

Executive

Draft Budget One 2013 - 2014

7 January 2013

Report of Head of Finance and Procurement

PURPOSE OF REPORT

The Council has to adopt a budget for 2013/14 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 first of two opportunities that the Executive has to shape and refine the appending plans before the final budget is presented to the Council on the 27th February 2013.

This report is public

Recommendations

The Executive is recommended to:

- (1) consider the draft revenue budget (detailed in Appendix 1);
- (2) note the recommendations of the scrutiny reviews of discretionary expenditure and the capital programme that were considered at the Resources and Performance Scrutiny Board meetings October 2012 to December 2012 and detailed in Appendix 2;
- (3) advise of any other matters they would like taken into consideration in producing a balanced budget for the meeting of the Executive on 4th February 2013;
- (4) endorse the passporting of the Council Tax Reduction Scheme (CTRS) grant to local preceptors as detailed in Para 2.20-2.26.
- (5) note the decision taken in Oxfordshire not to progress with a pool

Executive Summary

- 1.1 The budget strategy approved on 1st October 2012 seeks to secure the budget reductions to offset funding reductions whilst maintaining the focus on protection for front line services wherever possible.
- 1.2 This report sets out the latest projection for the 2013/14 revenue budget. These projections have been based on the budget guidelines issued in October 2012. These guidelines were based on a 5% reduction in government funding. At the time of writing this report the provisional settlement has been announced. This shows a 5.4% reduction in 2013/14 grant funding and a 15% reduction in 2014/15.
- 1.3 In light of the severe financial challenges expected, a huge amount of work has been progressed from April 2012 to November 2012, in order to identify actions to reduce the Council's net budget position in 2013/14 and over the medium term forecast period to 2016/17.
- 1.4 The Council will meet its 2012/13 public promise to deliver at least £800,000 of budget reductions by April 2013 and to date £1,009,000 has been achieved and this has been built into the first draft of the budget.

13/14 Budget Position - Draft 1 Budget

	Settlement
% reduction	-5.40%
£ value of settlement reduction	£412,000
	£,000
Budget Deficit as per budget guidelines	-1,100
Settlement Projection - change from budget guidelines	-31
Proposed Growth - subject to approval	<u>425</u>
	<u>-1,556</u>
Proposed Funding	
Public Promise	1,009
2% efficiencies as per guidelines	217
Joint Working	100
Draft 1 Deficit	<u>-230</u>

- 1.5 The projected shortfall at draft 1 requires a further reduction in costs or increase in income of £230,000 is required.
- 1.6 In view of the expected government grant reduction a programme of identifying further areas of 5/10% budget reductions or income generation has resulted in a comprehensive list of building blocks and general budget efficiencies. These reductions have been matched to the Council's priorities, recognise the requirements of the Corporate Plan and have focussed on

minimising the impact on front line services.

- 1.7 A number of areas to eliminate the deficit have been identified in Appendix 1. The outcome of these reviews and their implication on the current budget shortfall will be presented to the Executive in February 2013. At this stage it is expected that we will achieve a balanced budget for 2013/14 without the need to use any New Homes Bonus, business rate growth or general reserves.
- 1.8 Further work will also continue on identifying additional budget reductions for future years and these will be detailed in the Medium Term Financial Strategy which will be updated and presented as part of the final budget report.
- 1.9 The Resources and Performance Scrutiny Board have undertaken a scrutiny role over the 2013/14 budget focusing primarily on areas of discretionary spend and the proposed Capital Programme for 2013/14. The recommendations of this work (in Appendix 2) are to be considered by the Executive for inclusion in the final drafts of the 2013/14 revenue and capital budget.
- 1.10 The draft 2013/14 revenue and capital budget will form the basis for consultation with our stakeholders and the output of this consultation will be considered in formulating the final 2013/14 budgets and Corporate Plan.
- 1.11 There is a statutory requirement for the Council to set a balanced budget by 11th March 2013 and this report provides a first draft of the 2013/14 revenue and capital budget.

Background Information

Current Position and Forecast Out-turn 2012/13

- 2.1 The starting position for the 2013/14 budget is the current year's Budget for 2012/13. Latest forecasts predict services to be delivered within overall budget this financial year. A Q3 finance report will be reported in February 2013 at the same time as the final 2012/13 budget proposal along with a review of reserves.
- 2.2 In light of the challenging financial position that faces the Council over the medium term, work began on the 2013/2014 budget almost immediately after setting the 2012/2013 Budget in February 2012. This meant that cost reductions could be considered well enough in advance to maximise contribution to the 2013/14 budget and understand the medium term implications.
- 2.3 As in previous years, the amount available for distribution from the Collection Fund will be confirmed for the final draft of the budget.
- 2.4 There are a number of recommendations that have been proposed by the Resources and Performance Scrutiny Board from their meetings in October and December 2012 and if approved by the Executive they can be built into the final draft of this budget.
- 2.5 Further work will continue on identifying additional budget reductions for future

years and these will be detailed in the Medium Term Financial Strategy which will be updated and presented as part of the final budget report.

Budget Guidelines and Timetable

2.6 The Executive agreed the budget guidelines, service priorities and timetable at its meeting on 1st October 2012.

The Status of the Budget

2.7 The draft revenue budget as presented has been left, quite deliberately, with a funding gap to emphasise that it is work in progress. This type of gap is not unusual at this stage in the process and it can be covered by considering the actions listed within Appendix 1. The funding gap in the draft budget as presented is £230,000 and it is important that Members are aware of this potential deficit before they finally commit funding against particular priorities and/or divert funding from low priority services.

Local Government Resource Review and Provisional Settlement

2.8 The local Government Finance Settlement announced in 2011/12 provided provisional Formula Grant for 2012/13 of £7.6m. The equivalent for 2013/14 announced in the provisional settlement on 19 December 2012 is £7.2m - a reduction of 5.4%. Further details can be seen in Appendix 1.

Council Tax

2.9 The budget guidelines assumed a 0% increase in 2013/14 and the first draft of the budget continues to assume this. In the Autumn Statement on 5 December 2012, the Chancellor of the Exchequer confirmed his intention to support local authorities to help them freeze council tax in 2013/14 as well. If councils decide to freeze or reduce their council tax next year, they will receive an additional two year only funding, equivalent to raising their 2012/13 council tax by 1%. If Cherwell District Council was to freeze its council tax in 2013/14 it would receive an additional grant of c. £63,000 for 2013/14 and 2014/15 only. The receipt of this additional grant has not been incorporated within the projected resources of the Council in this first draft of the budget.

New Homes Bonus

2.10 As part of the 2011/12 finance settlement, the Government announced a new grant called New Homes Bonus. This effectively replaced the Housing and Planning Delivery grant as the mechanism for rewarding local authorities that were being successful in delivering growth in house numbers.

2.11 The new grant provides additional funding equivalent to the extra Council Tax being received from new properties, for a period of six years. Cherwell has received a cumulative total of £1,142,381 during the first 2 years of allocation (first year allocation £439,186 and second year £703,195) and a proposal for its use will be considered in February 2013.

2.12 It has just been announced that, using taxbase figures at October 2012, we expect to receive a further £1,187,785 in 2013/14 (£703,195 related to the first 2 years and the 2013/14 allocation £484,590)

2.13 Although the Government has committed to this grant until 2015, the position beyond 2013/14 is that it is no longer additional funds but is being funded from formula grant funding. It will therefore have a redistributive effect, rather than being seen as additional funding.

2.14 It would therefore be prudent at this stage to consider a strategy for use of the allocations beyond 2012/13 as part of the development of the medium term financial strategy. This strategy is being prepared and at this stage no budgetary impact has been built into the 2013/14 draft 1 revenue budget.

Pay Deal Update

2.15 The budget strategy and guidelines for 2012/13 approved by Executive in October 2012 incorporated the budget assumption of a 2% pay increase and this has been built into this first draft of the budget. Officers are shortly to commence pay negotiations with Unison with a view to reach a new local agreement for 2013/14 onwards bringing this broadly in line with both the government's position and the council's budget position.

Joint Working arrangements with South Northamptonshire

2.16 As part of the joint working arrangements with South Northamptonshire we now have the following:

- Joint Management Team
- Shared Joint Management Support Team
- Shared Building Control Service
- Shared Democratic and Election Service
- Shared Finance and Procurement Service
- Shared ICT Service
- Shared Performance Team
- Shared Health and Safety Function

2.17 All of these teams have generated budget reductions, offered resilience and promoted best practice. In addition to these the following services are under review for sharing:

- Legal
- HR

Proposals to close the 2013/14 budget deficit and future medium term financial forecast will also feature more proposals for joint working.

The Status of the Budget

2.18 The draft revenue budget as presented has been left, quite deliberately, with a funding gap to emphasise that it is work in progress. This type of gap is not unusual at this stage in the process and it can be covered by considering the actions listed within Appendix 1. The funding gap in the draft budget as presented is £230,000 and it is important that Members are aware of this

potential deficit before they finally commit funding against particular priorities and/or divert funding from low priority services.

Budget Consultation

2.19 Consultation will commence following approval of this report so that views can be sought in sufficient time for them to be taken into consideration when formulating the 2013/14 budget and council tax. The general consultation will take place via the Council website and in order to meet its statutory obligation to consult with business ratepayers meetings will be held with our local chambers of commerce.

Council Tax Localisation

2.20 The change from Council Tax Benefit (CTB) to Council Tax Reduction Scheme (CTRS) means that rather than receiving a benefit to offset the cost of council tax, eligible residents will now receive a discount. This means that the tax base will be reduced for all precepting authorities. Most parish Councils will see a shortfall in their funding.

2.21 On 20 November 2012 the Government released their response to the August 2012 consultation exercise and also published the Local Authorities (Calculation of Council Tax base) (England) Regulations 2012. These new regulations came into force on 30 November 2012. In summary, **97%** of all respondents (242 out of 258) to the government consultation exercise supported the alternative approach, which provided such protection to the town and parish councils. This support also included the majority of billing authorities who responded. However, even though there was overwhelming support the government has decided that there should be no specific protection for local preceptors and that the billing authority should not apply an unadjusted council tax base to the local precepting authority. As a result **tax base reduced for Parishes**.

2.22 The government further advises that the funding attributable to the parish precept will be provided to the billing authority (expected to be in the region of £350k) and it expects to work with local parish and town councils to provide certainty over funding. We are currently working through the actual impact.

2.23 Under the previously proposed arrangements which government consulted upon in August, of the billing authority did not make necessary reductions then the net cost i.e. shortfall minus government funding would fall automatically to the billing authority, but this now sits potentially with the parish and towns. In order to mitigate, the choices are to increase precept or the Council picks up the difference.

2.24 The precise level of funding from government attributable to the parish and town councils was announced as part of the provisional local government finance settlement 19 December 2012. In deciding the amount of funding to be passed down to the local precepting authorities, the billing authority will need to decide how much of a contribution (if any) the local preceptor should make toward the costs of the local scheme, as it will exceed the level of funding which will be provided by government.

2.25 Government guidance indicates that the billing authority should work with parishes on the distribution of grant funding. The option is for funding to be

distributed to parish councils to mitigate the loss of funding for parish councils in relation to council tax reduction scheme. As parish councils need to set their precept, this report seeks to get a recommendation from the Executive to passport an appropriate element of the council tax reduction grant to parishes to help mitigate their financial risk.

2.26 Any further shortfalls will be subject of individual negotiations with individual parishes. Approval of the Council Tax Reduction Scheme, revised discounts and exemption and the final taxbase will be sought at full Council on 21st January 2013

Business Rate Pooling

2.27 As reported in December 2012 a final decision would be taken on whether to be part of the Oxfordshire pool once the settlement had confirmed the business rate baselines. As a result of this information and change to levy rates the pool is now not financially attractive and the request to pool has been withdrawn.

Key Issues for Consideration/Reasons for Decision and Options

3.1 This report presents the Council's draft 2013/14 Revenue Budget and Capital Bids for consideration.

3.2 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 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

September to December 2012

Resources and Performance Scrutiny Board

16/10/12 and 11/12/12

Corporate Management Team / Joint Management Team

Various meetings July to December 2012

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 2013/14 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. The council has developed a number of building blocks to meet the strain created through the reduction in Government grant, these in addition to the £800,000 public promise and additional efficiency savings have been built into this first draft of the Budget for 2013/14.

Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Legal:

There is a statutory requirement for the Council to set a balanced budget by 31 March 2013 and the draft budget is part of that process.

Comments checked by Kevin Lane, Head of Law & Governance, 03000 030 107.

Risk Management:

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. A full appraisal of risk will be included in the final budget report detailing mitigations and a sensitivity analysis will be included in calculating the risk provision

Comments checked by Nicola Jackson Corporate Finance Manager 01295 221731.

Wards Affected

All

Corporate Plan Themes

All

Executive Portfolio

Councillor Ken Attack

Lead Member for Financial Management

Document Information –

Appendix No	Title
Appendix 1 – to follow	Draft Revenue 2013/14 Budget and Analysis
Appendix 2 – to follow	Resources and Performance Scrutiny Board – Budget Scrutiny recommendations (October and December 2012)
Background Papers	
None	
Report Author	Karen Curtin, Head of Finance and Procurement Nicola Jackson Corporate Finance Manager Beth Baines Strategic Finance Accountant
Contact Information	03000 030 106 karen.curtin@cherwell-dc.gov.uk

The Status of the Budget

- 1.1 This is the first draft of the budget and is currently subject to scrutiny of both revenue and capital together with amendments for new information relating to economic climate and confirmation of the impact of the local government settlement received on 19 December 2012.
- 1.2 The final version of the budget will be presented to the Executive on February 4 2013 before approval by Council on February 27 2013.

Budget Guidelines

- 1.3 The draft General Fund Revenue budget has been prepared in accordance with the guidelines agreed by the Executive at its meeting on 1 October 2012.

Economic Climate and National Context

- 1.4 In 2010 the Government's austerity measures meant Local Government (along with the Welfare System) received the most challenging funding settlement in decades, resulting in a 28% cut to the Council's controllable costs over the 4 years to 2014/15.
- 1.5 In order to protect front line services we have demonstrated a successful track record in delivering these savings by identifying efficiencies, adopting a more commercial approach to our major contracts and procurement to secure better value for money, taking advantage of new technologies and introducing new and innovative ways of delivering our services.
- 1.6 Efforts have also been made to reduce management and staffing costs through our commitment to joint working with South Northamptonshire Council. We now have the following shared teams:

- Senior Management Team
- PA Support Team
- Building Control Team
- Democratic Services and Elections
- ICT
- Finance and Procurement
- Health and Safety
- Corporate Performance

- 1.7 Further work is on-going to look at joint working opportunities for the remaining support services HR and Legal as well as the development of business cases to look at how we could work collaboratively on the delivery of front line services.
- 1.8 All of these initiatives have meant that we have been able to contain growth and inflation, reduce our costs and make real improvements to some areas whilst protecting frontline services.
- 1.9 The Local Government Resource Review has been ongoing for the last 12 months and the Council has been analysing the impact on the proposed changes on our finances, services and our residents. There are significant changes being introduced into local government finance such as the Business Rate Retention Scheme, Council Tax Support Scheme replacing Council Tax Benefit and Council Tax Reform with regard discounts and premiums for certain homes and categories of property which will impact on the Council's tax base.
- 1.10 From April 1 2013 the responsibility for the Council Tax Reduction Scheme will transfer to the Council but with a 10% cut in budget. For CDC this reduction is £744,495 and of this approximately 13.34% will be borne by the billing authorities district and parish councils] which equates to £99,613 meaning the Council has to save this to be able to fund the scheme 'as is' in the first year alone. This reduction is proposed to be funded by changing discounts and

exemptions. There may also be additional pressures through the localisation of this scheme to council tax collection rates which may have an impact on any collection fund deficit or surplus. This will be considered in full in the final draft of the budget to be presented in February 2013.

1.11 The Government are also implementing the largest ever reform to the benefits system since 1940 in an effort to save £18bn from the welfare bill. The complex changes will affect the amount of housing benefit people can claim and put an overall cap on the amount of benefits families can receive each week to ensure people are better off in work. However, our analysis shows that there is a large correlation between those households likely to be impacted by welfare reform and those impacted by the Council Tax reduction scheme. The combined effect could push more people into poverty and homelessness and coming to the Council for help.

1.12 The 2011 Census data has started to be released this summer enabling us to update our demographic projections. The data shows;

- The population for Cherwell in 2011 was 141,900.
- This is an increase of 5,700 (7%) from the 2001 mid-year estimate.
- There were 56,700 households in Cherwell in 2011 (household spaces occupied by at least one usual resident).
- Compared to England and Wales, Cherwell has a younger age profile with 18.8% of the population under 15, compared to 17.6%.
- Cherwell has a higher proportion of 30 -50 year olds than England and Wales as a whole, 46.7% of its population falls within this interval.
- 21.2% of the Cherwell population are over 60, compared to 22.4% in England and Wales.

2013/14 Provisional Settlement

1.13 On 19 December 2012, Rt. Hon. Eric Pickles, the Secretary of State for Communities and Local Government, made a statement to the House of Commons concerning the provisional local government finance settlement for 2013/14.

1.14 The Secretary of State announced that local authorities will face an average reduction in spending power of 1.7%; and that no local authority would experience a decrease of more than 8.8%. In a similar manner to the previous two years, the government's headlines focus on comparative figures concerning a local authority's "revenue spending power" – a definition which encompasses an individual authority's:

- Council Tax Requirement
- Start-up funding assessment
- Specific Grants
- New Efficiency Support Grant

1.15 The Secretary of State also announced:

- Local Authorities will be able to use proceeds from the disposal of assets from 2012/13 to fund equal play claims
- Local government will be exempt from the 1% reduction in funding announced in the Autumn Statement 2012 (this exemption was originally announced in the Autumn Statement by the Chancellor).
- The publication of "*50 ways to save: examples of sensible savings in local government*"; which has the stated intention of offering 'practical tips and guidance' for councils on achieving savings; (*to be considered in Q3 Finance Report*)
<https://www.gov.uk/government/publications/50-ways-to-save-examples-of-sensible-savings-in-local-government>

- Confirmation of the previously announced council tax freeze grant offer: i.e. an amount equivalent to a 1% increase in funding for 2013/14 and 2014/15, for a 0% council tax increase in 2013/14; and up to a 2% increase being allowable before a referendum is required. (*current budget guidelines assume a 0% increase in 2013/14*)
- An allowable £5 increase in council tax (even if it is above the 2% threshold) for Shire Districts, Police and Crime Commissioners and fire and rescue authorities whose 2012/13 council tax was in the lower quartile of their category of authority
- Subject to consultation, the government propose that there will be no access for councillors to the Local Government Pension Scheme in England from April 2014. (7 *Councillors are currently enrolled in the pension scheme*)

1.16 The government will pay a revenue grant (Efficiency Support Grant) to local authorities in 2013/14 and 2014/15 who would otherwise have seen a reduction in 'revenue spending power' of more than 8.8% in 2013/14. The grant will be offered to these authorities, providing they sign up to conditions for 2013/14 e.g. joint working. This grant will not be offered for 2014/15 to an authority if it fails to deliver on the conditions agreed upon. The authorities that are eligible for the Efficiency Support Grant are Bolsover, Hyndburn, Great Yarmouth, Hastings, Pendle, Burnley and Barrow-in-Furness.

1.17 The 2013/14 provisional finance settlement sees the launch of the Business Rates Retention (BRR) scheme as the principle form of local government funding. In previous years, the provisional settlement announcement provided local authorities with their expected general revenue allocations for the following financial year. For 2013/14, the provisional settlement provides authorities with a combination of provisional grant allocations and their respective starting points within the BRR scheme.

1.18 Due to the introduction of BRR, there are a number of new terms and principles introduced into local government funding. An authority's Formula Funding can be compared against the 2012/13 Formula Grant Figure (after it is adjusted to take into account specific grant transfers), to determine the change in funding levels between years.

1.19 The Formula Funding amount for a local authority, plus any further specific grant transfers (such as council tax freeze grant) will provide a total funding amount; this is known as the Start-up Funding Assessment. The Start-up Funding Assessment for an authority is split between resources received Revenue Support Grant (RSG) and a Business Rates Retention (Baseline Need) amount. It is the Baseline Need amount that is funded through retained business rates and the RSG amount that will be guaranteed.

1.20 All factors being equal, if local authorities collect business rates in line with previous levels, after the required adjustments are made, the retained amount should be comparable with the Baseline Need amount. However, there will be winners and losers from the methodology used i.e. the government has made an assumption regarding the amount of business rates that authorities will be able to collect (this is known as the NDR Baseline). This assumption may be too high or too low for individual authorities, thereby causing authorities to gain or lose.

1.21 A key determinant of local government funding going forward will be actual business rates collected i.e. it is this figure that will determine if authorities receive funding comparable to the Baseline Need amount (and therefore the Start-up funding assessment), or a higher/lower amount. Local authorities therefore need to factor in local business rates income forecasts, alongside the provisional settlement figures, in order to estimate local resource levels for 2013/14 and beyond.

1.22 The 2013/14 formula funding figure for authorities uses the four block model approach (i.e. as in 2012/13). However, the 2013/14 figures have been updated for data and methodology changes. These changes include latest population statistics, latest council tax base and a change in definition for the sparsity indicators.

1.23 The provisional settlement shows a reduction in grant funding of 5.4% in 2013/14 which was in line with our forecast. However a further reduction of 14.94% in 2014/15 is higher than expected. An analysis of the settlement for Cherwell District Council is summarised below:

	£,000
2012-13 Formula Grant	7,622
2013-14 Formula Funding :Provisional settlement figure	7,210
Reduction	-412
% Reduction	-5.4%
Revenue Support Grant	5,015
Business Rates	3,336
Start Up Funding Assessment	8,351
Less:	
Council Tax Freeze Grant	-155
Council Tax Support Funding	-884
Homelessness Prevention	-102
	7,210
2014-15 Formula Funding	
Revenue Support Grant	3,836
Business Rates	3,438
Start Up Funding Assessment	7,274
Less:	
Council Tax Freeze Grant	-155
<i>Council Tax Support Funding</i>	<i>-884</i>
Homelessness Prevention (see 1.24)	-102
	6,133
	-1,077
	-14.94%

1.24 It should be noted the receipt of specific grant for Homelessness prevention has now been incorporated into the overall funding settlement for the Council. Consequently, all one-off funding from previous specific grant allocations (previously shown as income will be removed from service budgets. This has the effect of making the net cost of the service appear more expensive than previously.

1.25 The figures published for Cherwell using the spending power analysis show a much lower reduction than this of 0.11% as this focuses on all of the funding streams we receive rather than just the Government Grant element.

Spending power analysis	12-13 £,000	13-14 £,000	Reduction £,000	Reduction in spending power
Council Tax requirement (excluding parishes)	6,251	6,251	0	0.00%
Start up funding assessment (adjusted)	8,764	8,351	-413	-4.67%
CT Freeze grant	156	63	-93	-59.87%
Community right to challenge	9	9	0	0.00%
Community right to build	5	8	-3	-60.00%
New Homes Bonus	703	1,188	-485	-68.87%
Total	15,888	15,870	-18	-0.11%

1.26 A report on how the Council proposes to use the New Homes Bonus funds will be taken to the Executive in February 2013 for consideration.

1.27 The consultation figures also confirmed the baselines and levy rates required to finalise decision on business rate pooling. As a result if there was a business rate pool including all authorities in Oxfordshire, the overall levy rate it would pay would be 42.66%. This is above the threshold level of 40% below which it becomes worthwhile to form a pool (as the levies paid would be less). Thus it is clear that forming a pool of all authorities would make the Oxfordshire authorities worse off, so the request to form a pool in Oxfordshire will be withdrawn.

1.28 The deadline for written responses to the provisional settlement 2013/14 is 5pm on Tuesday 15 January 2013. The provisional figures are expected to be confirmed in late January/early February 2013 (within the final settlement announcement).

Medium Term Financial Forecasts

1.29 The national context, economic background and the outcome of the settlement will be considered in the development of the 2013/14 budget and refresh of the medium term financial forecast. At this stage the analysis shows that we are seeking further substantial budget reductions in 2014/15 onwards. The savings identified in draft 1 of the 2013/14 will provide a substantial contribution to this and a new 4 year medium term financial forecast will be included with the budget report in February 2013.

General Fund Revenue Budget

1.30 The draft General Fund Revenue budget is shown in Table 1. The revenue budget as presented has been left, quite deliberately, with a funding gap of £230,149. This type of gap is not unusual at this stage in the process and it can be covered by considering the actions listed in 1.38.

Table 1

SERVICE EXPENDITURE - Draft 1	Budget	Draft Budget 1	Variance from 12/13 Budget
	2012/13	2013/14	
Expenditure	£16,641,325	£16,044,475	-£596,850
Capital Charges Reversed	-£3,323,392	-£3,323,392	£0
Net Expenditure Services	£13,317,933	£12,721,083	-£596,850
Centrally Controlled Items	£1,341,299	£1,701,131	£359,832
Net Budget Requirement	£14,659,232	£14,422,214	-£237,018
Funding			
Investment Income	£439,810	£415,000	-£24,810
Government Grant	£7,621,722	£7,210,000	-£411,722
Council Tax Compensation Grant	£155,415	£155,415	£0
Collection Fund	£139,332	£139,332	£0
Council Tax -Single person discount review	£52,000	£0	-£52,000
Council Tax	£6,250,953	£6,272,318	£21,365
	£14,659,232	£14,192,065	-£467,167
Shortfall Draft 1	£0	£230,149	£230,149

1.31 The budget guidelines assumed a 0% increase in Council Tax for 2013/14 and the first draft of the budget continues to assume this. In the Autumn Statement on 5 December 2012, the Chancellor of the Exchequer confirmed his intention to support local authorities to help them freeze council tax in 2013/14 as well. If councils decide to freeze or reduce their council tax next year, they will receive an additional two year only funding, equivalent to raising their 2012/13 council tax by 1%. If Cherwell District Council was to freeze its council tax in 2013/14 it would receive an additional grant of c. £63,000 for 2013/14 and 2014/15 only. The receipt of this additional grant has not been incorporated within the projected resources of the Council in this first draft of the budget.

1.32 The changes regarding the council tax support scheme and implications on the Council tax base and funding will be built into the final draft of the budget. At present the increase in council tax is related to the growth in properties.

1.33 The capital charges as detailed in the table above are still at 2012/13 levels but will be updated for the final draft. This will not impact on the balancing of the budget as this represents an accounting entry and will not affect the bottom line.

1.34 This first draft of the 2012/13 revenue budget demonstrates that we have delivered in excess of the £800k public promise (£1m). In addition, we have also identified £217k worth of additional efficiencies which have also been built into this first draft. A detailed analysis of the efficiencies achieved will be prepared for the final version of this budget.

1.35 Table 2 provides a further breakdown :-

Table 2

Area	Building Block Detail	£800k Public Promise	Efficiencies	Joint Working	Total
Corporate	Joint Working - ICT phase 1 delivered	£ 218,000			£ 218,000
Corporate	Joint Working - other initiatives underway: finance, performance, democratic, monitoring officer included	£ 104,000			£ 104,000
Corporate	Joint Working Building Control	£ 24,000			£ 24,000
Various	Procurement Action Plan	£ 75,000			£ 75,000
Tourism	Museum – move to trust status	£ 35,500			£ 35,500
Environmental Services	Re tender and negotiation of New Recyclables Contract to take advantage of favourable market conditions.	£ 432,000			£ 432,000
Corporate	Change in planning fees regime - 15% increase in fees based on CLG guidance	£ 120,000			£ 120,000
All Directorates	2% efficiencies as per budget guidelines		£ 216,664		£ 216,664
All Directorates	Joint Working Assumption as per MTFS			£ 100,000	£ 100,000
Total		£ 1,008,500	£ 216,664	£ 100,000	£ 1,225,164

1.36 The efficiencies of £217k can be classified as :-

Budget Adjustments (no service impact)	75%
Procurement Efficiencies (no service impact)	8%
Contract Reductions (reduced inflation and efficiencies)	12%
Income (demand increases)	5%

1.37 The following table provides details of unavoidable growth items that have been built into the 2013/14 draft 1 budget. These items represent budget pressures which are often unavoidable and have to be incorporated into our base revenue budget, many of which are of a significant nature.

Table 3 – unavoidable growth

SERVICE AREA	DETAIL	Additional Costs
Corporate - Executive Matters	Contract inflation	£57,131
Corporate - Executive Matters	Mileage increase required based on usage	£5,980
Corporate - Executive Matters	Pay inflation 2% (budget guidelines)	£268,820
Corporate - Executive Matters	Pay - increments, NI, superannuation	£86,000
Corporate - Executive Matters	Increase in Capital Cost of Pension	£90,000
Environmental Services	Fuel	£40,000
		£547,931

The following table provides details of growth bids (not yet approved by members) that have been built into the 2013/14 budget draft 1 position.

Table 4 – growth bids

SERVICE AREA	DETAIL	GROWTH REQUEST
Corporate – Welfare Reform	Impact of Welfare Reform – admin subsidy and demand impacts	£150,000
Corporate - Executive Matters	Project Management (3 years only)	£125,000
Development	Planning - projects validation & registration	£64,212
Regeneration & Housing	Estates - Maintenance & Repair	£65,000
Regeneration & Housing	Housing Allocations -Abritas IT Development	£21,000
		£425,212

1.38 In order to balance the budget a further reduction in costs or increase in income of £230,149 is required. In view of the expected government grant reduction a programme of identifying further areas of 5/10% budget reductions or income generation has resulted in a comprehensive list of building blocks and general budget efficiencies. These reductions have been matched to the Council's priorities, recognise the requirements of the Corporate Plan and have focussed on minimising the impact on front line services. The following areas will be considered:

Table 5

AREAS FOR FURTHER REVIEW	IMPACT
Increase to Income budgets	Increase Income
Procurement Savings/Negotiation	Reduce Costs
Deletion of Vacant Posts	Reduce Costs
Additional efficiencies	Reduce Costs
Further joint working opportunities	Reduce Costs / Increase Income

1.39 The outcome of these reviews and their implication on the current budget shortfall will be presented to the Executive in February 2013. At this stage it is expected that we will achieve a

balanced budget for 2013/14 without the need to use any New Homes Bonus, business rate growth or general reserves.

1.40 In addition further work will continue on identifying additional budget reductions for future years and these will be detailed in the Medium Term Forecast which will be updated and presented as part of the final budget report.

Risk

1.41 As ever the Council needs to plan its budget amidst a high degree of uncertainty, which brings with it risks. As well as specific mitigating actions on individual issues, risks are also addressed as part of our corporate risk register, proactive budget monitoring, service planning process and consideration of risk in all key decisions and committee reports.

1.42 The final draft budget will include a specific service risk provision and a general provision which equates to 1% of projected net expenditure and is in line with our budget planning.

1.43 A full appraisal of risk will be included in the final budget report detailing mitigations and a sensitivity analysis will be included to calculate the specific risk provisions.

Reserves

1.44 In addition to the robust risk control measures it will be necessary for the Council to maintain a general fund general balance as the ultimate safeguard. The reserves will also be subject to review as part of finalising the 2013/14 budget and this report will be considered at the February Executive.

Appendix 2

2013/14 Budget Scrutiny Outstanding Actions, Recommendations and Conclusions

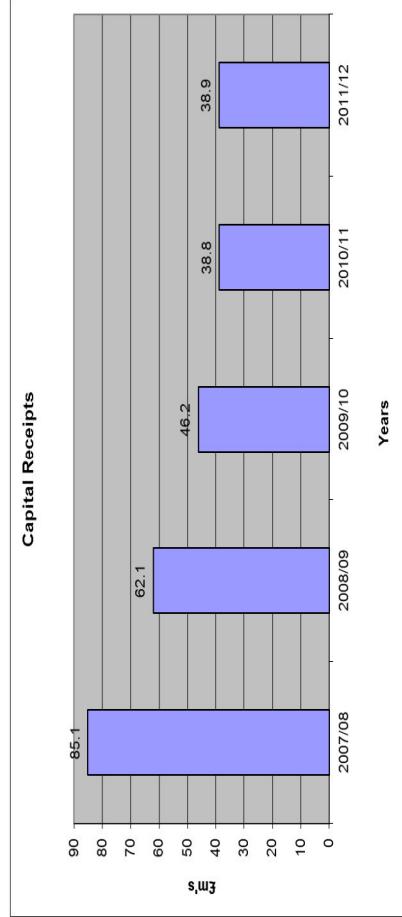
Introduction

Resources & Performance Scrutiny Board (RSPB) considered the context to the revenue and capital budgets for 2013/14. Revenue net expenditure has reduced by 31% since 2008/09 and is summarised in the table below.

	2008-09	2009-10	2010-11	2011-12	2012-13
Net Budget	21.1	19.9	18.5	15.8	14.6
Change (£)	-2.4	-1.2	-1.4	-2.7	-1.2
Change (%)	-10.2%	-5.7%	-7%	-14.5%	-7.5%

On this basis a focus was given on discretionary budgets and the largest budget – environmental services. This budget represents some 40% of the 2012/13 net revenue budget.

The board also considered the budgetary implications of the welfare reform changes – administration subsidy issues and the implications for the homelessness budgets.



Capital spend is projected to be £18m in 2012/13. Based on the current programme and profiled expenditure capital receipts are forecasted to be at less than £20m in March 2013. On this basis the Board dedicated a large part of the budget scrutiny on the capital bids including the scoring process. The detail behind the bids and scores can be seen on the final page of Appendix 2. If current expenditure continues and the council doesn't increase its capital pot, it will no longer be a debt free authority.

Recommendation

The Executive is recommended to consider the following recommendations from the Resources and Performance Scrutiny Board.

Capital Bids 2013/14

The budget scrutiny process for 2013/14 has involved a review of the capital bids received as part of the 2013/14 process. The bids received were reviewed at an informal budget scrutiny meeting (24 September 2012) and scored using a standard score card taking into account:

- Drivers (compulsory/legal; highly recommended; or desirable)
- Strategic Objectives (direct and significant to a strategic objective; indirect; or, not applicable)
- Consultation Priority
- Impact on performance or service delivery
- Organisation risk
- Efficiency (positive revenue with figures provided)

At the second informal budget scrutiny meeting (2 October 2012) Lead Members and Heads of Service were present to provide scrutiny members with additional information on a number of bids.

At the 16 October 2012 meeting of the Resources and Performance Scrutiny Board, Members reviewed the information from the informal meetings and agreed to submit the following recommendations for consideration by the Executive:

Recommendations	Reasons and Comments
Capital Programme 2012/13	
1. That the following capital bids be included in the capital programme 2013/14: <ul style="list-style-type: none"> i. D & PS Access Audit 2012 ii. Vehicle Replacement 2013/14 	Bids i – xv. The Board was satisfied with the information and justification for each of these bids. All of these bids received a score of 24 or greater during the review process and the Board determined that all bids with a score greater than 24 should be recommended for inclusion in the capital programme 2013/14. Members noted however that there were a number of bids that related to the replacement of

iii. Cherwell Community Centre – Roof Covering Replacement	items which would have a limited life span and therefore require repair or replacing. Members commented that the capital pot is limited and would require building up again; therefore the Board suggested that consideration should be given to services building up funds to cover future replacements and ongoing costs.
iv. Microsoft Licensing	
v. Recycling Bank Replacement 2013/14	Bid xvi (Wheeled Bin Replacement Scheme): The Board commented that it was important for the Executive to be mindful of future wheeled bin replacement schemes and that the Executive be requested to build up funds from revenue accounts for future replacement schemes. Members noted that not all bins would require replacing at the same time and therefore bin replacement should be undertaken as a rolling scheme.
vi. Units 6 & 7 Thorpe Way – Replacement Roof Covering	Bid xvii (Works in Connection with Condition Survey): The Board agreed that this project be recommended for inclusion in the capital programme 2013/14 as the survey would review assets and identify areas requiring replacement to inform a rolling repair and maintenance programme.
vii. Mandatory Disabled Facilities Grants	
viii. Vehicle lifting equipment	
ix. Desktop PC Replacement	Bid xviii (Kidlington and Gosford Leisure Centre Astro Turf Replacement) and bid xix (North Oxfordshire Academy Track Refurbishment): The Board recommended that these bids be included in the capital programme 2013/14 as recreation was one of the council's key services and third party funding could only be sought if Cherwell committed funds. Members requested that officers give consideration with partners to general maintenance and future replacement.
x. Visualfiles Upgrade	
xi. Server Replacement Package	
xii. 23 & 24 Thorpe Place – Replacement Roof Lights	Bid xx (Discretionary Housing Grants): Members noted that the level of demand for these grants varied and agreed that the grants should be retained, in particular, in light of the welfare reforms.
xiii. Financial System Upgrade	
xiv. Bicester Sports Village Phase 2	Bid xxi (Replacement Air Conditioning Plant to Main Chamber, Bodicote House): Following the receipt of supplementary information regarding this bid and confirmation that it was not part of the capital bid for works associated with the findings of the condition survey, Members were satisfied that the work was essential. Additionally, there were potential cost and environmental benefits. Notwithstanding their support for the bid, Members raised concerns as to why the work had not been undertaken previously.
xv. Stratfield Brake Repair Works	
xvi. Wheeled Bin Replacement Scheme	
xvii. Works in Connection with Condition Survey	
xviii. Kidlington and Gosford Leisure Centre Astro Turf Replacement	Bid xxii: (Corporate – Electronic Document and Records Management System (EDRMS)): Following the receipt of supplementary information and consideration of a draft business case
xix. North Oxfordshire Academy Track Refurbishment	
xx. Discretionary Housing Grants	
xxi. Replacement Air Conditioning Plant	

<p>to Main Chamber, Bodicote House</p> <p>xxii. Corporate – Electronic Document and Records Management System (EDRMS) to include the capital bid for Planning and Building Control replacement of ICIPSE (Northgate)</p> <p>xxiii. Highfield Depot Relocation Feasibility (resubmitted bid - Highfield Depot – Proposed Redevelopment of Office and Welfare Facilities)</p> <p>xxiv. Thorpe Lane Hard Standing Depot</p>	<p>Members agreed to note the report and recommend that the Executive earmark reserve capital receipts to a maximum of £700k for the implementation of EDRMS, subject to:</p> <ul style="list-style-type: none"> • A full business case being brought forward • Site visits being made available for Members to see and hear about actual benefits realised in other councils, and the systems used • If the subsequent business case is approved, which delivers this significant business change in stages in the way that best enables and supports delivery of strategic priorities • South Northamptonshire Council Cabinet taking a similar decision <p>The Board stressed that the detailed business case should cover how the change would be managed; the migration of other systems and the arrangements to be put in place to backfill officers as required; cashable and non-cashable savings.</p> <p>The Board recommended that the capital receipts should be earmarked to ensure capital funding would be available should the detailed business case be supported and not allocated to other projects.</p> <p>As the bid was for a joint project with South Northamptonshire Council, Members requested that officers provide feedback following consideration of the bid by SNC Members.</p> <p>Bid xxiii: (Highfield Depot Relocation Feasibility – resubmitted Highfield Depot – Proposed Redevelopment of Office and Welfare Facilities bid): Following initial consideration of this bid, it had been resubmitted as a bid for capital funding to undertake a full technical redevelopment assessment and valuation of the Highfield Depot site. The Board agreed that this bid should be recommended for inclusion in the 2013/14 capital programme up to a value of £65k as it represented the only way forward as it was essential to have all relevant information to enable a plan to be developed about the future of the site. Members recognised that the procurement exercise to appoint a consultant to carry out the feasibility study could result in a lesser cost.</p> <p>Bid xxiv: Thorpe Lane Hard Standing Depot: Following consideration of supplementary information relating to this bid, Members agreed that it was essential that the bid be recommended for inclusion in the 2013/14 capital programme to address and potential health and safety issues before they arise.</p>
--	---

<p>2. That the following capital bid be included in the capital programme 2013/14, subject to negotiation and agreement being reached with Kidlington Parish Council for the ongoing maintenance of the bollard:</p> <p>i. Kidlington Pedestrian Scheme – Phase 2</p>	<p>The Board recognised that this bid was the next phase of the Kidlington pedestrianisation scheme and would help enforce the new pedestrianised area in the centre of Kidlington. The Board agreed that this bid should be recommended for inclusion in the 2013/14 capital programme subject to subject to negotiation and agreement being reached with Kidlington Parish Council for the ongoing maintenance of the bollard.</p>
<p>3. That the following capital bid be included in the capital programme 2013/14, subject to an appropriate policy for the scheme being established, a requirement that any bids over £2,000 must have, as a minimum, matched funding and that the Lead Member approve grants:</p> <p>i. Community Facilities Grant Scheme</p> <p>4. That the following capital bids not be included in the capital programme 2013/14:</p> <p>i. Bartec expansion</p> <p>ii. Replacement CCTV and Intruder Systems District Wide</p> <p>iii. CDC and SNC Customer Services Desktop as a Service (DaaS)</p> <p>iv. Town Centre Visitor Information</p> <p>v. Lighting to Main Chamber, Bodicote</p> <p>vi. Joint Intranet (CDC and SNC)</p>	<p>The Board noted that the Community Facilities Grant Scheme would support community groups and parishes and there were no projects earmarked for funding. The Board stressed the need for a process for the allocation of grants that would consider each application on its merits and that each grant be approved by the Lead Member. The proposed policy to be available and approved by 31 March 2013. The Board also recommended a cap of £2,000 per bid and that any bids over £2,000 must have, as a minimum, matched funding.</p>
	<p>Bid i (Bartec Expansion): The Board recommended that this bid not be included in the capital programme 2013/14 as, whilst the benefits of the system were understood, Members felt that it was not a priority at the current time, additionally, the payback was longer than the asset life.</p> <p>Bid ii (Replacement CCTV and Intruder Systems District Wide): There was no insurance requirement to replace the system which was adequate.</p> <p>Bid iii (CDC and SNC Customer Services Desktop as a Service (DaaS)): The Board felt the time and resource efficiencies of the system presented in the bid did not warrant the capital expenditure, particular as there were no direct financial efficiencies.</p> <p>Bid iv (Town Centre Visitor Information) and Bid v (Lighting to Main Chamber, Bodicote): These were the two lowest scoring bids and Members agreed that they did not justify best use of the council's resources.</p> <p>Bid vi: Joint Intranet (CDC and SNC): Following consideration of supplementary information, the Board agreed that this bid not be included in the capital programme 2013/14 as Members felt that it was not a priority at the current time</p>

<p>5. That the following capital bids not be included in the capital programme 2012/13:</p> <ul style="list-style-type: none"> i. Bradley Arcade – Promenade Deck Repairs to Shops ii. Stable Restaurant Alterations iii. Repairs to Lighting Protection at Bodicote House and Banbury Bus Station iv. External / Internal Painting v. Retained Land Backlog Maintenance vi. Street Furniture vii. Unit 18 Thorpe Way - clearance of unit viii. Unit 6 & 20 Thorpe Place – Improvements ix. CDC Community Development Strategy x. Cherwell Allocations Review and Implementation xi. Work-in-default 	<p>The Board agreed that these bids did not meet the capital requirements and requested that officers investigate other sources of funding,</p> <p>Environmental Services Budget</p> <p>The budget scrutiny process for 2013/14 has involved a review of the council's environmental services budget. The Board received an extensive briefing from the Head of Environmental Services during which Members were advised that Environmental Services delivered many of the front line services of the Council, including Waste Collection, Street Cleansing, Public Conveniences and Landscape Management. These services were the services that the Council was most well known for amongst residents and accounted for a significant percentage of overall Council expenditure. The overall revenue budget for Environmental Services was £5.86 million.</p>
---	---

The Board agreed to submit the following recommendations for consideration by the Executive:

Recommendations	Reasons and Comments
<p>1. That consideration be given to requesting officers to develop a business case for commercial waste collection.</p>	<p>The Board noted that waste collection from residents in the district was the primary function of the waste service but considered that the collection of commercial waste could generate an income for the Council. It was acknowledged that the cost of such a service could outweigh any benefits and agreed that giving consideration to the feasibility of offering such a service through a cost/benefit analysis would be the most appropriate course of action in the first instance.</p>
<p>2. That the Resources and Performance Scrutiny Board maintain a watching brief on the Oxfordshire Waste Partnership (OWP)</p>	<p>The Board had undertaken a detailed review of the Council's partnership with OWP in 2010/11 and retained the item on their work programme to monitor in light of uncertainty about the financial arrangements.</p> <p>The Board had noted that there was still considerable uncertainty about the financial arrangements and, in particular, the payments to collection authorities from the county council. The issue was under discussion by Leaders and Chief Executives across the county and would also be considered by the OWP at their next meeting.</p> <p>Members agreed that this should remain on their work programme and requested that the Head of Environmental Services provide updates to the Board as appropriate.</p> <p>Homelessness Budget</p> <p>The budget scrutiny process for 2013/14 has involved a review of the council's homelessness budget. The Head of Finance and Procurement advised the Board that the Council's homelessness budget had remained relatively stable for the previous two years and the Government had confirmed that the Council's homelessness grant would remain the same for the next two years, but this was not ring fenced.</p> <p>It was anticipated that the need for homelessness support would increase as a result of the Government's Local Government Resources Review and Welfare Reforms which could cause budget pressures for the Council. As a consequence, the Board agreed that they should retain a watching brief through the Finance Scrutiny Working Group.</p> <p>Concessions Policy</p> <p>As part of a previous budget scrutiny process, Members had identified the need for a consistent approach to concessions across the authority. As part of the 2013/14 budget scrutiny process nominated Board Members had met with Finance Officers to reviews the</p>

concessions currently offered by the council and third parties. It had been noted that there were discrepancies and focus should be developing overarching principles taking into consideration services CDC delivers, services externally delivered and which groups were currently in receipt of concessions.

The Board noted that the concessions review could only give guidance for services delivered by CDC and guide through Service Level Agreements for third party providers. It was further noted that an equality impact assessment would be need to be undertaken. It was agreed that work on concessions principles would be ongoing with a view to a policy being implemented with effect from April 2013.

NEW CAPITAL BIDS 2013/14

Bid No.	Capital Scheme	Directorate	Strategic Priority	Capital Bid Score	JOINT TOTAL Capital Cost	Total Estimated Capital Cost
19	D & PS Access Audit 2010	DEV	S&H	39		£15,000
36	Vehicle Replacement 2013/14	COM	CG	36		£3,637,000
7	Chasewell Community Centre – Roof Covering Replacement	DEV	S&H	36		£15,000
40	Microsoft Licensing	RES	AVFM	32	£300,000	£150,000
34	Recycling Bank Replacement 2013/14	COM	CG	31		£25,000
17	Units 6 & 7 Thorpe Way – Replacement Roof Covering	DEV	S&H	31		£84,000
30	Mandatory Disabled Facilities Grants	DEV	DOO	29		£375,000
38	Vehicle lifting equipment	COM	CG	29		£30,000
41	Desktop PC Replacement	RES	AVFM	29		£42,000
44	Visualfiles Upgrade	RES	AVFM	29		£16,000
43	Server replacement package	RES	AVFM	29		£24,000
2	23 & 24 Thorpe Place – Replacement Roof Lights	DEV	S&H	28		£27,000
45	Financial System Upgrade	RES	AVFM	26	£200,000	£100,000
23	Bicester Sports Village Phase 2	COM	DOO/S&H	24		£450,000
26	Stratfield Brake Repair Works	COM	S&H	24		£80,000
37	Wheeled Bin replacement scheme	COM	CG	23		£720,000

8	Works in Connection with Condition Survey	DEV	S&H	23	£350,000
24	KGLC ATP Replacement	COM	DOO/S&H	20	£180,000
25	NOA Track Refurbishment	COM	DOO/S&H	20	£165,000
29	Discretionary Housing Grants	DEV	DOO	18	£275,000
3	Replacement Air Conditioning Plant to Main Chamber, Bodicote House	DEV	S&H	21	£80,000
10	Highfield Depot – Proposed Redevelopment of Office & Welfare Facilities	DEV	S&H	21	£65,000
35	Thorpe lane depot hard standing	COM	CG	16	£35,000
21	Community Facilities Grant Scheme	COM	S&H	15	£84,000
TOTAL RECOMMENDED BIDS					
32	Kidlington Pedestrianisation Scheme – Phase 2	DEV	DOO	17	£28,825
39	Corporate - Electronic Document and Records Management System (EDRMS)	RES	AVFM	16	£1,400,000
TOTAL BIDS FOR 13/14					
					£7,752,825