

Cherwell District Council

Executive

2 February 2015

Draft Budget and Business Plan 2015-16

Report of the Head of Finance & Procurement

This report is public

Purpose of report

The Council is required to produce a balanced budget for 2015-16 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 Executive meeting on 1 December 2014. 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 23 February 2015.

1.0 Recommendations

The meeting is recommended:

- 1.1 To consider and approve the draft budget in the context of the Council's service objectives and strategic priorities.
- 1.2 To approve the balanced budget.
- 1.3 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.
- 1.4 To agree the proposed 2015-16 capital programme (detailed in Appendix 3).
- 1.5 That the draft 5 year strategy, 2015-16 council objectives, 2015-16 performance pledges, 2015-16 business plan be endorsed 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 before final publication in March 2015. (detailed in Appendices 4, 5, 6 and 7).
- 1.6 To note the 2015-16 Business Plan and Budget Equality Impact Assessment (detailed in Appendix 8).

- 1.7 To note the latest MTFS financial forecast is currently being refreshed and will be reported back to the Executive once this exercise has been completed.
- 1.8 To Recommend, subject to any further changes Members may wish to include tonight, the updated draft revenue budget for adoption by the Council on 23 February 2015.
- 1.9 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 1.8.

2.0 Introduction

- 2.1 This report sets out the draft revenue budget for 2015-16 for the Council which will form the basis of the council tax setting report which is due to go to Council on the 23 February 2015. The report covers the information and work undertaken since Draft 1 of the budget was considered by Executive and Budget Planning Committee in December and January.
- 2.2 The report also looks at the impact of the local government settlement which was announced on 3 December. It sets out the steps which have been undertaken to produce a balanced budget and the capital programme.
- 2.3 Throughout the autumn officers have been preparing the budget in line with the guidelines for preparation considered by the Executive at its meeting of the 6 October 2014. A copy of the guidelines is repeated at **Appendix 1** for ease of reference. This has set out the framework within which the budget has been developed.
- 2.4 The budget has been subject to consideration by the Budget Planning Committee which has also been involved in assessing the proposed capital programme.

3.0 Report Details

Draft Revenue Budget

- 3.1 The draft budget presented in December 2014 presented a funding gap of £186,000. The budget presented in this report follows further work across a number of areas identified in the previous report in order to arrive at a balanced budget position. **Table 1** on the next page sets out the draft General Fund Revenue Budget for consideration by the Executive.

Revenue Budget 2015-16	Approved Budget 2014-15 £	Draft Budget 2015-16 £	Movement £
Community and Environment			
Community Services	3,527,110	5,496,078	1,968,968
Environmental Services	4,904,252	4,640,014	(264,238)
Community & Environment Directorate Total	8,431,362	10,136,092	1,704,730
Development			
Strategic Planning and the Economy	567,447	607,655	40,208
Public Protection / Development Management	852,162	552,307	(299,855)
Regeneration and Housing	1,471,847	1,874,418	402,571
Development Directorate Total	2,891,456	3,034,380	142,924
Resources			
Transformation	2,782,384	2,475,174	(307,210)
Finance and Procurement	318,489	813,018	494,529
Law and Governance	1,089,403	940,879	(148,524)
Resources Directorate Total	4,190,276	4,229,071	38,795
Bicester Regeneration Programme	122,820	387,531	264,711
Chief Executive	176,840	180,793	3,953
Centrally Controlled Items	1,919,054	1,214,994	(704,060)
Credit for Capital Charges	(3,341,264)	(3,999,650)	(658,386)
Net Budget Requirement	14,390,544	15,183,211	792,667
FUNDING			
Business Rates Baseline	(3,401,000)	(3,466,000)	(65,000)
Revenue Support Grant	(3,863,879)	(2,628,514)	1,235,366
Formula grant equivalent	(7,264,879)	(6,094,514)	1,170,366
Transfer to Parish Councils for CTRS	349,000	349,000	0
Transfer Homelessness Grant	99,878	101,000	1,122
Investment income	(49,190)	0	49,190
Council Tax Compensation Grant	0	(63,000)	(63,000)
Collection Fund	(232,640)	(100,000)	132,640
New Homes Bonus	(1,013,000)	(1,272,304)	(259,304)
Business Rates			
S31 Grant	0	(1,136,000)	(1,136,000)
Growth above baseline	(400,000)	(600,000)	(200,000)
Pooling	0	(450,000)	(450,000)
	(8,510,832)	(9,265,818)	(754,986)
Council Tax Income	(5,879,712)	(5,923,393)	(43,681)
TOTAL INCOME	(14,390,544)	(15,189,211)	(798,667)
(Surplus) / Deficit	0	(6,000)	(6,000)
Tax Base	47,609	47,963	
Band D Council Tax	£123.50	£123.50	
% increase in Council Tax	0%	0%	

- 3.2 The finalisation of support allocations and internal recharges may result in the service total being re-allocated across the three service areas but the bottom line totals and budget requirement will not change.
- 3.3 In order to balance the budget and secure the £186,000 deficit from Draft Budget 1, further reductions in costs and increases in income were taken into account. The main drivers for this are summarised in **Table 2** below and these adjustments have resulted in a balanced budget.

Balanced Budget	2015-16 £'000
BUDGET GAP (Draft 1 Executive December 2014)	186
Fuel savings	(45)
Car parks (excess charge notices & season tickets)	88
Increased recycling credits	(69)
Increased rental income corporate properties	(20)
Planning income including pre-application	(277)
Capita contract	(49)
Legal savings (shared 3 way working)	(109)
Increased search fee income	(22)
Revenue cost of capital bids	135
Investment growth bids	139
Reduction in Housing Benefit Admin Grant	95
Corporate Fraud Team (shared savings)	(68)
Budget changes Expenditure	(208)
Section 31 Grant (provisional settlement)	(83)
Business rates baseline (provisional settlement)	27
Council tax base (January Executive report)	74
New Homes Bonus (provisional settlement)	(2)
Budget changes Funding	16
DEFICIT / (SURPLUS)	(6)

- 3.4 The above actions have succeeded in balancing the budget. Appendix 2 details a 'high level walk' from the 2014-15 net budget to the proposed 2015-16 net budget highlighting cost pressures and reductions.

Proposed Council Tax 2015-16

- 3.8 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. Should the proposal of a zero % increase be adopted the Council will also receive £63,000 in an additional Compensation Freeze grant for 2015-16.
- 3.09 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 an increase in income of

£59,271. However, if this was implemented then the Council would forego the compensation grant of £63,000. The difference in the figures is as a result of the calculation of the CLG grant not taking into account the reduction in the tax base due to the council tax reduction scheme.

Local Government Finance Settlement

- 3.10 On the 18 December 2014, Local Government Minister Kris Hopkins MP made a written statement on the provisional local government finance settlement for 2015-16. This statement is still provisional and the final settlement is likely to be announced towards end of January 2015.
- 3.11 Last year's settlement included a forecast for 2015-16 but the provisional figure from this year's settlement is 3.2% higher than originally expected. This is due to technical changes in the funding methodology.

	2014-15 Settlement £000	2015-16 Forecast £000	2015-16 Provisional £000
Funding	3,864	2,629	2,712
% change		-32.0%	-29.8%

Treasury Management Strategy 2015-16

- 3.13 The Council's investment income budget for 2015-16 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 continuing of low levels of investment income built into the budget. In budgetary terms this is prudent and places the Council at less risk of exposure in-year. A revised Treasury Management Strategy is being prepared and will be recommended to Full Council in February 2015.

Business Rates Pooling and Growth

- 3.14 Last year, the decision was taken to form a pool with Oxfordshire County Council and West Oxfordshire District Council. The detail of the figures is still being calculated however there will be a significant benefit to Cherwell as a result of these arrangements. The pool anticipates generating £600,000 for Cherwell, 75% of this amount £450,000 has been built into the draft budget for 2015-16. This estimate is deliberately prudent at this stage given the turbulence and uncertainty still associated with the scheme.
- 3.15 The draft budget also includes £600,000 business rates growth above the baseline and £1,053,000 of Section 31 grant. These income assumptions were built into the draft budget presented to the Executive on 1 December. They have remained unchanged for the final budget being presented to the Executive.

2015-16 Capital Programme

- 3.17 The Budget Planning Committee reviewed all the capital bids during November and made recommendations to the Executive at its meeting of 19 January 2015. The new capital schemes for 2015-16 supported by Budget Planning Committee total

£5.281 million as set out at **Appendix 2**. Budget Planning Committee made the following comments for the remainder of the proposed capital bids:

- Bid 7 – The Hill Community Centre (roof and boiler repairs £225,000). To support a revised capital ceiling of £400,000 to replace / refurbish the community centre. This be considered a priority given the current state of the building with the revised amount of £400,000 to be included in the capital programme
- Bids 11 and 18 – requested additional information on the CCTV bids for Thorpe Lane Depot and Bodicote House. These bids have not been included in the capital programme.
- Bids 10, 12, 13, 14 and 17 – all relate to Bodicote House and will be considered as part of the Asset Management Plan which reports the Asset Management Board. These bids therefore have not been included in the capital programme
- Bid 15 – car parks condition survey works will be considered by the Banbury Development Board. Again this has not been included in the capital programme.

The Future – Medium Term Financial Strategy 2016-17 to 2020-21

- 3.18 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. The Council has a strong track record and commitment to delivering efficiencies and this will continue in order to manage the challenges facing the authority in the future.
- 3.19 The forward planning together with the joint working with South Northamptonshire Council (and any others we choose 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 2015-16 budget book and will be presented to the Executive once complete.

Five Year Business Strategy, 2015-16 Business Plan, performance pledges and service plans

- 3.20 **Appendix 4** sets out the high level priorities for the Council's five year strategy. These inform the council's annual business plan and budget which in turn inform operational service plans.
- 3.21 **Appendix 5** sets out the council's objectives for 2015-16 and **Appendix 6** the council's draft performance pledges. The draft business plan in **Appendix 7** contains references to the draft pledges and objectives. It forms the basis of the council's performance management framework and sets out how progress will be reported monitored.
- 3.22 After the budget, five year strategy and plan have been agreed they will be published as formal documents and will be available from March 2015.

Public consultation

- 3.23 The Council has informed its business strategy, annual plan and budget by undertaking public consultation including using the Citizen's panel to undertake

budget focus groups in the north and south of the district and a customer satisfaction survey.

- 3.24 In addition the draft budget has been available on the Council's consultation portal for comment and the council's scrutiny committee has also reviewed the documents.

Impact assessment

- 3.25 An impact assessment of the 2015-16 budget and business plan has been carried out and is attached at **Appendix 8**.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The above narrative alongside the appendices represents the draft budget for approval by the Executive. If agreed, this will be taken onto Council on the 23 February and will be considered alongside the setting of the 2015-16 Council Tax.

5.0 Consultation

- 5.1 This report has been considered by Councillor Ken Atack, Lead Member for Financial Management.

The Executive has considered the budget through different reports from October through to December.

The Budget Planning Committee has considered the budget through its meetings during October to January.

The Council has consulted on its budget and priorities via the annual satisfaction survey and using the Citizen's panel to look at budget issues. Executive have used the results of these consultations to develop the content of the business plan. The draft budget has also been on the Council's consultation portal.

6.0 Alternative Options and Reasons for Rejection

- 6.1 This report presents a final analysis of the Council's draft 2015-16 revenue and capital budget. This will be presented to Full Council on the 23 February to support the setting of the Council Tax.

- 6.2 It is a legal requirement to set a balanced budget and the recommendations as set out represent what is believed to be the best way of achieving this. Alternative options are:

To reject the current proposals and to make alternative recommendations or ask officers for further information.

7.0 Implications

Financial and Resource Implications

- 7.1 The financial effects of the revenue budget are identified in the report. The new capital schemes are detailed in Appendix 2. Any decisions made in relation to on-going expenditure or income in the budget for 2015-16 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.

Comments checked by:

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Legal Implications

- 7.2. The Council is legally required to set a balanced budget which the recommendations will achieve if approved by Executive and Council. Due consideration of external responses to consultation is also required and has taken place as part of the budget process.

Comments checked by:

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8.0 Decision Information

Key Decision

Financial Threshold Met: Yes

Community Impact Threshold Met: Yes

Wards Affected

Not applicable

Links to Corporate Plan and Policy Framework

Enhancing the Council Performance

Lead Councillor

Councillor Ken Atack – Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Budget Guidelines
Appendix 2	Revenue Budget “high level walk” 2014-15- to 205-16
Appendix 3	New Capital Bids 2015-16
Appendix 4	Five Year Business Strategy
Appendix 5	2015-16 Council Objectives
Appendix 6	2015-16 Performance Pledges
Appendix 7	2015-16 Business Plan
Appendix 8	Business Plan and Budget Equality Impact Assessment
Background Papers	
None	
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