

Cherwell District Council

Executive

3 October 2016

Budget Strategy 2017/18

Report of 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 set out the Budget Process for 2017/18, approve the 2017/18 Budget Strategy and agree the budget guidelines for issue to service managers.

To present the most recent Medium Term Revenue Plan (MTRP).

1.0 Recommendations

The Executive is recommended to:

- 1.1 Note the updated MTRP for the Council's revenue budget for 2017/18 to 2021/22 (exempt Appendix 3)
- 1.2 Endorse the overall 2017/18 budget strategy and service and financial planning process set out in the report.
- 1.3 Consider and agree the proposed budget guidelines and timetable for 2017/18 (Appendices 1 and 2).

2.0 Introduction

- 2.1 The budget process is underpinned by a robust evidence base that is used to inform decision making. This evidence base includes a social and demographic profile of the district based on the 2011 Census, local ward profiles and a corporate consultation programme.
- 2.2 The consultation programme is comprised of an annual customer satisfaction survey and budget survey to understand priorities for service expenditure. The survey is statistically representative and produces robust information regarding residents' budget priorities and satisfaction with the different Council services. The information, refreshed annually, provides a sense of trend and captures new issues that need to be taken into account when service and financial planning.

- 2.3 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.
- 2.4 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 Financial Strategy.
- 2.5 In the context of the current challenging economic climate, the council (alongside local residents and businesses) is experiencing extreme pressure on both its expenditure and income streams. We have made a public promise to reduce expenditure by £0.5m in 2017/18 and as such it is important we continue to plan for a period of prudent budgeting.
- 2.6 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.
- 2.7 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.
- 2.8 The attached guidelines in Appendix 1 proposed for the coming year provide a framework to deliver a balanced budget for 2017/18. The budget timetable is attached at Appendix 2.
- 2.9 The Councils Budget Planning Committee meets regularly and considers the budget in detail and will make Budget and Business Planning recommendations to the Executive in February 2017.

3.0 Report Details

2017/18 Budget Strategy, Budget Guidelines and Timetable

- 3.1 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 Business Plan, Service Plans and the Medium Term Financial Strategy.
- 3.2 The attached guidelines in Appendix 1, proposed for the coming year, provide a framework to identify areas of potential cost reductions across the organisation informed by public consultation, previous investment and strategic priorities.
- 3.3 The associated budget timetable is detailed in Appendix 2.

Medium Term Financial Strategy

- 3.4 The medium term financial strategy and revenue plan are updated and presented to the Budget Planning Committee at each meeting during the budget process. The Committee considered different scenarios and test our planning process rigorously. Known cost pressures are built into the model and assumptions are made for unknown pressures. The model results in a target for cost reduction around 18 months ahead of the savings being required.
- 3.5 The latest medium term revenue plan projections were reported to Budget Planning Committee on 27 September are set out in Appendix 3.
- 3.6 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, as outlined below:

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 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 still 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.

- 3.7 The key message is that future budgets will remain under significant pressure, with a growing emphasis on, collaboration, commissioning and commercialisation to deliver services more efficiently. The Council has recognised the need to think differently about how it delivers its services and has plans through the transformation workstreams to deliver these. As business cases are developed and approved they will be incorporated into the MTRP.

4.0 Conclusion and Reasons for Recommendations

- 4.1 It is recommended that:
- the contents of this report are noted
 - the Council Tax Reduction scheme remains the same as the current scheme

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 2016/17.

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, 01295 221731

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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:

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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 MTFs 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:

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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:

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8.0 Decision Information

Key Decision

Financial Threshold Met: No

Community Impact Threshold Met: No

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Ken Atack – Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Proposed Budget Guidelines 2016/17
Appendix 2	Budget Timetable 2016/17
Appendix 3	Medium Term Revenue Plan - exempt
Background Papers	
None	
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