

# Chichester District Council

## CORPORATE GOVERNANCE & AUDIT COMMITTEE 24 October 2019

### Financial Strategy and Plan 2020-21

#### 1. Contacts

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#### 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; these determine the approach by the Council in its aim to achieve a balanced budget over the medium term, without the use of reserves, except where this is necessary in the short term.

3.2 The budget setting for the current year, 2019-20, is the final year of the four year funding offer accepted from the Government in the 2017-18 budget cycle with an assumed start from 2016-17; this helped to provide some degree of certainty during this period. Associated with that funding arrangement, the Council approved a Deficit Reduction Plan (2016), which sought to achieve savings or additional income of £3.8m. This 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. The Council has achieved £3.5m of the target set so far, with further savings anticipated; reflecting the good track record the Council has in delivering efficiencies or generating additional income.

3.3 Whilst financial resilience is on the Council's strategic risk register, part of the controls or mitigation of that risk is underpinned by the Council's key financial principles and their application to adhere to the good financial management practices adopted.

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.
- 4.2 The minimum level of reserves for general purposes is agreed.

#### **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, the actions undertaken to date, and to set out any further actions required. Effectively Appendix 1 acts as a position statement, against those key financial principles.
- 5.2 The 5 year Financial Strategy model is currently being updated by officers 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 The biggest challenge in financial planning is future government funding, as there is a lot of uncertainty as the Government now intends to give only a 1 year settlement for the 2020-21 budget cycle. Certain assumptions are being made that no change will occur to New Homes Bonus and the council tax setting referendum criteria for low taxing authorities like the district council. However, the picture may become clearer on these matters following the Government release of the technical consultation on the finance settlement for 2020-21, with feedback required by 31 October. The outcome of the consultation and the impact on the financial settlement will not be known until December.
- 5.4 The delay in the Fair Funding Review and the localisation of Business Rates until late next year now postpones the expected changes in future funding until 2021-22; however, the delay in resetting the Baseline for Business Rates is good news, as the growth achieved so far is retained for an extra year. The West Sussex Business Rates (BR) Pilot (75% retention) that the Council participated in for 2019-20 was for 1 year only, and this has not been extended by the Government. The Director of Corporate Services is currently working with other West Sussex Chief Finance Officers to decide whether a new BR pool should be created under the existing regime of 50% retention. The agreement in principle to participate in a new pool has to be notified to the Government by 25 October 2019.
- 5.5 When last reported the Financial Strategy 5 year Model was showing a balanced budget for the medium term; however officers are currently assessing the impact of the delays to the local government funding review since the Government has offered only a 1 year settlement for 2020-21, plus potential cost pressures of over £1m due to proposed budget changes by West Sussex County Council impacting the council, which has eroded that balanced position. Both the Strategic Leadership Team (SLT) and Cabinet are now in the process of identifying ways to close this potential funding gap.

5.6 Whilst the Financial Strategy model has yet to be finalised, 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.

## 6. Alternatives that have been considered

6.1 The Financial Strategy is a vital tool that aids financial planning and helps to identify early when remedial action is required to ensure the Council sets 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 2020-21 the Council Tax levels will be recommended by Cabinet at their February 2020 meeting for Council to consider at the March 2020 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 2020-21 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

	Yes	No
<b>Safeguarding and Early Help:</b>		X
<b>General Data Protection Regulations (GDPR):</b>		X
<b>Health and Wellbeing</b>		X

## **11. Appendices**

11.1 Appendix 1 – Financial Principles

## **12. Background Papers**

12.1 None