

## Appendix A – Draft Revenue Budget

- 1.1 This appendix sets out the latest draft budget position for the council. The production of this draft is based upon the underlying principles as set out in the budget strategy considered by Executive on 7 October 2013 and includes cost pressure assumptions, any unavoidable growth identified during the process and other changes which have been identified. The guidelines also assumed a 0% council tax increase and this has been continued in draft 1 of the budget.
- 1.2 The budget has been constructed using the underlying assumptions in relation to government grant. However, at the time of writing this report the local government finance settlement has not been announced. The Chancellor of the Exchequer's Autumn Statement is due to be announced around 5 December 2013 and the settlement is expected a short time after that. Any impact of the settlement will be the subject of a further report to Executive.
- 1.3 In light of the financial challenges anticipated, a significant amount of work has been progressed from April 2013 to November 2013, in order to identify actions to reduce the Council's net budget position in 2014/15 and over the medium term forecast period to 2018/19.
- 1.4 Table 1 below sets out the current draft budget position for the Council, based on the approach as set out above:

**Table 1 – Summary of Budget Draft Position**

	<b>Approved Budget 2013/14</b>	<b>Draft Budget 1 2014/15</b>	<b>Movement</b>
<b>Service Total</b>	<b>£15,365,552</b>	<b>£15,921,133</b>	£555,581
<b>Executive Matters</b>			
Centrally controlled items	£1,931,956	£1,833,203	-£98,753
Joint Working Savings	-£100,000	-£100,000	£0
Credit for Capital Charges	-£3,323,392	-£3,341,264	-£17,872
<b>Net Budget Requirement</b>	<b>£13,874,116</b>	<b>£14,313,072</b>	<b>£438,956</b>
Financial Settlement	-£7,210,000	-£6,133,000	£1,077,000
Council tax Compensation Grant 2013/14	-£155,415	-£63,000	£92,415
Collection Fund Surplus	-£100,000	-£209,830	-£109,830
Council Tax Support Grant	-£494,128	-£464,000	£30,128
Investment Income	-£150,581	£0	£150,581
New Homes Bonus	£0	-£870,000	-£870,000
Retained Business Rates	£0	-£400,000	-£400,000
Council Tax	-£5,763,992	-£5,853,159	-£89,167
<b>Shortfall Draft 1</b>	<b>£0</b>	<b>£320,083</b>	<b>£320,083</b>

- 1.5 The above base budget shows a current budget gap of £320,083. This includes a number of items of unavoidable growth and also savings identified as “category 1” savings totalling £200,000. These have been presented to the Budget Planning Committee at its meeting of 8 October 2013. Further growth items have been proposed and these will be considered by the Budget Planning Committee at its meeting of 3 December.
- 1.6 The draft budget as presented still has a funding gap which needs to be addressed. This is intentional due to some of the current uncertainties which remain and also to reflect the fact that it is still work in progress. A budget gap of this level is not unusual at this stage and further work, including a review of the funding assumptions, will be on-going as more information becomes available.
- 1.7 In terms of the current gap, there are specific known pressures. A description of the key changes in service expenditure is set out in Table 2 below:

**Table 2 – Key changes within draft budget**

	Impact
	£000
Pension changes	105
Unavoidable growth in services (see below)	692
Efficiencies	-211
Salary / Joint working savings	-195
Building Blocks (category 1)	-200
Salary and contract inflation	229
Other	19
<b>Total – change in service expenditure</b>	<b>439</b>

This includes the Public Promise saving of £500,000 which has been built into this draft of the budget.

- 1.8 Within the unavoidable growth above are some key pressures. In particular there is an additional £103,000 reduction in the housing subsidy administration grant, £60,000 loss of the Local Area Business Growth Initiative (LABGI) grant, a £94,000 income pressure from the closure of Franklin’s Yard car park, a £53,000 additional cost from the net cost of transfer to the Museum Trust and the costs of the district council elections which did not take place in 2013/14. There are also additional pressures from the Recycling Processing contract which is discussed elsewhere on this Executive agenda.
- 1.9 Further work now needs to be undertaken in order to be able to present a balanced budget for the Executive to consider at its meeting of 3 February. There will be a number of areas which will be subject to further investigation and these include:
- A further review of income levels
  - Identification of the revenue implications of any approved capital projects
  - A review of further efficiency / saving options
  - Looking at on-going provisions

- Review of investment income
- Review of risk
- Tax base confirmation
- Impact of any growth proposals
- Joint working opportunities

These will be further considered alongside additional information identified during the forthcoming period.

- 1.10 As previously mentioned, the local government finance settlement will not be announced until mid-December and therefore the assumptions applied in terms of future government funding have been based on best estimates at this point in time. These will be reviewed once the settlement is announced in light of the settlement.
- 1.11 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.
- 1.12 The draft budget presents the latest position for Cherwell council. Across the wider public sector there are also significant financial challenges being experienced by other organisations such as the County Council and health bodies. These organisations are currently considering their budgets and they have not, as yet, been made public. However, it is quite possible that the decisions from other bodies within the Cherwell area may have an impact upon services and organisations within which the council is involved. At this stage of the budget process, it is important that there is an awareness of this and as more information becomes available, the impact will be assessed to determine whether this affects the budget position of the council.

#### 1.13 Capital Bids

At its meeting of 5 and 20 November, members of the Budget Planning Committee considered the proposed capital bids for 2014/15. These have been considered at the Budget Planning Committee of 26 November 2013 and at that meeting recommendations were drawn up for consideration by members of the Executive

Attached at Appendix B to this report is a schedule of the capital bids being recommended to Executive for approval. In addition the Budget Planning Committee also made a number of recommendations for Executive. These are:

- I. That, all schemes scoring 21 points or more be recommended to Executive for approval, with two exceptions:
  - (a) Bid 24 is to be subject to a review of the funding options to determine the most efficient means of addressing the replacement of the vehicles.
  - (b) Bid 39 is to be subject to consideration of funding through the revenue budget.
- II. That a report be submitted to a future meeting advising on the suitability of alternative funding methods such as loans and rural grants which could support capital bid proposals.

- III. That the Budget Planning Committee considers establishing a Scrutiny Review group to understand how the IT bids link to the priorities within the Council's IT Strategy.
- IV. That the Chairman of the Committee liaises with the Interim Head of Finance and Procurement regarding the identification of further improvements to the bid scoring process.

Excluding the 2 bids set out above, the total of the capital schemes is £3.077 million. The vehicle replacement programme will be subject to a review of the most effective means of funding and further details will be provided once that has been reviewed.

#### 1.14 Council Tax Localisation

When considering the 2013/14 budget, the council agreed to passport the grant received for parish councils by the billing authority. It is anticipated that the council will continue to receive this grant in 2014/15 and it is proposed to continue to passport this grant for 2014/15 only up to the same level as for 2013/14. The total grant in 2013/14 was £347,847 and Executive is asked to distribute up to this amount in 2014/15 to the respective parishes based on their updated tax bases. Individual allocations will be notified to the parishes no later than the 11th December 2013.

#### 1.15 Conclusion

The draft 2014/15 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 2014/15 budgets and Business Plan.