

Executive

Draft Budget and Corporate Plan 2011 – 2012 Analysis 2

10 January 2011

Report of the Head of Finance

PURPOSE OF REPORT

The Council has to adopt a budget for 2011/12 as the basis for calculating its level of Council Tax and 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. This is the second opportunity that the Executive has to shape and refine the interaction between corporate plan service plans and financial matters before the final budget is presented to the Council on the 21 February 2011.

This report is public

Recommendations

The Executive is recommended:

- (1) To note the outcome of the 2011/12 provisional settlement (detailed in Appendix 1);
- (2) To consider the draft revenue budget 2 (detailed in Appendix 2a) in the context of the Council's service objectives and strategic priorities; (see the corporate plan Appendix 2b);
- (3) To note the draft corporate plan for 2011/12 which is currently subject to consultation. (Detailed in Appendix 2b)
- (4) To agree the approach to the overall capital programme and 10/11 expenditure profile (detailed in Appendix 3);
- (5) To advise of any matters they would like taken into consideration in producing a balanced budget for the next meeting of the Executive ;
- (6) To consider the Tax Base Report (Appendix 4) and
 - to resolve that, in accordance with the Regulations, as amended, the amount calculated by the Cherwell District Council as its council tax base for the year 2011/2012 shall be 50,337; and
 - to approve the report of the Head of Finance, made pursuant to the Local Authorities (Calculation of Tax Base) Regulations 1992, as amended, and the calculations referred to therein for the purposes of the Regulations; and

- to resolve that the tax base for parts of the area be in accordance with the figures shown in column 13 of Appendix 4b.
- to resolve to continue with the discretionary awards that it resolved to give on December 1 2008.

Executive Summary

- 1.1 The implications of the provisional settlement have been factored into arriving at draft 2 of the 11/12 revenue budget. The final settlement details will be issued in late Jan 2011 but the expectation is that the provisional settlement figures should remain the same.
- 1.2 Cherwell District Council was expecting a tough settlement and had modelled on scenarios of between 20%-30% over the four years of CSR. The CSR showed that local government would suffer cuts of up to 26% over the four years but the profile was front loaded.
- 1.3 Our Medium Term Financial Worst Case Scenarios assumed a reduction of 20% in the first 2 years. The outcome of the provisional settlement is that the Council will see its formula grant reduce from £10.905m to £8.575m in 2011/12 and to £7.628m in 2012/2013. If we exclude the impact of the transfers this represents a reduction of 13.8% in year 1 and a further 10.5% in year 2. This equates to 24.3% in 2 years.
- 1.4 The position for the final 2 years is not known and the implications of this settlement for the Medium Term Financial Strategy will be considered along with the final draft of the budget.
- 1.5 The draft budget presented illustrates significant progress in securing further efficiency savings to substantially reduce the funding gap identified in the previous draft from £1,114,181 to around £360,510.
- 1.6 There are a number of areas that have been identified in Appendix 1a (Para 1.10) at this stage it is expected that these together with the Councils ability to utilise reserves will deliver the remaining shortfall and achieve a balanced budget for 2011/12.
- 1.7 The capital programme for 2011/12 amounts to £3.9m of new capital bids, 2010/11 slippage of £6.8m and pre-approved bids profiled in 11/12 of £1.2m. This amounts to a capital programme of £11.9m which is detailed in Appendix 3. The Council's capital reserves are estimated to fall below £16.3m by 2014/15 so they need to be used to generate the most value to the residents of the District. The balances have also been reduced as a result of the recent capitalisation approval from CLG of £3.231m for the Icelandic bank losses.
- 1.8 In late October 2010 the Council made a request to CLG to capitalise the impairment loss of £4.615m which we had invested in Iceland's Glitnir bank. In early December we had confirmation that the government has agreed that £3.231m can be capitalised.
- 1.9 The implication of this on the accounts is that we will use £3.231m of capital receipts and charge an impairment loss of £1.384 to the General Fund revenue account in 2010/11. This is a better position for the Council than we had originally planned for as it puts less pressure on our revenue finances.

- 1.10 However, this is purely an accounting requirement and does not mean that the deposits are lost. The Council continues to work with Bevan Brittan and LGA to seek full recovery of the £6.5m invested. Should the deposits be repaid in full as priority creditor status then the accounting entries would be reversed.
- 1.11 The Council Tax base must be agreed by 15th January 2011 to allow all pre-cepting authorities to finalise budgets and set council tax.

Background Information

2.0 Corporate Plan

The Corporate Plan has been fully revised for the period 2011-2012. The plan reflects the national economic situation, significant strategic developments affecting the district and the reductions in public expenditure. The plan incorporates new policy agenda such as localism and the plan takes into account the wide range of public consultation undertaken around local priorities through both the annual satisfaction survey and budget consultation workshops.

At their meeting on 6th December 2010 Executive agreed the draft Corporate Plan and it is currently out for public consultation. The results of the consultation will shape the next version of the plan which Executive will receive in February 2011.

As in previous years a set of council tax pledges will be drawn from the corporate plan. These will form a core set of performance targets for the Council which directly reflect priorities and will be monitored through our corporate performance scorecard. The final corporate plan targets and pledges will be presented to Council with the final drafts of the budget in February 2011.

Service Plans

Copies of the draft Service Plans for 2011/12 are available on the Council's intranet site. Service plans will be finalised in March after the budget and corporate plan have been agreed by Council

2.1 Settlement 2011/12

The implications of the settlement can be seen in Appendix 1 - whilst Concessionary Travel can be viewed as a successful campaign, the level of general grant is much greater than the average 10.9% reduction outlined in the Spending Review in October. We understood that shire authorities would be at risk of a higher reduction and in budget draft 1 we assumed a 13% reduction – the actual result is 13.8% in 2011/12 and 10.5% in 2012/13 when compared to the adjusted 10/11 comparator.

In announcing the settlement on 13 December 2010 the Government confirmed that there would be a fundamental review of Local Government Finance that would commence in the New Year. This settlement provides the provisional amount of general grant that will be received by the Council in 2011-12 and details of the indicative funding for 2012-13. This differs from previous years where a 3 year settlement has been announced and is also at odds to the period of the 4 year CSR10 period.

A second two year settlement is then expected to follow in 2012 for the period 2013-14 and 2014-15 for which Government intend to adopt a new distributional system.

The implications of this settlement for the Medium Term Financial Strategy will be considered along with the final draft of the budget.

2.2 The Status of the Budget

The revenue budget (detailed in Appendix 2a) as presented has been left, quite deliberately, with a funding gap. This type of gap is not unusual at this stage in the process and it can be covered by the contribution from the VFM of Cultural and Heritage (Agenda Item 10) and income from the scrutiny proposals on parking. Members will have to consider other options to balance the budget in the event of not approving the parking income proposals.

The capital programme for 2011/12 amounts to £5.9m and with the 2010/11 slippage will amount to £17.9m – this is detailed in Appendix 2.

2.3 Overview and Scrutiny Board

The Overview and Scrutiny Board will undertake a review of the car parking income proposals considered at the December 2010 Executive. The outcome of this review and recommendations will be considered in the final draft. The recommendations can be seen in Agenda Item 8.

2.4 Council Tax Base

The Council is required to calculate its tax base for each financial year in advance of the start of the year and notify its major precepting authorities and local precepting authorities accordingly.

Appendix 4 contains all the background information that is used to calculate the taxbase and the report provides all the necessary calculations together with an explanation of how each has been arrived at.

There are various powers contained within the Council Tax, Housing Benefit and Business Rates legislation, all of which are reviewed annually.

Any resolution to amend a discretionary power relating to Council Tax must be made before the Council Tax for the next financial year is set. Similarly, with Business rates, it is important to establish the criteria that will apply for all classes of discretionary relief prior to the annual billing process.

Key Issues for Consideration/Reasons for Decision and Options

3.1 This report presents a second analysis of the Council's draft 2011/12 Revenue and Capital Budget.

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

Corporate Management Team 13/12/10, 15/12/10, 22/12/10

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 2011/12 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 budget reductions to match the reduction in government funding, the draft budget presented includes a significant level of efficiencies and these are detailed in Appendix 1a.

Comments checked by Karen Muir, Corporate System Accountant, 01295 221559.

Legal: There is a statutory requirement for the Council to set a balanced budget by 11 March 2011 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 will be considered in the budget book and a risk provision has been considered. 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 Karen Muir , Corporate System Accountant Officer, 01295 221559

Wards Affected

All

Corporate Plan Themes

An Accessible and Value for Money Council

Executive Portfolio

Councillor James Macnamara
Portfolio Holder for Resources and Communications

Document Information –

Appendix No	Title
Appendix 1	Implications of the 2011/12 Settlement
Appendix 2a	Draft Revenue 2011/12 Budget and Analysis 2
Appendix 2b	Draft Corporate Plan 2011/12
Appendix 3	Draft 2011/12 Capital Programme
Appendix 4	Council Tax Base Report
Appendices 4a-b	Supporting documentation
Background Papers	
2010/11 Budget Booklet 2010/11 Capital Programme Medium Term Financial Strategy Budget Guidelines Draft Service Plans 2011/12	
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