mail: hbelenger@chichester.gov.uk

#### 2. Recommendation

**That the Committee consider and recommend to Cabinet:**

**2.1 The updated key financial principles in Appendix 1, which underpin the Council's aim to set balanced budgets without the use of reserves, except where necessary in the short term.**

**2.2 In the short to medium term that the Council maintains a minimum level of reserves of £6.3m for general purposes;**

#### 3. Background

3.1 The Council has a 5 year Financial Strategy model which is underpinned by key financial principles, which determine the approach by the Council in its aim to achieve a balance budget over the medium term, without the use of reserves, except where this is necessary in the short term.

3.2 As part of the 2017-18 budget cycle the Council accepted a four year funding offer from the Government to help provide some degree of certainty, and the 2019-20 Budget will be the final year of this agreement, as the Government assumed the starting point of the arrangement was from 2016-17.

3.3 Associated with the funding agreement the Council also has an approved 2016 Deficit Reduction Plan which was expected to achieve savings or additional income of £3.8m. The plan is monitored regularly by the appropriate Programme Board; either the Commercial Board or the Business Improvement Board and as part of the Council's quarterly revenue and capital monitoring regime.

3.4 Each year the Committee, as part of the Council's financial planning regime, recommends to Cabinet the minimum level of reserves to be held.

#### 4. Outcomes to be achieved

4.1 That the key financial principles adopted and which underpin the Council's approach to financial planning are current and remain relevant to the Council, ensure a robust budget process.

## **5. Proposal**

- 5.1 As the Council is starting to prepare for the forthcoming budget cycle, the key financial principles have been updated and refreshed to take account of the current situation and the actions undertaken to date, and to set out any further action required, and are set out in Appendix 1.
- 5.2 Officers are currently updating the Financial Strategy model to take account of known budget changes, cost pressures, and assessing any impact of other changes necessary, including those arising from legislation or functions operated.
- 5.3 However the Financial Strategy model has yet to be completed as officers are assessing what impact proposed budget changes by West Sussex County Council may have on service delivery or service demand in the district.
- 5.4 Based on the expected spending plans of the Council for both revenue and capital, the Director of Corporate Services is recommending that the minimum level of reserves remains at the current level of £6.3m. This gives the flexibility required should this reserve be required to smooth any adverse changes to Council funding in the short term.
- 5.5 It should be noted that there is a lot of uncertainty surrounding the future financial settlements from the Government due to the 2019 Funding Review and the localisation of business rates. This Council has bid to participate in a new pilot for 75% Business Rates Localisation to operate across West Sussex County Council. The outcome of the bidding process will be announced at the same time as the 2019-20 settlement from the Government, normally in December. Hopefully in the coming year, the way forward for 2020 and beyond will become clearer but this potential financial risk will continue to be monitored.

## **6. Alternatives that have been considered**

- 6.1 The Financial Strategy is a vital tool for ensuring the Council continues to set a balanced budget even with all of the uncertainty and pressure faced by the Council in the current economic climate.
- 6.2 Various alternatives exist within the strategy and the 5 year plan. The NHB could for example be used to support revenue budgets, but this would be contrary to the financial principle of not using non-recurring income to fund recurring expenditure.
- 6.3 Although the financial model will assume certain levels of Council Tax increases, it will be for the Council to determine the appropriate level annually. For 2019-20 the Council Tax levels will be recommended by Cabinet at their February 2019 meeting for Council to consider at the March 2019 meeting.

## **7. Resource and legal implications**

- 7.1 The financial principles will help to guide the management of the Council's finances over the short to medium term, and will underpin the budget process that will be reported to Cabinet in February.

## 8. Consultation

- 8.1 Corporate Governance and Audit Committee are asked to consider this report and make any recommendations as appropriate to Cabinet.
- 8.2 The budget will be considered by a Task and Finish Group comprising of members from both this Committee and Overview and Scrutiny Committee in December, prior to the budget for 2019-20 being considered by the Cabinet at its February meeting.

## 9. Community impact and corporate risks

- 9.1 The Council has taken action over many years to achieve a relatively strong financial position. However, there remains a great deal of uncertainty over the future with many different factors that may impact on the Council and change the financial forecast. The financial principles contained within this report will help the Council maintain its financial standing and protect valuable services to the community, whilst giving flexibility to respond to changes in the future.

## 10. Other Implications

	Yes	No
<b>Crime &amp; Disorder:</b>		X
<b>Climate Change and Biodiversity:</b>		X
<b>Human Rights and Equality Impact:</b>		X
<b>Safeguarding and Early Help:</b>		X
<b>General Data Protection Regulations (GDPR):</b>		X

## 11. Appendices

- 11.1 Appendix 1 – Financial Principles

## 12. Background Papers

- 12.1 None