

POLICY AND RESOURCES COMMITTEE - 2 SEPTEMBER 2019

PART I - DELEGATED

11. STRATEGIC, SERVICE AND FINANCIAL PLANNING 2020- 2023 (DoF)

1 Summary

1.1 The purpose of this report is to seek agreement to the process whereby the Council will determine its three-year medium-term strategic plan for 2020-2023, the related service plans, and the allocation of financial resources to achieve them.

2 Details

Introduction

2.1 Each year the Council is required to set a realistic, achievable in-year budget and indicative budgets for the following two years. Overall responsibility for the budget setting process is the responsibility of the Director of Finance. (shared services)

2.2 The process for agreeing the strategic, service and financial plans relies upon the principles that:

- The Policy and Resources Committee concentrates at a strategic level on how the Council allocates resources between its key objectives, the level of council tax to be set, and the financial reserves to be held.
- Service committees formulate recommendations to the Policy and Resources Committee on the provision and level of services within their remit and validate the details of the budget to achieve this.
- Officers prepare savings & growth proposals for consideration by the service committees.

Strategic Plan

2.3 The Council adopted its current three-year Strategic Plan for the period 2019-2022 on 21 May 2018. This was prepared taking into account consultation on priorities with the Local Strategic Partnership and the public and national priorities. The themes within the plan are:

- Better Neighbourhoods,
- Healthier Communities,

2.4 The Strategic Plan consists of two elements,

- an introduction that outlines the purpose of the plan and the internal and external influences that have been taken into account during the plan's development, and
- a tabular representation of each of the themes and corresponding aims and objectives. Various activities, measures and targets are also linked to each objective.

2.5 Following the Council's peer review in March 2019 and part of the Council's corporate planning process, a review of the strategic plan has been started and the following new strategic priorities have been identified:

- Housing & Communities

- Sustainable Environment
- Successful Economy
- High performing, financially sustainable Council

2.6 A new draft Strategic Plan is being developed around these new strategic priorities and will be brought back to Committee when completed.

Service Plans

2.7 Officers will prepare service plans based on the Strategic Plan. These are currently scheduled to be presented to committees in November. The plans will include:-

- Summary of the latest approved budgets
- Performance Management including performance indicators.
- Details of major projects
- Risk assessment

Financial Plan

Revenue

2.8 The Local Government and Finance Act 2012 brought in fundamental changes to the way in which local government is financed. These changes are designed to stimulate growth but they also transfer more financial risk from central government to local government.

2.9 With Government funding reduced and an increasing reliance on generating additional business rates income, then it becomes important for the Council to manage its budgets prudently and services need to continually investigate new initiatives to generate additional sustainable revenue income whilst also looking to realise opportunities to reduce costs.

2.10 The Council prepares and monitors a rolling three-year Medium Term Financial Plan (MTFP) consisting of a working budget for the current year and indicative budgets for the following years. This contains budget estimates calculated at a detailed level. The latest budget monitoring report (at end of July – Period 4) is elsewhere on this agenda.

2.11 Officers will convert the previous indicative budget for 2020/21 into a detailed plan. They will also add a 'new' third year indicative budget to complete the three-year plan for 2020/21 to 2022/23. **Appendix 1** details the assumptions to be used in preparing these detailed budget figures.

2.12 Current plans include annual council tax increases of £5.00 for a Band D equivalent in each year of the MTFP.

2.13 In determining a budget strategy, the Committee is asked to consider the following financial objectives:-

- a) if any savings already factored into the three-year medium term financial plan are unlikely to be achieved, then equivalent savings must be identified;
- b) that the Council should aim to balance its budget over the medium term whilst retaining prudent general fund balances of around £2m.

- c) that any proposals for growth, including those to pump-prime initiatives in the draft strategic plan, should (in the first instance) be matched in service plans by equivalent savings (preferably savings that do not impact on the level of service provided). The scheme used to prioritise revenue and capital growth is shown at **Appendix 2**.

Capital Investment Programme

- 2.14 The budget monitoring reports provide the current position on progress against the 2019/20 capital investment programme and the resources available for future investment.
- 2.15 Officers will carry out option appraisals on the future capital investment schemes. It is proposed to use the method of prioritising schemes that was applied last year.
- 2.16 Officers should note that schemes that are deemed to be as 'invest to save' are likely to be regarded more favourably than those requiring growth in revenue expenditure.
- 2.17 In accordance with the Protocol on Member / Officer Relations, briefings on the strategic, service or financial plans can be requested by party groups.

Budget Consultation

- 2.18 Members are asked to consider whether the Council wishes to carry out any budget consultation, and if so, what form it should take.

Timetable

- 2.19 Attached at **Appendix 3** is the draft timetable. The Strategic and Financial Plans for 2020-2023 will be recommended for adoption to Council on 25 February 2020 by the Policy & Resources Committee resulting from its meeting on 21 January 2020. Final service plans will be approved in March 2020.

3. Options/Reasons for Recommendation

- 3.1 The recommendation, if accepted, allows the planning process to commence.

4. Policy/Budget Implications

- 4.1 The recommendations in this report are within the Council's agreed policy and budgets.
- 4.2 The recommendations in this report do not relate to the achievement of any performance indicators.

5. Financial Implications

- 5.1 There are no changes to the budget or the savings targets already agreed by Members as a result of this report.

6. Legal Implications

- 6.1 The Council must set its budget before 11 March 2018 in accordance with Section 32 (10) of the Local Government Finance Act 1992.
- 6.2 The Council's Chief Financial Officer (Shared Director of Finance) has a statutory duty to report to the Council if it is likely to incur expenditure that is unlawful or likely to exceed its resources.

6.3 The Localism Act includes powers to allow local residents to veto through a referendum council tax rises that propose to exceed the limit imposed by Central Government.

7. Equal Opportunities Implications

7.1 Relevance Test

Has a relevance test been completed for Equality Impact? <i>There is no proposed change to current policy.</i>	No
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Has a relevance test been completed for Equality Impact?	No
Did the relevance test conclude a full impact assessment as required?	N/A

8. Staffing Implications

8.1 Staff and their representatives will be kept fully aware of the consequences of this year's planning process as it evolves.

9. Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website Implications

9.1 None specific.

10. Risk and Health and Safety Implications

10.1 The Council has agreed its risk management strategy which can be found on the website at <http://www.threerivers.gov.uk>. In addition, the risks of the proposals in the report have also been assessed against the Council's duties under Health and Safety legislation relating to employees, visitors and persons affected by our operations. The risk management implications of this report are detailed below.

Nature of Risk	Consequence	Suggested Control Measures	Response (tolerate, treat, terminate, transfer)	Risk Rating (combination of likelihood and impact)
Failure to agree the Strategic Plan and Service Plans for implementation from 1 April 2020 and failure to meet statutory deadline for setting a legal budget	The Council does not have a Strategic Plan for 2020/21 and does not legally set a budget	Revert to previous Strategic Plan and MTFP	Treat	4

10.2 The above risks are scored using the matrix below. The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood scores 6 or less.

Very Likely ----- Likelihood ----- ▼ Remote	Low 4	High 8	Very High 12	Very High 16
	Low 3	Medium 6	High 9	Very High 12
	Low 2	Low 4	Medium 6	High 8
	Low 1	Low 2	Low 3	Low 4
	Impact Low -----► Unacceptable			

Impact Score

- 4 (Catastrophic)
- 3 (Critical)
- 2 (Significant)
- 1 (Marginal)

Likelihood Score

- 4 (Very Likely (≥80%))
- 3 (Likely (21-79%))
- 2 (Unlikely (6-20%))
- 1 (Remote (≤5%))

10.3 In the officers’ opinion none of the risks above, were they to come about, would seriously prejudice the achievement of the Strategic Plan and are therefore operational risks. The effectiveness of the management of operational risks is reviewed by the Audit Committee annually.

11. Recommendation

- 11.1 That the assumptions to use in preparing the detailed budgets for the period shown in Appendix 1 be agreed.
- 11.2 That the scheme used to prioritise revenue & capital growth shown in Appendix 2 be agreed.
- 11.3 That the draft timetable at Appendix 3 be agreed.
- 11.4 That the format of any budget consultation if agreed be approved by the Director of Finance in consultation with the Lead Member for Resources.

Report prepared by:
 Nigel Pollard – Section Head (Accountancy) – FP&A

Data Quality

Data sources: Financial Management system

Data checked by: Alison Scott – Head of Finance

Data rating:

1	Poor	
2	Sufficient	
3	High	✓

Background Papers

Medium Term Financial Plan 2019-2022

APPENDICES

- 1 Assumptions to be used in preparing budgets
2. Scheme for Prioritising Revenue Growth, Savings and Capital Bids
3. Timetable

ASSUMPTIONS TO BE USED IN PREPARING BUDGETS

The following assumptions will be made in preparing the detailed estimates for the three-year medium-term financial plan.

Employee Costs

Local authority employees are now coming to the end of a two-year pay deal (March 2020), which included a 2% increase each year.

Unison have requested a 10 per cent pay increase and a £10 minimum rate claim for local government workers in England, Wales and Northern Ireland for the year starting April 2020, Employers are expected to respond in the autumn.

RPI is set to average 3.2% over 2019 and remain over 3% to 2022. A 3% year on year increase has been assumed however, this is subject to change depending on the final agreement and assuming this is known in time for budget setting.

A 1% increase is approx. equivalent to an additional budget pressure of £130k.

Salary estimates will assume the following pay awards:-

Year	%
2020/21	3
2021/22	3
2022/23	3

A 1% vacancy provision.

The employers pension contributions set at 18.2% and national insurance contributions set at 13.8% are built into the financial projections.

Parish Precepts

This is assumed to increase by 2.5%.

Other Cost Inflation - Supplies & Services

As in past years, a cash freeze will be applied to detailed budgets unless there is a contractual agreement (e.g. in fuel prices) to the contrary or there are known increases or demographic pressures – i.e.: unavoidable growth.

Fees & Charges

With RPI expected to be averaged at 3% to 2022, an increase of 4% will be factored into the forecast for all fees and charges that are not set by statute. Heads of Service will be asked to review increases in the light of their effect on demand, affordability and vulnerability. Any request to not increase discretionary fees and charges must be supported by a growth bid.

SCHEME FOR PRIORITISING REVENUE GROWTH, SAVINGS AND CAPITAL BIDS

Criteria	Revenue Growth		Savings		Capital Bids	
	Score	Description	Score	Description	Score	Description
Measure of Quality of Service	3	Maintaining Current Service	3	Reducing External Service	3	Maintaining Current Service
	6	Improved Internal Service	6	Reducing Internal Service	6	Improved Internal Service
	9	Improved External Service	9	Maintaining Current Service	9	Improved External Service
Customer Impact / Quantity of Service	3	Affects < 10% of residents	3	Affects all residents	3	Affects < 10% of residents
	6	Affects < 50% of residents	6	Affects < 50% of residents	6	Affects < 50% of residents
	9	Affects all residents	9	Affects < 10% of residents	9	Affects all residents
Links to Strategic Plan	2	Contributes to General Theme	2	Contributes to Specific Objective	2	Contributes to General Theme
	4	Contributes to General Aim	4	Contributes to General Aim	4	Contributes to General Aim
	6	Contributes to Specific Objective	6	Contributes to General Theme	6	Contributes to Specific Objective
Impact on Partners (as defined in the Community Strategy)	1	No impact on partner agencies or joint priorities	1	Impacts several partners / priorities	1	No impact on partner agencies or joint priorities
	2	Impacts on 1 partner agency / priority	2	Impacts on 1 partner agency / priority	2	Impacts on 1 partner agency / priority
	3	Impacts several partners / priorities	3	No impact on partner agencies or joint priorities	3	Impacts several partners / priorities
Partnership Funding	1	No Partnership Funding	1	Fully Funded by Partners	1	No Partnership Funding
	2	Partly Funded by Partners	2	Partly Funded by Partners	2	Partly Funded by Partners
	3	Fully Funded by Partners	3	No Partnership Funding	3	Fully Funded by Partners
Equalities	1	No impact on vulnerable groups	1	Impacts several vulnerable groups	1	No impact on vulnerable groups
	2	Impacts on one vulnerable group	2	Impacts on one vulnerable group	2	Impacts on one vulnerable group
	3	Impacts several vulnerable groups	3	No impact on vulnerable groups	3	Impacts on several vulnerable groups
Asset Management	1	Not related to asset maintenance	1	Saving means backlog repair remains	1	Not related to asset maintenance
	2	Allowing asset to continue in use	2	Allowing asset to continue in use	2	Allowing asset to continue in use
	3	Expenditure required to bring asset up to standard enabling service to continue (i.e. an element of 'backlog' repair exists)	3	Not related to asset maintenance	3	Expenditure required to bring asset up to standard enabling service to continue (i.e. an element of 'backlog' repair exists)

Criteria	Revenue Growth		Savings		Capital Bids	
	Score	Description	Score	Description	Score	Description
Statutory/Discretionary Service	1	Entirely Discretionary	1	Entirely Statutory	1	Entirely Discretionary
	2	Partly Statutory	2	Partly Statutory	2	Partly Statutory
	3	Entirely Statutory	3	Entirely Discretionary	3	Entirely Statutory
Contractually Committed	1	No Commitment	When proposing a saving, the net saving, i.e. the saving after any costs of withdrawing from a contract should be used	1	No Commitment	
	2	Moral Obligation (e.g. SLA)		2	Moral Obligation (e.g. SLA)	
	3	Contractually Committed		3	Contractually Committed	
Financial Implications					1	Revenue Cost
					2	Revenue Neutral
					3	Revenue Saving
Invest to Save	6	Return on Investment in 1 Yr			6	Return on Investment in 1 Yr
Will your growth PID repay the original capital investment?	4	Return on Investment in 3 Yr			4	Return on Investment in 3 Yr
	2	Return on Investment in 5 Yr			2	Return on Investment in 5 Yr

TIMETABLE – STRATEGIC, SERVICE AND FINANCIAL PLANNING 2020-23

APPENDIX 3

Date	Responsibility	Details
02-Sep-19	Policy & Resources Committee	2019/20 Period 4 Budget Monitoring report
04-Oct-19	PIDs for Revenue and Capital growth items closes	All PIDS added to group share folder by this date
w/c 07-Oct-19	PID scoring meeting	PID scores to go to Committees during November
15-Oct-19	Draft Service Plans Management Board (MB)	Draft service plans considered by MB
22 Oct-19	Council	Recommendation from P&R 2 September 2019
04-Nov-19	Policy and Resources Committee	Review draft service plans for 2020-2023. 2019/20 Quarter 2 Performance report. Budget Management report (period 6). PIDs
19-Nov-19	Infrastructure, Housing and Economic Development Committee	
27-Nov-19	Leisure, Environment and Community Committee	
10-Dec-19	Council	2020/21 Council Tax base agreed
21-Jan-20	Policy and Resources Committee	Draft 2020-2021 Medium Term Financial Plan
25-Feb-20	Council	2020-2023 Medium Term Financial Plan approved
25-Feb-20	Council Tax Setting Committee	Council Tax for 2020/21 approved including Parishes, HCC and Police
09-Mar -20	Policy and Resources Committee	Final Service Plans
11-Mar-20	Leisure, Environment and Community Committee	
17-Mar-20	Infrastructure, Housing and Economic Development Committee	
21- May-20	Council	Final Strategic Plan