

Executive

Draft Budget 2010-11

1 February 2010

Report of the Head of Finance

PURPOSE OF REPORT

The Council is required to produce a balanced budget for 2010/11 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 December 7 2009 Executive meeting and a second draft to the January 11 2010 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 22 February 2010.

This report is public

Recommendations

The Executive is recommended:

- (1) to approve the changes to the draft budget since 11th January 2010 and consider the draft revenue budget (detailed in Appendix 1) in the context of the Council's service objectives and strategic priorities;
- (2) to agree the approach to the overall capital programme and 10/11 new scheme bids (detailed in Appendix 2);
- (3) to approve the treasury management strategy for 2010/11 (detailed in Appendix 3)
- (4) to approve the election fees payable for 2010/11 (detailed in Appendix 4)
- (5) recommend that the draft corporate plan be endorsed. (detailed in Appendix 5)
- (6) to note the latest MTFS financial forecast is currently being refreshed and will be part of the budget book.
- (7) request officers to produce the formal 10/11 budget book on the basis of Appendices 1-5:
- (8) recommend ,subject to any further changes Members may wish to include tonight, the updated draft budget and treasury management strategy for adoption by the Council on 22 February 2010 (as a key decision);

Executive Summary

- 1.1 The budget will form the financial expression of the Council's service delivery plans for 2010/11; 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 2010 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 the foundation for further cost reductions in the forthcoming year. The value of cost reductions included in the 2010/11 budget amounts to £2.8million as in detailed in Appendix 1.
- 1.4 As a result the draft budget presented illustrates further progress in securing additional budget savings to reduce the funding gap identified in the previous draft from £32k to a balanced budget.
- 1.5 The balanced budget has been achieved on the assumption that the pay award for 2010/11 is 0%. This is currently subject to a union ballot and a decision is expected by 1ST February 2010.
- 1.6 The Council has reviewed the composition of the Corporate Management Team and Extended Management Team. This has resulted in a restructure which will change the composition from 4 directorates and improvement to 2 directorates and a corporate centre. This has contributed to the savings in the 2010/11 revenue budget. The budget has been based on the current structure so will need to be rebuilt based on the new structure. This will not have any impact on the budget requirement but will change presentation. The 2009/10 outturn will also need to be rebuilt reflecting the new structure so comparison can be made.
- 1.7 The budget includes the additional costs associated with job evaluation which is due to be implemented in April 2010. This process has involved redesigning the pay structure from a spot structure to an incremental scheme. This process is again subject to a Union vote and as a result the additional costs related to this scheme have not yet been allocated by individual services (or staff) as indicative grades are not due for release until February 2nd 2010.
- 1.8 As a result of 1.6 and 1.7 the support costs of the Council have not yet been allocated against all services in the proposed new organisation structure. This has no impact on the budget requirement as it will only result in the re-allocation of cost between directorates. The process for this exercise will be detailed in the budget book.
- 1.9 The level of council tax being proposed by Cherwell District Council is analysed in Appendix 1. The band D council tax for 2010/11 is unchanged from the current year figure of £123.50 as the Executive specified a 0% increase in the Budget Guidelines. This compares to a CPI rate at December 2009 of 2.9% and RPI of 2.4%.
- 1.10 As a precepting authority Cherwell District Council collects council tax and parish precepts on behalf of Oxfordshire County, Thames Valley Police and local parishes. This information will be received in time for us to prepare the council tax report for Full Council on 22 February 2010.

Background Information

2.1 Process

The delivery of a balanced budget representing value for money to local residents is the fundamental objective of the service and financial planning process. This centres on the preparation of 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.

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 service prioritisation and resource allocation.

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 from senior managers and elected Members.

The entire capital programme has been subject to review and re-profiling and has emerged with a clearer focus on service priority; although it is still felt that there is further work to be undertaken in this area.

2.2 Changes in the Revenue Budget Since 11 January 2010

The draft budget presented in December 2009 presented a funding gap of £0.3million. As a result of internal efficiencies and other budgetary adjustments this gap was reduced to £32k. The budget presented in this report benefits from further efficiencies and movements and is balanced. All changes since 11 January 2010 are analysed in Appendix 1.

The Council has successfully managed the budget challenges, previously forecast for 2010/11. The Medium Term Financial forecast presented with the 09/10 budget indicated a potential gap of £2.6m over a 3 year period. The low interest rate of 0.5% has also increased this challenge as despite agreeing a 3 year plan to reduce dependency on investment income it was expected that rates would be circa 2%.

As a result of this the Council established a robust action plan to reduce costs. The public promise of the £1m action plan (£0.8m cashable) has been achieved (subject to pay award) together with further cost reductions of circa £2.0m. (analysed in Appendix 1)

2.3 2010/11 Capital Programme

The proposed capital programme equates for 2010/11 to £14.4m which represents new schemes of £8.5m, slippage from the 09/10 programme of £5.0m and recent supplementary estimates of £0.9m. The capital programme is analysed in Appendix 2 and includes a reconciliation of the movements since December 7 2009 and a financing statement.

2.4 2010/11 Treasury Management Strategy

The highest standard of stewardship of public funds remains of the utmost importance to the Council. The combined effects of the turbulence in the financial markets associated with the banking crises and the unprecedented fall in interest rates impact directly on the

Council's investment strategy: The former driving a re-iteration of the Council's main priority to protect the security of funds. The latter driving a change in the Council's medium term financial strategy to reduce vulnerability to movements in interest rates by eliminating dependency on investment income to support revenue funding.

The strategy is attached in Appendix 3 and sets out the strategy for 2010/11 and has been formulated with due regard to The CIPFA Treasury Management Code of Practice, the CIPFA Prudential Code and CLG Investment Guidance.

The strategy fulfils the Council's requirement under the Local Government Act 2003 and guidance subsequently issued by the Office of the Deputy Prime Minister (now CLG) in March 2004, to prepare an annual investment strategy and the Executive is asked to recommend the strategy to Full Council for adoption.

2.5 Election Fees – Review of Charges

The schedule of election fees and charges has not been revised since 4 April 2004. Since this time the electoral process has been further complicated through the introduction of postal vote identifiers, the reliance on external suppliers for external printing, the complexity of multi member wards, the increased focus on fraud prevention and detection and the increased risk in running elections.

During this period there has also been a significant increase in the cost of election goods and services. Therefore the revised schedule of fees and charges in Appendix 4 take account of these changes whilst bringing Cherwell in to line with the fees paid by other Oxfordshire Councils and the amounts paid for other elections such as parliamentary and County Council elections.

Additionally, a review of the parish schedule of fees will take place during 2010/2011, which will involve consultation and a review of the contribution that Cherwell District Council makes to Parish Council election costs, currently £1.05 per elector.

2.6 Service Plans and Corporate Plan

Copies of the Service Plans for 2010/11 are available on the Council's intranet site <http://intranet/improvement/draftserviceplans.cfm>.

The corporate plan (attached in Appendix 5) is a five year strategy that sets out the key priorities for Cherwell District Council. It is refreshed annually on the basis of our performance, local priorities and in line with the medium term financial strategy. This is the penultimate year of the current corporate plan 2008-2012. All targets have been refreshed and a number of additions made. The most significant of these additions are two new cross cutting strategic priorities to support the development of the eco town and address the cycle of deprivation. Other additions include steps to help support local residents and business in the recession.

2.7 The Future

The coming years will present even further challenges which in the main will relate to the uncertainty around the level of cuts on government grants, impact of General Election and expected spending review, inflation and interest rates.

The Medium Term Financial Strategy will be modelled on a number of scenarios and be updated. The Council's has a strong track record and commitment to delivering efficiencies resulting in a 21% reduction in net expenditure of services since 2007/08. This strengthens its position to meet the forecast challenges of future years.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 This report presents a final analysis of the Council's draft 2010/11 Revenue and Capital Budget. The details in Appendix 1-5 will form the basis of the budget book to be presented to Council on 22rd February to support the setting of Council Tax.

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 that Officers provide additional information.

Consultations

Executive 11/01/10
Corporate Management Team 20/01/10
Scrutiny 12/01/10

Implications

Financial: Financial Effects – the significant financial effects of the budget are identified in Appendix 1. Any decisions made in relation to ongoing expenditure or income in the budget for 2010/11 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 requires efficiency savings and we have a NI target of 3.1% in 2010/11. The draft budget presented includes a significant level of qualifying efficiencies which will enable the Council to meet its target.

Comments checked by Phil O'Dell, Interim Chief Financial Officer, 01295 227098.

Legal: There is a statutory requirement for the Council to set a balanced budget by 11 March 2010 and the draft budget is part of that process.

Comments checked by Liz Howlett, Head of Legal and Democratic Services, 01295 221686

Risk Management: The significant risks and assumptions associated with the draft budget are outlined in Appendix 1 and a risk provision has been calculated. On a broader front, 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.

Comments checked by Phil O'Dell, Interim Chief Financial Officer, 01295 227098.

Wards Affected

All

Corporate Plan Themes

An Accessible and Value for Money Council

Executive Portfolio

Councillor James Macnamara

Portfolio Holder for Resources and Organisational Development

Document Information –

Appendix No	Title
Appendix 1	Draft Revenue 2009/10 Budget and Analysis 3
Appendix 2	Draft 2009/10 Capital Programme
Appendix 3	Draft Treasury Management Strategy 2010/11 – TO FOLLOW
Appendix 4	Election Fees
Appendix 5	Corporate Plan
Background Papers	
2009/10 Budget Booklet 2009/10 Capital Programme Medium Term Financial Strategy Budget Guidelines 2010/11 Budget Booklet – to be presented at Council 22 February 2010	
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