

Executive

Draft Budget 2013-14

4 February 2013

Report of the Head of Finance and Procurement

PURPOSE OF REPORT

The Council is required to produce a balanced budget for 2013/14 as the basis for calculating its level of Council Tax. It 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.

The first draft was reported to the January 7 2013 Executive meeting. The information has now been updated to reflect changes since then and, subject to any further changes Members may wish to include tonight, this final draft will be used to prepare a final budget proposal to be presented to full Council on 25 February 2013.

This report is public

Recommendations

The Executive is recommended:

- (1) To approve the changes to the draft budget since 7 January 2013 and consider the draft revenue budget (detailed in Appendix 1) in the context of the Council's service objectives and strategic priorities.
- (2) To approve the balanced budget.
- (3) To recommend to full council a Council tax freeze or amend the proposals contained within this report to recommend a different level of Council Tax.
- (4) To agree the proposed 2013/14 capital programme (detailed in Appendix 2).
- (5) To note the review of earmarked revenue reserves undertaken by the Lead Member Financial Management and the Head of Finance and Procurement and approve re-allocation between various earmarked reserves.
- (6) To endorse the draft corporate plan and public pledges and to delegate authority to the Director of Resources in consultation with the Leader of the Council and the Lead Member for Performance and Customers to make any minor amendments to the plan or pledges as required (detailed in Appendix 4 & 5).

- (7) To note the 2013/14 Business Plan and Budget Equality Impact Assessment (detailed in Appendix 6).
- (8) To note the latest MTFs financial forecast is currently being refreshed and will be part of the budget book.
- (9) To request officers to produce the formal 2013/14 budget book on the basis of Appendices 1-6.
- (10) Recommend ,subject to any further changes Members may wish to include tonight, the updated draft for adoption by the Council on 25 February 2013 (as a key decision).
- (11) To delegate authority to the Head of Finance and Procurement, in consultation with Director of Resources and the Lead Member Financial Management to amend the contributions to or from general fund balances to allow the Council Tax increase to remain at the level recommended by Executive to full council following the announcement of the final settlement figures and as a result of any financial implications arising from recommendation 10.

Executive Summary

- 1.1 The budget will form the financial expression of the Council's service delivery plans for 2013/14; the allocation of resources against agreed service priorities is necessary in order to achieve its strategic priorities.
- 1.2 There is a statutory requirement for the Council to set a balanced budget by 11 March 2013 and this draft budget is the penultimate part of that process.
- 1.3 The current economic climate presents unprecedented challenges in meeting spending priorities without placing undue burden on local taxpayers. The Council's successful approach to improving value for money and securing efficiencies on an ongoing basis provides a solid foundation. The value of cost reductions included in the 2013/14 is detailed in Appendix 1.
- 1.4 The level of council tax being proposed is £123.50 pa at Band D and this is in line with Council commitment of a zero increase in 2013/14. This is the fourth year (same rate as 2010/11) that Council Tax has been frozen. This compares to a CPI inflation rate at December 2012 of 4.2% and RPI of 4.8%.
- 1.5 The Council can take advantage of the Government's additional Council Tax Compensation Grant announced recently if the council sets a zero Council Tax increase or less. This will result in the Council receiving £63,000 in 2013/14 and 2014/15. £35,000 of the 2013/14 payment will be used to offset the Local Preceptor's shortfall due to the new council tax reduction scheme outlined in the January report. This will leave £28,000 to be treated as windfall income.
- 1.6 As a precepting authority Cherwell District Council collects council tax and parish precepts on behalf of Oxfordshire County, Thames Valley Police and local preceptors. This information will be received in time for us to prepare the council tax report for Full Council on 25 February 2013.
- 1.7 The coming years will present even further challenges which in the main will relate to

the continued cuts to the level of government grants received, local government finance and housing benefit reform, inflation and interest rates.

- 1.8 The Medium Term Financial Strategy will be modelled on a number of scenarios and be presented to the Executive in June 2013. The Council's has a strong track record and commitment to delivering efficiencies resulting in a 41% reduction in net expenditure of services since 2007/08 when the net revenue budget stood at £23.5m compared to £13.9m in 2013/14.
- 1.9 Compared to the 2012/13 net budget, the requirement has reduced by a further net £0.8m which represents a 6% reduction. Appendix 1 contains a budget walk between the two years to help compare. A large contribution to the reduction is our joint working with South Northamptonshire Council which has strengthened our position to meet the forecast challenges of future years.
- 1.10 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.
- 1.11 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 is considered elsewhere on this agenda. It has 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).
- 1.12 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. 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.
- 1.13 As outlined in previous report the localisation of business rates means that the Council should retain a % of any business rate growth above our baseline. As the scheme is new, we have taken the prudent view not to build in any estimated growth and in 2013/14 this will be treated as windfall income and a longer term strategy considered as part of the Medium Term Financial Strategy Review.

Background Information

Process

- 2.1 The delivery of a balanced budget representing value for money to local residents is the fundamental objective of the corporate, service and financial planning process. This centres on the preparation of a corporate plan underpinned by supporting operational service plans, which are developed not only to deliver the Council's corporate objectives and priorities, but also to demonstrate how the published service targets, representing the Council's commitment for delivery in priority areas, are to be achieved. The budget is the financial expression of these plans, within the context of the Council's Medium Term Financial Strategy.

- 2.2 The programme involves elected Members, the Council's senior managers and, in many service teams, operational staff. The views of the public, our community partners, the voluntary sector and the local business community are all actively sought through structured channels during the programme, and these views are reflected in the process of setting strategic priorities, service prioritisation and resource allocation.
- 2.3 The draft budget is based on the latest forecast out-turn position, rather than the current year budget, and managers have had to justify their service and budget proposals through a robust challenge process.
- 2.4 The entire capital programme has been subject to a rigorous review by Resources and Performance Scrutiny Board during October 2012 to December 2012.

Changes in the Revenue Budget Since 7 January 2013

- 2.5 The draft budget presented in January 2013 presented a funding gap of £230,000. The budget presented in this report benefits from further reductions in line with the table below and the budget is now balanced. All changes since January 2013 are analysed in Appendix 1.

AREAS FOR FURTHER REVIEW	IMPACT
Increase to Income budgets	Increase Income
Procurement Savings/Negotiation	Reduce Costs
Deletion of Vacant Posts	Reduce Costs
Additional efficiencies	Reduce Costs
Further joint working opportunities	Reduce Costs / Increase Income

Draft Revenue Budget

- 2.6 The Council has successfully managed the budget challenges, previously forecast for 2013/14. The Medium Term Financial forecast presented with the 2012/13 budget indicated a potential gap of £5.1m over a 4 year period. As a result of this the Council established a robust action plan to reduce costs. The public promise of the £800,000 has been over achieved together with total cost reductions in the 2012/13 budget of over £2m (analysed in Appendix 1).

	Budget	Draft Budget 2	Variance from 12/13 Budget
	2012/13	2013/14	
Net Expenditure	£16,641,325	£15,696,072	-£945,253
Capital Charges Reversed	-£3,323,392	-£3,323,392	£0
Net Expenditure Services	£13,317,933	£12,372,680	-£945,253
Centrally Controlled Items	£1,341,299	£1,496,436	£155,137
Net Budget Requirement	£14,659,232	£13,869,116	-£790,116
Funding			
Investment Income	£439,810	£145,581	-£294,229
Government Grant	£7,621,722	£7,210,000	-£411,722
Council Tax Compensation Grant 11/12	£155,415	£155,415	£0
Collection Fund	£139,332	£100,000	-£39,332
Council Tax	£6,302,953	£5,763,992	-£538,961
Council Tax Support Grant	£0	£494,128	£494,128

Proposed Budget	£14,659,232	£13,869,116	-£790,116
Shortfall / surplus	£0	£0	£0
% Reduction			-5.4%
Council Tax			
Number band D equivalentents	50,615	46,672	
2013/14 Cost of Band D equivalent	£123.50	£123.50	
2012/13 Cost of Band D equivalent	£123.50	£123.50	
	£6,250,953	£5,763,992	

Proposed Council Tax 2013/14

- 2.7 The level of council tax being proposed is £123.50 pa at Band D and this is in line with Council commitment of a zero increase. Table 1 above also details Year 3 of the Council Tax Compensation Grant which the Council will receive from Central Government is £155,000.
- 2.8 Should the proposal of a zero % increase be adopted the Council will also receive £63,000 in an additional Compensation Freeze grant for 2013/14 and 2014/15 **only**. In 2013/14 £35,000 of this will be used to offset the parish council shortfall leaving £28,000 to be treated as windfall income.
- 2.9 If the Executive were minded to change the Council Tax increase within this report they should be aware that a 1% increase would equate to a change in income of +£57,640. However, if this was implemented then the Council would forego the compensation grant of £63,000.

Provisional Government Grant

- 2.10 On the 19 December 2012 details of the Provisional Settlement for Local government were issued. This provides the provisional amount of government funding that will be received in 2013-14. The details of the provisional settlement were reported in the previous budget report to the January Executive.
- 2.11 The final settlement figure was the subject of a consultation process which ended on the 15 January 2013 and there could be changes from the draft figures referred to above. The announcement is expected in early February 2013.
- 2.12 The Executive are therefore advised to recommend to full council that authority is delegated to the Head of Finance and Procurement in consultation with the Director of Resources and the Lead Member for Financial Management, to amend the contributions to or from general fund balances to allow the Council Tax increase to remain at the level recommended by Executive to full council following the announcement of the final settlement figures.
- 2.13 The overall impact of the changes is that funding from Government is decreasing by £412,000 from 2012/13 to 2013/14. This combined with no increase in the Council Tax level (in line with Council policy) means that available resources have reduced by 5.4%. This was in line with our best case scenario however the provisional reduction in 2014/15 is 14.94% - a further £1,077,000.
- 2.14 In addition to reductions in Government funding, the Council must also address reductions in other Government grants, together with pressures on the existing budget relating to items such as inflation, contractual pressures, welfare reform, demand for services and growth in some service areas.

Treasury Management Strategy 2013/14

- 2.15 The Council's investment income budget for 2013/14 has been compiled on the basis of close tracking of actual and likely interest rates and with the help of external advice. The emphasis has been on the least risky places to invest the Council's money and this, along with the continued low interest rates on offer and the agreed use of capital receipts has led to a significant reduction in the investment income built into the budget. In budgetary terms this is prudent and places the Council at less risk of exposure in-year.
- 2.16 A revised Treasury Management Strategy is being prepared and will be recommended to Full Council in February 2013.

2013/14 Capital Programme

- 2.17 The proposed new capital schemes for 2013/14 total £6.9m. The proposed capital programme is analysed in **Appendix 2**. Any slippage from 2012/13 will also be carried forward into 2013/14.

Review of Earmarked Reserves

- 2.18 In preparing the final draft of the 2013/14 budget the Lead Member for Financial Management and the Head of Finance and Procurement have reviewed the level of earmarked revenue reserves and general fund balances and a forecast is included in **Appendix 3**. The Executive is asked to approved the proposed re-allocation between various earmarked reserves.
- 2.19 A separate and comprehensive report on the Council's reserves will be prepared in conjunction with the closing of the 2012/13 accounts.

Council Business Plan, Performance Pledges and Service Plans

- 2.20 The council business plan sets out the key priorities for Cherwell District Council for 2013/14. The plan identifies four strategic priorities for the council (a district of opportunity, safe, healthy and thriving communities, a cleaner, greener district and an accessible value for money council) and sets objectives and targets under each.
- 2.21 This plan then forms the basis of the council's performance management framework. In addition the council also sets out a series of performance pledges that are distributed to every household with the council tax leaflet. These reflect the key priorities of the council for the coming year. The council's budget and medium term financial strategy reflect these priorities. The plan also reflects the strategic challenges facing the authority including the delivery of activities to support the most vulnerable in the community and projects to deliver strategic growth, for example North West Bicester. The council business plan and draft performance pledges are set out in **Appendix 4 & 5**.
- 2.22 Each Head of Service also prepares service plans that ensure the delivery of the council's strategic priorities as well as operational service delivery objectives. Performance against priorities and objectives is reported quarterly and reviewed by both Executive and Scrutiny.

Public Consultation

- 2.23 The draft budget and council business plan was based on the results of the corporate consultation programme (customer satisfaction and budget consultation) which took place in the spring and summer of 2012. The results of these surveys helped inform the priorities of the council. Further public consultation on the content of the budget and business plan is being undertaken during January and February 2013. All documents are available on the council's consultation portal and presentation on budget and council priorities are being given to the Banbury and Bicester Chambers of Commerce. Feedback will be included in the final budget proposal to Council in February.

Impact Assessment

- 2.24 As part of budget preparation the council has also undertaken an impact assessment to ensure that its budget and priorities meet local needs and do not disproportionately impact on any group or issue. The assessment is included as **Appendix 6** issues of positive and potential negative impact have been reviewed and actions required have been highlighted.

Budget Book 2013/14

- 2.25 The net expenditure of £13.9m will be split between the 3 directorates and the full details will be included in budget book. Support charges and capital charges need to be apportioned across the services but these have no impact on the Council's bottom line.
- 2.26 The budget process and all supporting documentation will be documented in the 2013/14 budget book which will be prepared on the basis of **Appendices 1-6** and presented to Council on 25 February 2013 along with the recommendation to adopt the 2013/14 budget as detailed in this report (as a key decision) and set council tax accordingly.

The Future – Medium Term Financial Strategy 2014/15 – 2017/18

- 2.27 The coming years will present even further challenges which in the main will relate to the continued cuts to the level of government grants received, local government reform and welfare reform.
- 2.28 The Council's has a strong track record and commitment to delivering efficiencies resulting in a 41% reduction in net expenditure of services since 2007/08 when the net revenue budget stood at £23.5m compared to £13.9m in 2013/14.
- 2.29 These reductions and forward planning together with the joint working with South Northamptonshire Council (and any others we chose to collaborate with) strengthens our position to meet the forecast challenges of future years. The Council will update its MTFs forecast to be included in the 2013/14 budget book.
- 2.30 The result of the Local Government Resource Review means the Council needs to consider a number of additional elements of funding and risk associated with New Homes Bonus, Business Rate Localised Growth and the impact of the Council Tax Reduction Scheme. As a result of this the strategy is being refreshed and will be presented to the Executive in June 2013.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 This report presents a final analysis of the Council's draft 2011/12 Revenue and Capital Budget. The details in **Appendix 1-6** will form the basis of the budget book to be presented to Council on 25 February to support the setting of Council Tax.
- 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 and capital budget to date and consider actions arising.

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

Consultations

Executive - Various meetings July 2012 to January 2013

Joint Management Team July 2012 to January 2013

Resources and Performance Scrutiny Board September 2012 to January 2013

Public customer satisfaction and budget consultation Citizens Panel Summer 2012

Business with Banbury and Bicester Chambers of Commerce January and February 2013

Online Public Consultation January 2013 and February 2013

Implications

Financial: Financial Effects – the significant financial effects of the revenue budget are identified in Appendix 1. The capital budget is detailed in Appendix 2 along with a forecast of capital receipts. 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 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.

Efficiency Savings – Our Medium Term Financial Strategy required efficiency savings and we had a £800,000 public savings promise in 2012/13. The draft budget presented includes total budget reductions of over £2m so this target has been substantially over achieved.

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 11 March 2013 and the draft budget is part of that process.

Comments checked by James Doble, Deputy Monitoring Officer, 01295 2221587

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 has been undertaken and the Council has a specific and general risk reserve.

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

Wards Affected

All

Corporate Plan Themes

An Accessible and Value for Money Council

Executive Lead Member

Councillor Ken Attack
Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Draft Revenue 2013/14 Budget - TO FOLLOW
Appendix 2	Draft 2013/14 Capital Programme – TO FOLLOW
Appendix 3	Review of Reserves – TO FOLLOW
Appendix 4	Corporate Business Plan
Appendix 5	Performance Pledges
Appendix 6	Equality Impact Assessment – TO FOLLOW
Background Papers	
None	
Report Author	Karen Curtin, Head of Finance and Procurement Nicola Jackson, Corporate Finance Manager
Contact Information	01295 221551 karen.curtin@cherwellandsouthnorthants.gov.uk