

# Executive

## Draft Budget 1, Corporate Plan and Service Plans 2012 - 2013

6 December 2011

### Report of Head of Finance and Procurement

#### PURPOSE OF REPORT

The Council has to adopt a budget for 2012/13 as the basis for calculating its level of Council Tax and has to base that budget on its plans for service delivery during the year, recognising any changes in service demand that may arise in future years. This is the first of two opportunities that the Executive has to shape and refine the interaction between the Corporate Plan, the service plans that underpin the corporate plan and financial matters before the final budget is presented to the Council on the 27 February 2012.

This report is public

#### Recommendations

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The Executive is recommended:

- (1) to endorse the draft Council Business Plan and Strategic Priorities for 2012-13 (detailed in Appendix 2);
- (2) to endorse the proposed service priorities for 2012-13 (detailed in Appendix 3);
- (3) to consider the draft budget (detailed in Appendix 1) in the context of the Council's service objectives and strategic priorities;
- (4) to note the areas of revenue growth as detailed in the body of this report detailed in Appendix 1 – Para 1.21;
- (5) to note the areas of additional income or cost reductions that will be considered in order to get to a balanced 2012/13 budget detailed in Appendix 1 – Para 1.26
- (6) to note the recommendations of the scrutiny reviews of discretionary expenditure and the capital programme that were considered at the Resources and Performance Scrutiny Board on 22 November 2011 and detailed in Appendix 4.

- (7) to advise of any other matters they would like taken into consideration in producing a balanced budget for the meeting of the Executive on 6<sup>th</sup> February 2012;
- (8) to endorse the draft revenue and council business plan as the basis for consultation.

## **Executive Summary**

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- 1.1 This report sets out the latest projections of the Council's Revenue and Budget for the period 2012/2013. The budget strategy approved on 5 September 2011 seeks to secure the savings requirements whilst maintaining the focus on protection for front line services wherever possible.
- 1.2 In light of the severe financial challenges a huge amount of work has been progressed from May 2011 to November 2011 in order to identify actions to reduce the Council's net budget position in 2012/13 and over the medium term forecast period to 2015/16.
- 1.3 The Council has met its 2011/12 public promise to deliver at least £1m of budget reductions by April 2012 as well as delivering the 2011/12 Improvement plan which includes the completion of the Value for Money Reviews.
- 1.4 In view of the enforced government grant reduction a programme of identifying further areas of budget reductions or income generation has resulted in a comprehensive list of building blocks and general budget efficiencies. These reductions have been matched to the Council's priorities, recognise the requirements of the Corporate Plan and have focussed on minimising the impact on front line services.
- 1.5 The budget will form the financial expression of the Council's strategic priorities and service delivery plans for 2012/13; the allocation of resources against agreed service priorities (as seen in Appendix 3) is necessary in order to achieve its strategic priorities.
- 1.6 The Resources and Performance Scrutiny Board have undertaken a scrutiny role over the 2012/13 budget focusing primarily on areas of discretionary spend and the proposed Capital Programme for 2012/13. The identified areas of discretionary within the authority total £3.1m, approximately 27% of our overall net budget. The outcome of this work will be reported to the Resources and Performance Scrutiny Board meeting on 10<sup>th</sup> January 2012 and any recommendations will be considered in by the Executive for inclusion in the final drafts of the 2012/13 budget.
- 1.7 There is a statutory requirement for the Council to set a balanced budget by 11 March 2012 and this report provides a first draft of the 2012/13 revenue and capital budget.
- 1.8 The projected shortfall at draft 1 requires a further reduction in costs or increase in income of £165,228 is required.

- 1.9 A number of areas to review have been identified in Appendix 1(Para 1.26). The outcome of these reviews and their implication on the current budget shortfall will be presented to the Executive in February 2012. At this stage it is expected that we will achieve a balanced budget for 2012/13.
- 1.10 Further work will continue on identifying additional budget reductions for future years and these will be detailed in the Medium Term Forecast which will be updated and presented as part of the final budget report.
- 1.11 The draft 2012/13 revenue and capital budget and corporate plan will form the basis for consultation with our stakeholders and the output of this consultation will be considered in formulating the final 2012/13 budgets and Corporate Plan.

## **Background Information**

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### Council Business Plan and Strategic Priorities

- 2.1 The council's business plan has been reviewed for the period 2012-13. This review reflects the changing economic situation, the implications of local government grant reductions as detailed in the comprehensive spending review and significant strategic developments affecting the district such as the eco-town. For 2012/13 the joint management arrangements with South Northamptonshire Council have been included within the plan as part of the approach to securing savings and service improvements.
- 2.2 The plan also takes into account the wide range of public consultation we undertake around local priorities through both our annual satisfaction survey and budget consultation workshops.
- 2.3 The plan continues to reflect the council's four strategic priorities Cherwell, a district of opportunity, safe, healthy and thriving communities, a cleaner, greener district and an accessible, value for money council. Under each strategic priority there are a number of key objectives which will be delivered through a series of key projects, actions and targets. These will be detailed in service plans and monitored through the council's performance management framework.
- 2.4 The objectives within the council business plan for 2012-13 (and attached at appendix 2) are currently in draft form and will be confirmed after the public consultation in December. Detailed milestones and measures will be set in the final quarter of the year taking into account the latest performance information and budgetary position. The developing business plan measures will be presented to Executive and Council with the drafts of the budget in January and February 2012.
- 2.5 As in previous years a set of public pledges will be drawn from the business plan. These will form a core set of performance milestones for the council which directly reflect the strategic priorities and will be monitored through the corporate performance scorecard. They will be published within the council tax leaflet.

- 2.6 It should be noted that the term council business plan has been used for 2012/13 rather than corporate plan (which has been used in previous years). This change has been made to reflect more commonly used terminology and to ensure that the council has a publically identifiable suite of business documents setting out its strategic and financial plans which are then reviewed in the annual report. The business plan, budget and annual report will form this suite.

### Service Plans

- 2.7 Individual service plans are being developed alongside the draft budget and council business plan. They will include the detailed activities that deliver the council's strategic priorities as well as consultation feedback, a review of the strategic challenges facing each service, and actions to deliver both 'business as usual' and any significant service projects. The service plans underpin the council's business plan and provide the operational detail that ensures the council's priorities are delivered.
- 2.8 Copies of these draft service plans for 2012/13 will be made available on the Council's intranet site for Members to review in February 2012. Final drafts will form part of the background papers for the budget and council business plan reports presented to Executive and Council in February 2011.

### Current Position and Forecast Out-turn 2011-12

- 2.9 The starting position for the 2012-13 Budget is the current year's Budget for 2011-12. Latest forecasts predict services to be delivered within overall budget this financial year. A Q3 finance report will be reported in February 2012 at the same time as the final 2012/13 budget proposal along with a review of reserves.
- 2.10 In light of the challenging financial position that faces the Council over the medium term, work began on the 2012/2013 budget almost immediately after setting the 2011/2012 Budget in March 2011 in order that cost reductions could be considered well enough in advance to maximise contribution to the 2012/13 budget and understand the Medium Term Implications.

### **Local Government Resource Review**

- 2.11 The local Government Finance Settlement announced in 2011/12 provided provisional Formula Grant for 2012/13 of £7,553,058.
- 2.12 At the same time it was announced that a review of local government finance would be conducted in 2011 which will feed into the distribution of local authority resources in 2013/14. This increases the level of uncertainty around forecasting resources beyond 2012/13.
- 2.13 On 17 March 2011 the Government launched the Local Government Resource Review to consider the way that formula grant and business rates

are distributed to local authorities.

- 2.14 As a result a number of consultation papers have been published including papers on Council Tax Localisation, Business Rates Localisation and Council tax technical reforms. The Council has responded to the first two papers and will respond to the latter by the closing date of December 29th 2011.
- 2.15 Until such time as the outcome of these consultations are known and the implications of welfare reform understood there remains uncertainty for financial planning beyond setting the 2012/13 budgets. The funding situation will therefore continue to evolve for some time.
- 2.16 The current intention is that any new arrangements will be in place for the 2013/14 financial year. Until the outcome of the review is known there will be considerable uncertainty regarding resources for the Council after 2012/13.

### **Council Tax**

- 2.17 In 2011/12 the Council did not increase its Council tax and therefore received a Council Tax Freeze Grant of £155,037, equivalent to a 2.5% increase and funding for this for 2012/13.
- 2.18 On the 3<sup>rd</sup> October 2011, the Chancellor of the Exchequer announced a new support for local authorities to help them freeze council tax in 2012/13 as well. If councils decide to freeze or reduce their council tax next year, they will receive an additional one year only funding, equivalent to raising their 2011/12 council tax by 2.5%.
- 2.19 If Cherwell District Council was to freeze its council tax in 2012/13 it would receive an additional grant of c. £156,970 for 2012/13 only. The receipt of this additional grant has not been incorporated within the projected resources of the Council in this first draft of the budget.

### **New Homes Bonus**

- 2.20 As part of the 2011-12 finance settlement, the Government announced a new grant called New Homes Bonus. This effectively replaced the Housing and Planning Delivery grant as the mechanism for rewarding local authorities that were being successful in delivering growth in house numbers.
- 2.21 The new grant provides additional funding equivalent to the extra Council Tax being received from new properties, for a period of six years. Cherwell has received £439,186 as its first year allocation. On the basis of draft taxbase figures at October 2011, we expect to receive a further £680,000 in 2012-13 (£439,186 related to the second year of the 11/12 allocation plus ~£240,000 related to the first year of the 2012-13 allocation).
- 2.22 Although the Government has committed to this grant until 2015, the position beyond 2012-13 is in some doubt. No new funding is being made available,

which means that the continuation of New Homes Bonus will depend on sums being top sliced from the overall funding allocation for local government. This approach is confirmed in the Localisation of Business Rates consultation. It will therefore have a redistributive effect, rather than being seen as additional funding for the sector. On this basis, some authorities have already questioned its equity.

2.23 It would therefore be prudent at this stage to consider a strategy for use of the allocations that are most likely to be received in the current and next year. Any strategy will need to be reviewed in a year's time, when the overall shape of the finance settlement and the future of the New Homes Bonus is more certain.

2.24 This strategy is being prepared and at this stage no budgetary impact has been built into the budget.

### **Pay Deal Update**

2.25 In early 2010 the Council and Unison entered into a collective agreement which set out the local pay award for the following 3 years, as follows:

<b>Year</b>	<b>% increase</b>
2010-11	0%
2011-12	1.80%
2012-13	1.90%

2.26 This agreement was made on the basis of the known financial position at the time and was built into the Medium Term Financial Strategy. However based on the combination of the government's pay freeze in June 2011 and the Council's financial position a new agreement was reached for

**April 2011** 0% general pay award  
£250 flat rate increase applied to all grades below £25,000; this relates to FTE substantive salaries.

2.27 The budget strategy and guidelines for 2012/13 approved by Executive in September 2011 incorporated the budget assumption of a 2% pay increase and this has been built into this first draft of the budget.

2.28 Officers are shortly to commence pay negotiations with Unison with a view to reach a new local agreement for 2012/13 onwards bringing this broadly in line with both the governments' position and the council's budget position.

### **Joint Working arrangements with South Northamptonshire**

2.29 The approved business case for the joint working arrangements of the senior management team with South Northamptonshire detailed £686k worth of

savings that could be delivered for Cherwell District Council.

- 2.30 The budget for 2011/12 was based on the achievement of £333k worth of savings and we are currently projecting that we will achieve in excess of this.
- 2.31 In addition to the savings in relation to the joint management team there have also been service based joint arrangements that have been entered to deliver further efficiencies. The services are :-
- Legal & Democratic.
  - Health & Safety.
  - Elections
  - Communications
  - Building Control
- 2.32 With the Joint Management Team now fully recruited and in post we have built the remaining £353k (Full year Effect) worth of savings into the base budget for 2012/13.
- 2.33 The Medium Term Financial Forecast also assumed a further contribution of £130,000 of budget reduction in 2012/13 and although not fully identified as yet this has been built into the draft budget. These savings will arise as a result of joint working initiatives between services and in the first instance this is expected to be predominantly support functions – e.g. ICT, HR, Finance, Procurement.

#### Budget Guidelines and Timetable

- 2.34 The Executive agreed the budget guidelines, service priorities and timetable at its meeting on 5 September 2011 after considering the medium term financial forecast and underlying financial strategy.

#### The Status of the Budget

- 2.35 The draft revenue budget as presented has been left, quite deliberately, with a funding gap to emphasise that it is work in progress. This type of gap is not unusual at this stage in the process and it can be covered by considering the actions listed within Appendix 1. The funding gap in the draft budget as presented is £165,228 and it is important that Members are aware of this potential deficit before they finally commit funding against particular priorities and/or divert funding from low priority services.
- 2.36 A number of areas to review have been identified in Appendix 1(Para 1.26)
- 2.37 As in previous years, the amount available for distribution from the Collection Fund will be confirmed for the final draft of the budget.
- 2.38 There are a number of recommendations that have been proposed by the Resources and Performance Scrutiny Board from their meeting on 22nd November 2011 and if approved by the Executive they can be built into the final draft of this budget.
- 2.39 Further work will continue on identifying additional budget reductions for future years and these will be detailed in the Medium Term Forecast which will be

updated and presented as part of the final budget report.

### Budget Consultation

- 2.40 Consultation will commence following approval of this report so that views can be sought in sufficient time for them to be taken into consideration when formulating the 2012/13 budget and council tax. The general consultation will take place via the Council website and in order to meet its statutory obligation to consult with business ratepayers meetings will be held with our local chambers of commerce.

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 This report presents the Council's draft 2012/13 Revenue Budget, Capital Bids for consideration and Corporate Plan.
- 3.2 The following options have been identified. The approach in the recommendations is believed to be the best way forward.

**Option One** To review draft revenue budget to date and consider actions arising.

**Option Two** To approve or reject the recommendations above or request that Officers provide additional information.

### **Consultations**

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#### **Executive**

5/9/2011, 17/11/2011

#### **Resources and Performance Scrutiny Board**

27/09/11, 11/10/11, 20/10/11, 10/11/10, 22/11/2011

#### **Corporate Management Team / Joint Management Team**

Various meetings throughout May 2011 to Nov 2011

### **Implications**

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#### **Financial:**

Financial Effects – the significant financial effects of the budget are identified in Appendix 1. Any decisions made in relation to ongoing expenditure or income in the budget for 2012/13 will have repercussions in future years when current forecasts indicate the financial environment is likely to become increasingly difficult. The Council has a statutory duty to set a balanced budget and could incur the intervention of the Secretary of State if it failed to do so.

Consideration of this item will fall within the provisions of Section 106 of the Local Government Finance Act 1992, and Members affected by those provisions should declare



accordingly and refrain from voting on the matter.

The council has developed a number of building blocks to meet the strain created through the reduction in Government grant, these in addition to the £1m public promise and additional efficiency savings have been built into this first draft of the Budget for 2012/13.

Comments checked by Karen Muir, Corporate System Accountant, 01295 221559.

**Legal:**

There is a statutory requirement for the Council to set a balanced budget by 11 March 2012 and the draft budget is part of that process.

Comments checked by Kevin Lane, Head of Law & Governance, 03000 030 107.

**Risk Management:**

The significant risks and assumptions associated with the draft budget are outlined in Appendix 1 and a risk provision has been considered. On a broader front, if due consideration is not given to matching scarce financial resources carefully against properly assessed service priorities, the Council may fail in achieving its strategic priorities and in its duty to demonstrate value for money. A full appraisal of risk will be included in the final budget report detailing mitigations and a sensitivity analysis will be included in calculating the risk provision

Comments checked by Karen Muir, Corporate System Accountant, 01295 221559.

**Wards Affected**

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All

**Corporate Plan Themes**

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All

**Executive Lead Member**

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**Councillor Ken Attack**  
**Lead Member for Financial Management**

**Document Information –**

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<b>Appendix No</b>	<b>Title</b>
Appendix 1	Draft Revenue 2011/12 Budget and Analysis
Appendix 2	Draft Council Business Plan 2012/13
Appendix 3	Service Priorities
Appendix 4	Resources and Performance Scrutiny Board – Budget Scrutiny recommendations
<b>Background Papers</b>	
2011/12 Budget Booklet	
Medium Term Financial Strategy	
Budget Guidelines	

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