

# **Cherwell District Council**

## **Budget Planning Committee**

**27 September 2016**

### **Budget Strategy 2017/18 and Beyond**

#### **Report of the Chief Finance Officer**

This report is public  
Appendix 3 is exempt from publication by virtue of paragraph 3 of Schedule 12A of  
Local Government Act 1972

#### **Purpose of report**

To inform the Budget Planning Committee of the service and financial planning process for 2017/18, the 2017/18 budget strategy and the budget guidelines for service managers to enable the production of the 2017/18 budget. This report is being presented to Executive Committee on 3 October.

The report includes an update on: the most recent Medium Term Revenue Plan (MTRP) for 2017/18.

#### **1.0 Recommendations**

The Budget Planning Committee is recommended:

- 1.1 To endorse the contents of the report.
- 1.2 To note that the following three recommendations will be made in the report being considered by Executive on 3 October and to make any comments for consideration by Executive at this time:
  - To note the updated medium term revenue plan forecast for the Council's revenue budget for 2017/18 to 2021/22.
  - To endorse the overall 2017/18 budget strategy and service and financial planning process set out in the report.
  - To consider and agree the proposed budget guidelines and timetable for the 2017/18 budget process as set out in Appendices 1 and 2.

## **2.0 Introduction**

- 2.1 The business and financial planning process is underpinned by an evidence base that is used to inform decision making. This evidence includes social and demographic profiles of the district based on the 2011 Census and public consultation.
- 2.2 The results of the public consultation are used to develop a prioritisation framework which, alongside the corporate strategy, medium term revenue plan and the corporate plan, provides the context for budget setting and service planning.
- 2.3 The Council needs to set guidelines and a timetable for the preparation of draft estimates for 2017/18. These guidelines should support the objectives contained in the Council's Business Plan, Service Plans and enable an update to the medium term revenue plan.
- 2.4 The focus of the budget process has always been the forthcoming financial year. This has been because the Government grant settlement has been for one year, and it is such a significant proportion of funding, that it is difficult to forecast beyond the following year with any accuracy.
- 2.5 The grant settlement, announced in December 2016, was for four years. This means that, with the greater certainty over funding, more accurate projections can be made for the period 2017/18 to 2020/21. More attention has been paid to the growth factors in appendix 1 as a result.
- 2.6 The attached guidelines and timetable in Appendices 1 and 2 proposed for the coming year provide a framework to deliver a balanced budget for 2017/18. And the medium term as well.
- 2.7 This report commences the detailed budget setting process for 2017/18 and final budget proposals will be considered by Executive Committee in February 2017

## **3.0 Report Details**

### **Budget Planning Committee**

- 3.1 This Committee commenced meetings in July 2016 to start to formulate the budget as part of their work on the Medium Term Revenue Plan.
- 3.2 The committee makes recommendations for consideration by Executive Committee who in turn make recommendations to Full Council on budget and council tax setting.

### **Medium Term Revenue Plan**

- 3.5 We update our medium term revenue plan (MTRP) with Executive Committee Members and the Joint Management Team to test our planning rigorously. All known cost pressures are built into the model and assumptions are made for unknown pressures. This modelling leads directly to a target for cost reduction around 18 months ahead of the savings being required. The target to be achieved during five year MTRP cycle is £2.2m.

- 3.6 There are a number of medium term pressures facing the Council, which will require increasing efficiencies or a change in the Council's budget strategy to deliver a balanced budget. The restrictions on increases in council tax are expected to remain. It is therefore expected that future budgets will remain under significant pressure with a growing emphasis on prioritisation, efficiency, innovation and collaboration in service delivery. The Council may therefore face difficult decisions in later years in order to sustain a balanced budget over the medium term.
- 3.7 As part of the development of the MTRP and budget, analysis is undertaken of the key financial assumptions on which the budget will be based. The key areas covered included:
- Economic factors, such as inflation
  - Treasury Management, including interest rates
  - Demographic pressures on spending
  - Other spending pressures opportunities (revenue and capital)
- 3.8 The latest forecast covering the five year medium term planning period is as attached as Appendix 3.
- 3.9 The financial forecasting process is dynamic and changes on a regular basis given emerging priorities, changes in demand for services, changes in external factors and therefore these figures are subject to further change prior to finalisation of the budget for 2017/18 but give an indication of the challenges currently being faced by the Council:

#### Government grant and Efficiency Plan

The Government grant settlement in December 2016 was for four years, rather than the usual one. With this certainty over a significant variable element of funding, came a requirement to produce an efficiency plan. The efficiency plan must be provided by 14 October 2016 in order to accept the offer of the four year settlement.

#### Inflationary increases

CPI remains low, at less than 1%, so inflationary pressure on the budget should be less than originally forecast. The biggest inflation factor however is pay, which is dependent upon the Council's pay negotiation. The current assumption is for a 2% increase and this remains unchanged ahead of the negotiation.

#### Unavoidable and Demand led pressures

Pressures are identified at the start of the budget process and will be reported to this Committee in October and November.

#### Budget reductions

Similar to pressures, budget reductions will be identified at the start of the process and will be reported this Committee in October and November.

#### Budget strategy changes

The Cabinet will consider its Business Planning process at the same time as the budget. Any strategy changes will be identified at the start of the process so that they can be costed and incorporated into Budget Reductions or Pressures.

### New Homes Bonus updates

There is still some concern as to how long the New Homes Bonus Scheme will continue. There is uncertainty over the final proposals to limit the payments. The final position for 2017/18 will be known when CTB.1 forms are completed in October 2017. The MTRP figures assume that the payments will be limited to four years in future, rather than the current six.

When the Government announces the changed system, the MTRP figures will be updated.

### **Council Tax Reduction Scheme**

- 3.10 In 2013-14 the decision was taken across Oxfordshire to replicate the previous Council tax benefit scheme through the new Council Tax Reduction Scheme (CTRS).
- 3.11 For Cherwell, the impact was broadly cost neutral in 2013/14 to 2015/16 as the number of discounts offered was reduced in order to mitigate the costs of remaining with the default scheme. It was agreed that for 2016/17 onwards the position would be reviewed and authorities would determine their approach to take from then on.
- 3.12 The latest estimates show that the current scheme for 2017/18 would also be cost neutral after taking account of discounts, and Members of this Committee recommended that there should be no change for 2017/18 at the meeting held in July 2016.
- 3.13 It is therefore proposed to consult both customers and major preceptors on the retention of the current scheme.

## **4.0 Conclusion and Reasons for Recommendations**

- 4.1 It is recommended that:
- Members note the content of this report
  - Members endorse the overall budget strategy for 2017/18
  - Members consider and agree the 2017/18 budget guidelines and timetable

## **5.0 Consultation**

Cllr Ken Atack – Lead member  
for Financial Management

Cllr Atack is content with the report and  
supportive of the recommendations contained  
within it.

## **6.0 Alternative Options and Reasons for Rejection**

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To disagree with the recommendations set out above. This is rejected as it will unnecessarily delay the formulation of the detailed budget for 2017/18.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 These are contained in the body of the report. There are no direct costs or other direct financial implications arising from this report.

Comments checked by:

George Hill, Corporate Finance Manager

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### **Legal Implications**

- 7.2 A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular, local authorities are required by section 31A of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves.

The Council Tax Reduction Scheme was the subject of legal advice before it was introduced for 2013-14.

Comments checked by:

Kevin Lane, Head of Law and Governance,

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### **Risk Management**

- 7.3 The Council is required to set both revenue and capital budgets. Failure to adopt a budget strategy and MTRP increases the risks of the Council being unable to balance its budget, deliver service priorities and its savings targets over the medium term. Failure to integrate the preparation of these budgets with service priorities and planning will compromise the Council's ability to deliver on its strategic objectives.

Comments checked by:

Ed Bailey, Corporate Performance Manager, 01295 221605

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### **Equality and Diversity**

- 7.4 Impact assessments will be carried out in advance of formulation of budget proposals.

Comments checked by:

Caroline French, Corporate Policy Officer, 01295 221586

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## 8.0 Decision Information

### Wards Affected

All

### Links to Corporate Plan and Policy Framework

All Corporate Plan Themes

### Lead Councillor

Councillor Ken Atack, Lead Member for Financial Management.

### Document Information

Appendix No	Title
Appendix 1	Budget Guidelines 2017/18
Appendix 2	Budget Timetable 2017/18
Appendix 3	Medium Term Revenue Plan
Background Papers	
None	
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