

WEST OXFORDSHIRE DISTRICT COUNCIL
FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE
WEDNESDAY 30 JANUARY 2019

REVISED MEDIUM TERM FINANCIAL STRATEGY 2019-2028
REPORT OF JENNY POOLE, CHIEF FINANCE OFFICER

(Contact: Jenny Poole, Tel: (01285) 623313)

(The decision on this matter will be for Council following consideration by this Committee and Cabinet).

1. PURPOSE

To consider the annual refresh of the Council's Medium Term Financial Strategy.

2. RECOMMENDATION

That the Committee passes its comments on the revised Medium Term Financial Strategy to the Cabinet.

3. BACKGROUND

3.1. In November 2018 the Committee considered an early draft of the Council's Medium Term Financial Strategy. Since then, the Council has received details of the Provisional Local Government Settlement, other changes to the revenue budget for 2019/20 and some additional capital items. The Medium Term Financial Strategy has been updated to reflect these changes and is presented to this Committee at Appendix A to support consideration of the Capital Strategy, the Investment Strategy and Treasury Management Strategy which feature elsewhere on this Agenda.

4. UPDATES TO THE MTFs SINCE NOVEMBER 2018

4.1. The Provisional Local Government Settlement was announced on 13th December 2018. The four-year settlement in respect of Revenue Support Grant was exactly as previously reported. The Rural Services Delivery Grant allocation for 2019/20 was increased by £25,078 from £101,878 to £126,956.

4.2. Government has previously announced significant changes to the New Homes Bonus (NHB) scheme implementing reduced legacy payments from 6 years to 5 years in 2018/19 and then to four years from 2019/20 onwards. A 'deadweight' factor was introduced with effect from 2018/19 so that the first 0.4% of housing growth will see no New Homes Bonus payment. Further changes to the 'deadweight' factor **have not** been implemented for 2019/20. The actual payment for 2019/20 will be £1,763,143 which is £163,143 more than previously forecast in the Medium Term Financial Strategy.

4.3. There have been a number of changes the detailed budget for 2019/20. The table below lists all the budget changes since the budget report to Cabinet in December and the overall financial implications in terms of the additional Rural Services Delivery Grant and higher New Homes Bonus.

Movement -		£	£
Total Cost of Services	As reported to Cabinet 12 December 2018		12,228,500
Reduction in administration subsidy grant from central government housing benefit and local council tax support		47,400	
Increase in Members allowances budget		4,000	
Adjustment for posts funded from earmarked reserves: Strategic Housing Officer Community Support Worker Less over-provision for homelessness post		74,300 10,000 (16,700)	
Provision for costs to Publica contract for impact of national pay award and potential additional costs waste gate fees		254,891	
Provision for cost of introducing council tax reduction for care leavers		92,000	
Net Movement			465,891
Revised Total Cost of Services			12,694,291
Net Operating Expenditure – Total of Transactions	As reported to Cabinet 12 December 2018		(427,417)
Capital financing reduction to provision following review of requirement		(304,394)	(304,394)

Revised Net Operating Expenditure			11,962,580
Investment income	As reported to Cabinet 12 December 2018		(635,820)
Revised Net Expenditure	11,165,263	161,497	11,326,760
Contribution to/(from) reserves	As reported to Cabinet 12 December 2018		(882,300)
Additional posts funded from earmarked reserves:			
Strategic Housing Officer		(74,300)	
Community Support Worker		(10,000)	
Less overprovision for previously agreed homelessness post		16,700	(67,600)
Revised Amount to be funded from Gov. Grants and Local Tax Payers	10,282,963	93,897	10,376,860
Movement in Funding	As Reported December 2018	Settlement Adjustment	Variance
	£	£	£
New Homes Bonus	(1,600,000)	(1,763,143)	(163,143)
Rural Services Delivery Grant	(101,878)	(126,956)	(25,078)
Collection Fund Surplus	(50,000)	(54,886)	(4,886)
Revenue Support Grant	(77,568)	(77,568)	0
Retained Business Rates	(4,195,460)	(4,195,460)	0
Less grant to Parishes (Council Tax Support)	66,005	66,005	0
Council Tax	(4,332,328)	(4,332,328)	0
Total Funding Movement			(193,107)
Changes to revenue budget			93,897
Decrease in Use of General Fund Balances			(99,210)

4.4. The use of General Fund Reserves has therefore reduced from £149,219 to £50,009.

Use of General Fund Balances	As Reported December 2018 £	Adjustment £	Amended Use of Balances £
Use of General Balances	149,219	(99,210)	50,009

- 4.5. The Medium Term Financial Strategy assumed a Collection Fund surplus of £50,000 relating to Council Tax. The 2018/19 calculation was completed at the end of December and the level of surplus has increased marginally and the amount for this Council will be £54,886, an increase of £4,886.
- 4.6. The Council collects Business Rates on behalf of central government applying the nationally set charges. Each year the Council provides to central government an estimate of business rates collectable in the forthcoming financial year on the “NNDR1” return. The NNDR1 business rates estimate form for 2019/20 will be finalised later in the budget process.
- 4.7. Attached at Appendix B is the revised Capital Programme for 2018/19 and a draft Capital Programme for 2019/20 to 2028/29. The revised Capital Programme for 2018/19 totals £8,769,072 although a number of schemes will need to be re-phased into 2019/20 depending on their progress over the remaining financial year.
- 4.8. Following comments from the Scrutiny process, the Capital Programme now includes an indicative £10 million figure for investment in leisure facilities in Witney in 2024/25. This recognises the fact that the current Windrush Leisure Centre is nearing the end of its economic life. During the budget setting process a requirement to invest in replacement CCTV equipment has been identified. Provision of £100,000 has been included within the Capital Programme for each of the next three financial years.
- 4.9. The Medium Term Financial Strategy has been updated to include the cost of Minimum Revenue Provision (for repayment of borrowing) and interest costs for the above additional items.

5. RISKS

- 5.1. The key risks to the Council are associated with the principal variable revenue streams of New Homes Bonus and Business Rates which are directly related to the Spending Review Fairer Funding Review and Business Rate Retention Scheme changes. In addition, forecasts of these income stream also carry both estimation and delivery risk
- 5.2. Risks in respect of business rates income are focused mainly around appeals risk and this is mitigated by the holding of an appeals reserve in the Collection Fund. From April 2017 a new rating list came into force together with a new “Check, Challenge and Appeal” Process for managing appeals. There is a risk that appeals from the substantial increase in rateable values could destabilise the system and therefore have an impact upon business rates income.
- 5.3. The savings required to be made to deliver the strategy and forecasts set out are significant in addition to the already significant savings to be delivered through the 2020 Vision Programme. However, the leisure savings are built into the contractual arrangements with the supplier. Failure to meet these targets or delayed implementation may lead to a reduction in the council reserves and a requirement for increased savings later in the strategy.

6. REASONS

To be recognised as a leading Council that provides efficient, value for money services and maintain the Council's position within the ten lowest levying district councils in England.

Jenny Poole
Chief Finance Officer

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Date: 22 January 2019

Background Papers:

None

Updated Strategy (Jan 2019)

Updated (January 2019)

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Assumptions											
Inflation	1.02	1.020	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Taxbase	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020	1.020
External Support	1.02	0.94	0.00	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Interest Rates - Cash Deposits	2.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Interest Rates - Pooled Funds		3.00	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Tax Increase	1.02	1.03	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Base	10,399,920	11,063,915	12,201,832	10,591,605	10,336,991	10,397,565	10,607,250	11,025,639	11,477,896	12,162,455	12,405,704
Savings Target (Publica)	(39,000)	(360,000)	(164,000)	(147,000)							
Savings Target (Ubico)			(198,075)								
Revenue Improvement Target	(165,000)	(645,800)	(275,000)	(230,000)	(210,000)	(65,000)			(90,000)		
Capital Financing Requirement	318,955	(220,000)									
Impact of capital investment from capital programme			269,070	419,700	66,700	66,700	702,200	327,200	536,079	0	0
Unavoidable Growth	763,500	1,082,565									
Budget Rebasing Exercise	(198,400)										
One-Off Growth	(177,900)	949,900	(949,900)								
Adjustment to inflation budget to match actual inflation	(55,100)										
Council Tax discount for care leavers		92,000									
Savings target to reflect Changes to CG Funding and cost pressure			(500,000)	(500,000)			(500,000)	(100,000)			
Target Budget (NOE)	10,846,975	11,962,580	10,383,927	10,134,305	10,193,691	10,399,265	10,809,450	11,252,839	11,923,975	12,162,455	12,405,704
Financed by:											
Revenue Support Grant	372,528	77,568	0	0	0	0	0	0	0	0	0
Business Rates Share	3,578,243	3,649,808	0	0	0	0	0	0	0	0	0
Baseline Funding Level post 2020			1,950,000	1,989,000	2,028,780	2,069,356	2,110,743	2,152,958	2,196,017	2,239,937	2,284,736
Business Rates Growth above baseline retained			975,000	994,500	1,014,390	1,034,678	1,055,371	1,076,479	1,098,008	1,119,969	1,142,368
Business Rates Pool Share	500,000	157,485									
Renewables	226,159	230,682	235,296	240,002	244,802	249,698	254,692	259,785	264,981	270,281	275,686
less CTS Grant to Parishes	(77,610)	(66,005)	(51,149)	(51,149)	(51,149)	(51,149)	(51,149)	(51,149)	(51,149)	(51,149)	(51,149)
New Homes Bonus to Revenue	1,599,061	1,763,143	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Rural grant	126,956	126,956									
Investment Income	607,300	635,820	726,425	716,038	711,707	725,339	739,857	752,831	763,948	770,461	777,851
Use of earmarked reserves to fund one-off costs		949,900	0								
Collection Fund	62,640	54,886	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Council Tax	4,050,857	4,332,328	4,507,354	4,689,451	4,878,905	5,076,013	5,281,084	5,494,439	5,716,415	5,947,358	6,187,631
Use of GF reserves	(199,159)	50,009	691,001	206,464	16,257	(54,668)	68,853	217,496	585,755	515,599	438,581
TaxBase	42,921	43,594	44,465	45,355	46,262	47,187	48,131	49,093	50,075	51,077	52,098
Band D	94.38	99.38	101.37	103.39	105.46	107.57	109.72	111.92	114.16	116.44	118.77
Tax increase	3.00%	5.30%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Total Revenue Balances	11,324,028	11,274,019	10,583,018	10,376,554	10,360,297	10,414,966	10,346,113	10,128,617	9,542,862	9,027,263	8,588,682

APPENDIX B

Capital Programme - 2019/20 to 2028/29 Appendix B

Scheme	2018/19	c/f from 2017/18	Revised Schemes	Total Budget 18/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total future years £
Parish Council Loans Scheme	100,000	100,000		200,000											0
IT Provision - Systems & Strategy	100,000	47,911		147,911	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	1,000,000
Deployment of High Speed Broadband	1,600,000	1,600,000		3,200,000											0
Financial Management System (Agresso)		21,100		21,100											0
Council Buildings Maintenance Programme	200,000			200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,000,000
IT Equipment - PCs, Copiers etc	40,000	37,797		77,797	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	400,000
Improvement Grants/Disabled Facilities Grants	606,800	114,135		720,935	606,800	606,800	606,800	606,800	606,800	606,800	606,800	606,800	606,800	606,800	6,068,000
Vehicle & Plant Renewal		444,000	-10,000	434,000											0
Flood Prevention Works		103,400		103,400											0
Community Grants Fund	200,000	382,458		582,458	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,000,000
Chipping Norton LC Provision of ATP	137,000			137,000											0
Public Art		18,145	0	18,145											0
Environmental services depot site		93,532		93,532											0
Waste and Recycling Vehicles		24,060		24,060											0
Waste and recycling containers		152,295		152,295											0
Mortgage support scheme		500,000		500,000											0
Affordable Housing		200,000		200,000											0
Witney ATP refurbishment project		88,439		88,439											0
Carterton Leisure Centre Phase 2 (18/19 budget)	960,000			960,000	5,000,000	2,314,000									7,314,000
Emergency housing accommodation purchase			503,000	503,000											0
Electric vehicle recharging points	250,000			250,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	1,500,000
Windrush LC refurbishment			42,000	42,000											0
Raleigh Crescent Play Area (s. 106)			75,000	75,000											0
Loan to Cottsway Housing Association					10,000,000										10,000,000
Provision for new capital investment															
Car park capacity improvement						9,000,000									9,000,000
Replacement dog and litter bins			18,000	18,000	35,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	143,000
Weighbridge at Bulking Station					25,000					25,000					50,000
New depot									3,000,000						3,000,000
Replacement Street Sweepers					200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	2,000,000
Replacement waste and recycling fleet									2,000,000	4,500,000					6,500,000
Ubico Fleet - Replace Vehicle Hire Costs					1,080,000						1,080,000				2,160,000
In-cab technology					40,000						40,000				80,000
Replacement waste containers (linked to possible service change)									900,000						900,000
Shop Mobility - Replacement stock			10,000	10,000					10,000					10,000	20,000
Leisure facilities in Witney (Windrush Leisure Centre)										10,000,000					10,000,000
CCTV upgrading			10,000	10,000	100,000	100,000	100,000								300,000
	4,193,800	3,927,272	648,000	8,769,072	17,776,800	12,922,800	1,608,800	1,508,800	7,418,800	16,033,800	2,628,800	1,508,800	1,508,800	1,518,800	64,435,000

Capital Financing	2018/19	c/f from 2017/18	Revised Schemes	Total Budget 18/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total future years £
Revenue Contributions	540,000	468,166	0	1,008,166	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	5,400,000
Earmarked Reserves		1,600,000	18,000	1,618,000	35,000	175,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	12,000	306,000
External Contributions:															
Environment Agency		103,400		103,400											0
Broadband (50% external contribution)	1,600,000			1,600,000											0
PDG				0											0
S106 contributions	667,769	18,145	117,000	802,914		67,000									67,000
Football Foundation Grant (toward Witney ATP)		88,439		88,439											0
External Borrowing	429,231	269,887	0	699,118	16,495,000	11,434,000	350,000	350,000	6,260,000	14,875,000	1,470,000	350,000	350,000	360,000	52,294,000
OCC Better Care Grant Funding (for DFGs)	606,800	114,135		720,935	606,800	606,800	606,800	606,800	606,800	606,800	606,800	606,800	606,800	606,800	6,068,000
Capital Receipts															
Affordable Housing - Capital Receipts		700,000		700,000											0
Capital Receipts	350,000	565,100	513,000	1,428,100	100,000	100,000	100,000	-	-	-	-	-	-	-	300,000
	4,193,800	3,927,272	648,000	8,769,072	17,776,800	12,922,800	1,608,800	1,508,800	7,418,800	16,033,800	2,628,800	1,508,800	1,508,800	1,518,800	64,435,000