

Executive

Draft Budget One 2013 - 2014

7 January 2013

Report of Head of Finance and Procurement

PURPOSE OF REPORT

The Council has to adopt a budget for 2013/14 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 appending plans before the final budget is presented to the Council on the 27th February 2013.

This report is public

Recommendations

The Executive is recommended to:

- (1) consider the draft revenue budget (detailed in Appendix 1);
- (2) note the recommendations of the scrutiny reviews of discretionary expenditure and the capital programme that were considered at the Resources and Performance Scrutiny Board meetings October 2012 to December 2012 and detailed in Appendix 2;
- (3) advise of any other matters they would like taken into consideration in producing a balanced budget for the meeting of the Executive on 4th February 2013;
- (4) endorse the passporting of the Council Tax Reduction Scheme (CTRS) grant to local preceptors as detailed in Para 2.20-2.26.
- (5) note the decision taken in Oxfordshire not to progress with a pool

Executive Summary

- 1.1 The budget strategy approved on 1st October 2012 seeks to secure the budget reductions to offset funding reductions whilst maintaining the focus on protection for front line services wherever possible.
- 1.2 This report sets out the latest projection for the 2013/14 revenue budget. These projections have been based on the budget guidelines issued in October 2012. These guidelines were based on a 5% reduction in government funding. At the time of writing this report the provisional settlement has been announced. This shows a 5.4% reduction in 2013/14 grant funding and a 15% reduction in 2014/15.
- 1.3 In light of the severe financial challenges expected, a huge amount of work has been progressed from April 2012 to November 2012, in order to identify actions to reduce the Council's net budget position in 2013/14 and over the medium term forecast period to 2016/17.
- 1.4 The Council will meet its 2012/13 public promise to deliver at least £800,000 of budget reductions by April 2013 and to date £1,009,000 has been achieved and this has been built into the first draft of the budget.

13/14 Budget Position - Draft 1 Budget

	Settlement
% reduction	-5.40%
£ value of settlement reduction	£412,000
	£,000
Budget Deficit as per budget guidelines	-1,100
Settlement Projection - change from budget guidelines	-31
Proposed Growth - subject to approval	-425
	<hr/> -1,556 <hr/>
Proposed Funding	
Public Promise	1,009
2% efficiencies as per guidelines	217
Joint Working	100
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Draft 1 Deficit	-230 <hr/>

- 1.5 The projected shortfall at draft 1 requires a further reduction in costs or increase in income of £230,000 is required.
- 1.6 In view of the expected government grant reduction a programme of identifying further areas of 5/10% 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.

- 1.7 A number of areas to eliminate the deficit have been identified in Appendix 1. The outcome of these reviews and their implication on the current budget shortfall will be presented to the Executive in February 2013. At this stage it is expected that we will achieve a balanced budget for 2013/14 without the need to use any New Homes Bonus, business rate growth or general reserves.
- 1.8 Further work will also continue on identifying additional budget reductions for future years and these will be detailed in the Medium Term Financial Strategy which will be updated and presented as part of the final budget report.
- 1.9 The Resources and Performance Scrutiny Board have undertaken a scrutiny role over the 2013/14 budget focusing primarily on areas of discretionary spend and the proposed Capital Programme for 2013/14. The recommendations of this work (in Appendix 2) are to be considered by the Executive for inclusion in the final drafts of the 2013/14 revenue and capital budget.
- 1.10 The draft 2013/14 revenue and capital budget will form the basis for consultation with our stakeholders and the output of this consultation will be considered in formulating the final 2013/14 budgets and Corporate Plan.
- 1.11 There is a statutory requirement for the Council to set a balanced budget by 11th March 2013 and this report provides a first draft of the 2013/14 revenue and capital budget.

Background Information

Current Position and Forecast Out-turn 2012/13

- 2.1 The starting position for the 2013/14 budget is the current year's Budget for 2012/13. Latest forecasts predict services to be delivered within overall budget this financial year. A Q3 finance report will be reported in February 2013 at the same time as the final 2012/13 budget proposal along with a review of reserves.
- 2.2 In light of the challenging financial position that faces the Council over the medium term, work began on the 2013/2014 budget almost immediately after setting the 2012/2013 Budget in February 2012. This meant that cost reductions could be considered well enough in advance to maximise contribution to the 2013/14 budget and understand the medium term implications.
- 2.3 As in previous years, the amount available for distribution from the Collection Fund will be confirmed for the final draft of the budget.
- 2.4 There are a number of recommendations that have been proposed by the Resources and Performance Scrutiny Board from their meetings in October and December 2012 and if approved by the Executive they can be built into the final draft of this budget.
- 2.5 Further work will continue on identifying additional budget reductions for future

years and these will be detailed in the Medium Term Financial Strategy which will be updated and presented as part of the final budget report.

Budget Guidelines and Timetable

- 2.6 The Executive agreed the budget guidelines, service priorities and timetable at its meeting on 1st October 2012.

The Status of the Budget

- 2.7 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 £230,000 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.

Local Government Resource Review and Provisional Settlement

- 2.8 The local Government Finance Settlement announced in 2011/12 provided provisional Formula Grant for 2012/13 of £7.6m. The equivalent for 2013/14 announced in the provisional settlement on 19 December 2012 is £7.2m - a reduction of 5.4%. Further details can be seen in Appendix 1.

Council Tax

- 2.9 The budget guidelines assumed a 0% increase in 2013/14 and the first draft of the budget continues to assume this. In the Autumn Statement on 5 December 2012, the Chancellor of the Exchequer confirmed his intention to support local authorities to help them freeze council tax in 2013/14 as well. If councils decide to freeze or reduce their council tax next year, they will receive an additional two year only funding, equivalent to raising their 2012/13 council tax by 1%. If Cherwell District Council was to freeze its council tax in 2013/14 it would receive an additional grant of c. £63,000 for 2013/14 and 2014/15 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

- 2.10 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.
- 2.11 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 a cumulative total of £1,142,381 during the first 2 years of allocation (first year allocation £439,186 and second year £703,195) and a proposal for its use will be considered in February 2013.

- 2.12 It has just been announced that, using taxbase figures at October 2012, we expect to receive a further £1,187,785 in 2013/14 (£703,195 related to the first 2 years and the 2013/14 allocation £484,590)
- 2.13 Although the Government has committed to this grant until 2015, the position beyond 2013/14 is that it is no longer additional funds but is being funded from formula grant funding. It will therefore have a redistributive effect, rather than being seen as additional funding.
- 2.14 It would therefore be prudent at this stage to consider a strategy for use of the allocations beyond 2012/13 as part of the development of the medium term financial strategy. This strategy is being prepared and at this stage no budgetary impact has been built into the 2013/14 draft 1 revenue budget.

Pay Deal Update

- 2.15 The budget strategy and guidelines for 2012/13 approved by Executive in October 2012 incorporated the budget assumption of a 2% pay increase and this has been built into this first draft of the budget. Officers are shortly to commence pay negotiations with Unison with a view to reach a new local agreement for 2013/14 onwards bringing this broadly in line with both the government's position and the council's budget position.

Joint Working arrangements with South Northamptonshire

- 2.16 As part of the joint working arrangements with South Northamptonshire we now have the following:
- Joint Management Team
 - Shared Joint Management Support Team
 - Shared Building Control Service
 - Shared Democratic and Election Service
 - Shared Finance and Procurement Service
 - Shared ICT Service
 - Shared Performance Team
 - Shared Health and Safety Function
- 2.17 All of these teams have generated budget reductions, offered resilience and promoted best practice. In addition to these the following services are under review for sharing:
- Legal
 - HR

Proposals to close the 2013/14 budget deficit and future medium term financial forecast will also feature more proposals for joint working.

The Status of the Budget

- 2.18 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 £230,000 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.

Budget Consultation

- 2.19 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 2013/14 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.

Council Tax Localisation

- 2.20 The change from Council Tax Benefit (CTB) to Council Tax Reduction Scheme (CTRS) means that rather than receiving a benefit to offset the cost of council tax, eligible residents will now receive a discount. This means that the tax base will be reduced for all precepting authorities. Most parish Councils will see a shortfall in their funding.
- 2.21 On 20 November 2012 the Government released their response to the August 2012 consultation exercise and also published the Local Authorities (Calculation of Council Tax base) (England) Regulations 2012. These new regulations came into force on 30 November 2012. In summary, **97%** of all respondents (242 out of 258) to the government consultation exercise supported the alternative approach, which provided such protection to the town and parish councils. This support also included the majority of billing authorities who responded. However, even though there was overwhelming support the government has decided that there should be no specific protection for local preceptors and that the billing authority should not apply an unadjusted council tax base to the local precepting authority. As a result **tax base reduced for Parishes.**
- 2.22 The government further advises that the funding attributable to the parish precept will be provided to the billing authority (expected to be in the region of £350k) and it expects to work with local parish and town councils to provide certainty over funding. We are currently working through the actual impact.
- 2.23 Under the previously proposed arrangements which government consulted upon in August, if the billing authority did not make necessary reductions then the net cost i.e. shortfall minus government funding would fall automatically to the billing authority, but this now sits potentially with the parish and towns. In order to mitigate, the choices are to increase precept or the Council picks up the difference.
- 2.24 The precise level of funding from government attributable to the parish and town councils was announced as part of the provisional local government finance settlement 19 December 2012. In deciding the amount of funding to be passed down to the local precepting authorities, the billing authority will need to decide how much of a contribution (if any) the local preceptor should make toward the costs of the local scheme, as it will exceed the level of funding which will be provided by government.
- 2.25 Government guidance indicates that the billing authority should work with parishes on the distribution of grant funding. The option is for funding to be

distributed to parish councils to mitigate the loss of funding for parish councils in relation to council tax reduction scheme. As parish councils need to set their precept, this report seeks to get a recommendation from the Executive to passport an appropriate element of the council tax reduction grant to parishes to help mitigate their financial risk.

- 2.26 Any further shortfalls will be subject of individual negotiations with individual parishes. Approval of the Council Tax Reduction Scheme, revised discounts and exemption and the final taxbase will be sought at full Council on 21st January 2013

Business Rate Pooling

- 2.27 As reported in December 2012 a final decision would be taken on whether to be part of the Oxfordshire pool once the settlement had confirmed the business rate baselines. As a result of this information and change to levy rates the pool is now not financially attractive and the request to pool has been withdrawn.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 This report presents the Council's draft 2013/14 Revenue Budget and Capital Bids for consideration.
- 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

Executive

September to December 2012

Resources and Performance Scrutiny Board

16/10/12 and 11/12/12

Corporate Management Team / Joint Management Team

Various meetings July to December 2012

Implications

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 2013/14 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
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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 £800,000 public promise and additional efficiency savings have been built into this first draft of the Budget for 2013/14.

Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Legal:

There is a statutory requirement for the Council to set a balanced budget by 31 March 2013 and the draft budget is part of that process.

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

Risk Management:

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 Nicola Jackson Corporate Finance Manager 01295 221731.

Wards Affected

All

Corporate Plan Themes

All

Executive Portfolio

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

Document Information –

Appendix No	Title
Appendix 1 – to follow Appendix 2 – to follow	Draft Revenue 2013/14 Budget and Analysis Resources and Performance Scrutiny Board – Budget Scrutiny recommendations (October and December 2012)
Background Papers	
None	
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