

# Council

## 2013/14 Corporate Plan, Revenue & Capital Budgets and Treasury Strategy

25 February 2013

### Report of the Chief Financial Officer and Head of Finance and Procurement

#### PURPOSE OF REPORT

To review the Council's General Fund Budget, Capital Programme, Earmarked Reserves and General Fund Balances to ensure the robustness of the estimates included and to seek formal adoption of all parts of the Council's financial plans and Corporate Plan for the 2013/14 budget year.

This report is public
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#### **Recommendations**

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Council is recommended:

- 1) To consider the contents of this report in approving the General Fund Revenue Budget and Capital Programme for 2013/14 and to formally record that consideration.
- 2) To approve the 2013/14 General Fund Budget and Capital Programme proposed by the Executive on 4 February 2013 and detailed in Appendix 1 and 3.
- 3) To approve the Collection Fund Estimates contained in Appendix 2
- 4) To approve the Corporate Plan as detailed in Appendix 4 of the Budget Book.
- 5) To approve the Treasury Strategy as detailed in Appendix 5.
- 6) To approve the appended statement of pay policy for 2013/14 as required by the Act and detailed in Appendix 6.

## **Executive Summary**

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### **Introduction**

- 1.1 Under Section 25 of the Local Government Act 2003, the Council's Chief Financial Officer is required to report to the Council on:
- The robustness of the estimates included within the budget
  - The adequacy of the reserves and balances
- 1.2 Under the Act, Members must have regard to the contents of this report when making their decisions on the budget.

### **Proposals**

- 1.3 It is proposed that Members consider the contents of this report when making their decisions on the Council's budgets at this meeting.

### **Conclusion**

- 1.4 The conclusion is that the processes followed have been generally sound and similar to those that have produced robust estimates in the past. In the light of information made available during the budget process, there is sufficient capacity in the proposed budget and available reserves and balances to cope with the financial risks the Authority faces in 2013/14.

## **Background Information**

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- 2.1 Section 25 of The Local Government Act 2003 includes a specific personal duty on the Chief Financial Officer ("CFO") to make a report to the authority when it is considering its budget and Council Tax. Also, Section 26 of the Act gives the Secretary of State power to set minimum level of reserves for which an authority must provide in setting its budget. The legislation says that "the provisions are a fallback against the circumstances in which an authority does not act prudently, disregards the advice of its CFO and is heading for serious financial difficulty".
- 2.2 The Local Government Finance Act 1992 also requires that authorities have regard to the level of reserves needed for meeting estimated future expenditure when calculating the next year's budget requirement.
- 2.3 There are also a range of safeguards to ensure authorities do not over-commit themselves financially. These include:
- The CFO 'S114' powers, which require a report to all members of the authority if there is or is likely to be unlawful expenditure or an unbalanced budget
  - The Prudential Code which applied to capital financing from 2004/5.

### **Corporate Plan 2013/14**

- 2.4 The Council has developed an integrated approach to corporate, service and budget planning. Budgets are clearly aligned with priorities outlined in the Corporate Business Plan and in turn service and team plans are prepared to

ensure these priorities are delivered at the operational level. Where there are longer term strategies and action plans (including those developed in partnership with other agencies and stakeholders) these are reflected in our action plans.

- 2.5 In 2012/13 an extensive horizon scanning activity was undertaken by each service to ensure plans for 2013/14 take account of new policies, on-going financial constraints and new opportunities over the longer term.
- 2.6 Every year the council uses demographics, horizon scanning and customer consultation to inform our planning process.
- 2.7 To ensure the Corporate Business Plan and its underpinning service plans are robust the Council's Scrutiny Committee reviewed a sample of service plans. Likewise the Council's Joint Management Team also undertakes a quality assurance activity.
- 2.8 We continue to use the corporate business and service planning process to set challenging performance and efficiency targets: services are expected to identify what additional efficiency savings could be identified through improved working, shared services and outsourcing.
- 2.9 The 2013/14 Corporate Plan and Pledges endorsed by the Executive on 4 February 2013 are detailed in Appendix 4a and Appendix 4b.

#### **Budget Process 2013/14**

- 2.10 The budget for 2013/14 includes the third year of the major cut in government Revenue Support Grant outlined in the 2010 Comprehensive Spending Review (CSR10) and also considers the implications of the Local Government Resource Review. (LGRR) The reduction in grant funding equates to £412k - a drop of 5.4%. Preparation for both this impact and the future uncertainty of funding began in August 2012 through the search for efficiencies and the opportunities for continued joint working with South Northamptonshire Council and others.
- 2.11 The budget process formally began with the Executive issuing Budget Guidelines at their meeting on 1<sup>st</sup> October 2012. These guidelines included the decision that any service growth should be self-funding via efficiencies and that the council tax should not be increased.
- 2.12 For a number of years the Council's budget process has included consultation with the stakeholders of Cherwell to find out which services were most important to residents and others and what they thought spending and savings priorities should be in the coming budget year. The current budget process has continued this trend by seeking the views of the general public, the business community, the voluntary sector and other key partners on issues such as the most important services to spend on, where to decrease spending and the level the council tax should be set at.
- 2.14 The Joint Management Team received regular updates on the overall budget position from August 2012 through to January 2013 and managed the overall process. The Executive received regular reports detailing the service and financial planning process. The first draft of the revenue and capital budget proposals were reported on January 7<sup>th</sup> 2013, and the second and final

proposals on February 4<sup>th</sup> 2013. All reports outlining the latest position regarding efficiencies identified and remaining sums required to balance the budget.

- 2.15 The Resources and Performance Scrutiny Board reviewed a number of components of the 2013/14 budget. These focussed primarily on areas of discretionary spend within the Council and the proposed capital project schemes. This work was carried out from September 2012 until January 2013. The recommendations of this board were taken to the Executive for consideration on 4th February 2013 and these were included in the final budget proposal. The Executive concluded its budget deliberations on 4th February 2013 and has now recommended a budget to the Full Council.

Service Area	Approved Budget 2012/13	Proposed Budget 2013/14	Movement
<b>Community and Environment</b>			Significant Service Reorganisation since last year makes comparison at this level complex – please compare total below.
Community Services		£2,737,976	
Environmental Services		£5,516,335	
<b>Development</b>			
Strategic Planning & The Economy		£1,162,598	
Public Protection & Dev. Management		£1,761,706	
Regeneration & Housing		£1,205,808	
<b>Resources</b>			
Transformation		£927,725	
Finance & Procurement		£993,514	
Law & Governance		£1,059,891	
<b>Service Total</b>	<b>£16,641,325</b>	<b>£15,365,552</b>	<b>£-1,275,773</b>
Executive Matters			
Centrally controlled items	<b>£1,642,245</b>	<b>£1,931,956</b>	<b>£-189,711</b>
Joint Working Savings	-£230,000	-£100,000	£130,000
Credit for Capital Charges	-£3,323,392	-£3,323,392	£0
	<b>£14,730,178</b>	<b>£13,874,116</b>	<b>£856,062</b>
Contribution to/from Earmarked Reserves	-£74,245	0	£74,245
Contribution to/from General Balances	£3,299	0	£-3,299
<b>Net Budget Requirement</b>	<b>£14,659,232</b>	<b>£13,874,116</b>	<b>£785,116</b>
Financial Settlement	-£7,621,722	-£7,210,000	£411,722
Council Tax Compensation Grant 2011/12	-£155,415	-£155,415	£0
Council Tax -Single person discount review	-£52,000	0	£52,000
Collection Fund Surplus	-£139,332	-£100,000	£39,332
Council Tax Support Grant	£0	-£494,128	-£494,128
Investment Income	-£439,810	-£150,581	£289,229
<b>Amount to be funded from Council Tax</b>	<b>£6,250,953</b>	<b>£5,763,992</b>	<b>£-486,961</b>
Number of band D equivalents	50,615	46,672	3,943
Cost of Band D equivalent	£123.50	£123.50	£0
	<b>£6,250,953</b>	<b>£5,763,992</b>	<b>£-486,961</b>

- 2.16 The budget will form the financial expression of the Council's service delivery plans for 2013/14; the allocation of resources against agreed service priorities is necessary in order to achieve its strategic priorities.
- 2.17 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 a solid foundation.
- 2.18 The level of council tax being proposed is £123.50 pa at Band D and this is in line with Council commitment of a zero increase in 2013/14. This is the fourth year that Council Tax has been frozen. This compares to a CPI rate at January 2013 of 2.7% and RPI of 3.3%.

### **Windfall Income**

- 2.19 The Council's strategy to reduce reliance on investment income means that only £150,000 has been used in the revenue budget. Forecasts show that we will achieve closer to £500,000 in 2013/14 so the £350,000 will be treated as windfall and can be used to replenish capital and revenue reserves as per the purpose of the strategy.
- 2.20 The Collection Fund estimates have been finalised and our detailed in Appendix 2 - the budget assumes a £100,000 surplus and this is included in the funding. The surplus is currently projected to be higher but at this stage any surplus income in excess of £100,000 will be treated as windfall and will be used to offset any negative impact on collection rates as a result of the change from council tax benefit to a council tax reduction scheme.
- 2.21 The Council can take advantage of the Government's additional Council Tax Compensation Grant announced recently if the council sets a zero Council Tax increase or less. This will result in the Council receiving £63,000 in 2013/14. £35,000 of this will be used to offset the Parish Council shortfall leaving £28,000 to be treated as windfall income.
- 2.22 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.
- 2.23 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 was considered in February 2013.
- 2.24 It has been announced that, using taxbase figures at October 2012, we expect to receive a further £1,340,156 in 2013/14 (£703,195 related to the first 2 years and the 2013/14 allocation £636,961).
- 2.25 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.

- 2.26 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.
- 2.27 As part of finalising the settlement a New Homes Bonus adjustment grant of £28,277 is due and some further grants for Community Right to Challenge and Build – as these are one off payments they will be treated as windfall and proposals for use will be considered by the Executive in due course.
- 2.28 Business Rate Growth – the council is likely to generate growth above its set baseline and based on the localisation scheme could retain some of this locally. At this stage we have not built in any assistance from this growth and this will be treated as windfall income in 2013/14 but considered in more detail in the development of the Medium term Financial Strategy.
- 2.29 The Medium Term Financial Strategy will be modelled on a number of scenarios and be presented to the Executive in June 2013. The Council's has a strong track record and commitment to delivering efficiencies resulting in a 41% reduction in net expenditure of services since 2007/08 when the net revenue budget stood at £23.5m compared to £13.9m in 2013/14. Compared to 2012/13, the revenue has reduced by £0.8m which represents a 6% reduction. This together with the continued joint working with South Northamptonshire Council strengthens our position to meet the forecast challenges of future years.
- 2.30 Further details behind the 2013/14 revenue budget is detailed in Appendix 1 and all details provided in previous reports to the Executive and Council together with a comprehensive analysis of the budget will be available in the 2013/14 budget book which will be available shortly. This publication will be made available on the Council's website and hard copies will be available if requested.

#### Capital Programme 2013/14

- 2.31 This capital programme budget is detailed in Appendix 3 and summarised below.

	<b>Total Scheme Cost</b>	<b>2013/14 Profile</b>
Proposed additions to the capital programme	<b>£12,647,825</b>	<b>£7,130,825</b>
Schemes slipped from 2012/13	<b>£9,026,000</b>	<b>£9,026,000</b>
Future schemes agreed prior to 2013/14 budget setting	<b>£4,956,000</b>	<b>£2,353,000</b>
<b>Total Capital Programme to be Financed</b>	<b>£26,629,825</b>	<b>£18,509,825</b>
<b>Financed by:</b>		
<b>Capital Receipts</b>	<b>£17,584,825</b>	<b>£14,131,492</b>

<b>External Funding</b>		
<i>£375k per annum Governmental Grant Funding towards Mandatory Disabled Facilities Grants</i>	<b>£375,000</b>	<b>£375,000</b>
<i>Bicester Community Building External Funding</i>	<b>£900,000</b>	<b>£900,000</b>
<b>Use of Reserves</b>		
<i>Wheeled Bins Reserve</i>	<b>£120,000</b>	£120,000
<i>Vehicle Replacement Programme</i>	<b>£150,000</b>	£150,000
<i>SW Bicester Sports Village Fund</i>	<b>£500,000</b>	£500,000
<i>Housing Reserves</i>	<b>£7,000,000</b>	£2,333,333
	<b>£26,629,825</b>	<b>£18,509,825</b>

The level of capital receipts is falling and by March 2014 is expected to be at > £20m and this will be considered in the refresh of the MTFS.

### **Guidance on Evaluation of the Estimates**

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- 3.1 The Local Government Act 2003 does not provide any specific guidance on how to evaluate the robustness of the estimates. The explanatory notes to the Act do, however, stress that decisions on the appropriate level of reserves should not be based on a rule of thumb, but on an assessment of all the circumstances considered likely to affect the authority. In addition reference is also made to the CIPFA (The Chartered Institute of Public Finance and Accountancy) guidance on reserves and balances.
- 3.2 The CIPFA guidance states that the following factors should be taken into account when the CFO considers the overall level of reserves and balances:
- assumptions regarding inflation
  - estimates of the level and timing of capital receipts
  - treatment of demand led budgets (i.e. budgets where expenditure or income are to some extent beyond the Council's control)
  - treatment of efficiencies
  - risks inherent in any new partnerships etc
  - financial standing of the authority (level of borrowing, debt outstanding etc)
  - the authority's track record in budget management (including the robustness of the Medium Term Financial Strategy)
  - the authority's capacity to manage in-year budget pressures
  - the authority's virement and year-end procedures in relation to under- and over- spends
  - the adequacy of insurance arrangements.
- 3.3 The above issues are also of relevance when evaluating the robustness of the budget.

## **Reserves**

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- 4.1 The estimated level of reserves as at 31 March 2013 were reported to the Executive in February 2013. The rationale for each of these reserves and the level required in each has been reviewed by the Lead Member for Financial Management, the Director of Resources and the Head of Finance & Procurement. The reserves are considered to be both necessary and at adequate levels.
- 4.2 Reserves can be held for three main purposes:
- general reserves to meet the potential costs of emergencies or unexpected events, including a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
  - earmarked reserves to meet known or predicted liabilities over a period of time usually of more than one year. These earmarked reserves protect the Council against specific financial risks and this is a factor to be taken into account when assessing the adequacy of the totality of balances and reserves and the level of the General Fund Balance.
  - a contingency to meet the costs of events that are possible but whose occurrence is not certain – this also forms part of general reserves. For the financial year 2013/14 the Council will have general and specific Contingency Risk Reserves to deal with any increased demand on Council services, additional costs such as fuel cost rises or falls in income from fees and charges.
- 4.3 These reserves were reported in the February 4<sup>th</sup> Executive as being in the region of £9m but will be subject to change as a result of year end adjustments and formulating the statutory accounts.

## **Strategic Budget Issues to Evaluate for Robustness**

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### **Inflationary Pressures**

- 5.1 The approved budget guidelines recommended the inclusion of 2% inflation to be incorporated within expenditure budgets (non employee – see below), however managers were advised to only build in contractually unavoidable inflation increases as far as possible, in spite of relatively high levels of inflation being experienced currently. This helped force through the achievement of efficiency savings at a very detailed level to balance the budget overall. This approach is underpinned by a Contingency Risk Reserve to cope with any return of unbudgeted inflationary pressures.
- 5.2 A local agreement with staff was agreed for a 1.5% pay award payable from 1<sup>st</sup> April 2013. This has been built into the base budget for 2013/14. An assumption on staff turnover savings is made and monitored centrally, the turnover level has been revised downwards to reflect that fact that the establishment has reduced significantly in recent years and also because there are fewer jobs in the economy which limits the amount of staff turnover.
- 5.3 The Localism Act obliges the Council to approve a statement of pay policy for 2013/14 by 31 March 2013. This is an annual requirement. The Act



prescribes the mandatory components of this document and these are contained in the statement of policy contained at Appendix 6. It should be noted that a shared policy statement has been created with South Northamptonshire Council given the fact that the Joint Management Team is on the same terms and conditions. Where there are differences in policy between the two Councils these are highlighted in the statement.

### **Capital Programme Revenue Effects and Financing**

- 5.4 The revenue budget includes all revenue effects of capital schemes. Assumptions of new capital receipts in 2013/14 are based on realistic estimates received from the relevant officers in the Council.

### **Treatment of demand-led pressures and efficiencies**

- 5.5 Particular care has been taken in compiling the key Council budgets which are often described as 'demand led' because their achievement is to some degree outside the Council's control. These types of budgets, including spending on housing benefits and receipt of income from planning applications, land charges, car parking charges and interest on the Council's cash and financial reserve management are likely to contribute significantly to any overall variation of actual achievement against budgets. Some of these budgets could be affected by the prevailing economic climate and in all cases a prudent approach has been adopted in the estimates prepared.

### **Efficiencies**

- 5.6 The 2013/14 net revenue budget has incorporated net budget reductions of £2.5m, as detailed in Appendix 1.
- 5.7 Each of the efficiency proposals was evaluated for feasibility of achievement and found to be realistic. Each expenditure efficiency has been removed from the relevant budget and each agreed increase in income added to the relevant budget.
- 5.7 Both expenditure and income efficiencies will be profiled on the Council's Financial Management System to make it clear that efficiencies are expected to be realised from the agreed date. Prior to the commencement of the financial year 2013/14 officers responsible for these services and the associated budget reductions or additional income will be reminded of the need to achieve the figures put forward within the agreed timescales. Monthly financial information will then be provided to help monitor progress, and any significant variations will be reported to both the Joint Management Team and the Executive. These reports will contain proposals for corrective action where necessary.
- 5.8 Any one-off costs of achieving ongoing efficiencies have been built into the rationale of earmarked reserves held and projections of use of those reserves.

### **Capacity to Manage in-year Budget Pressures**

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- 6.1 The Council has a record of maintaining good financial and budgetary discipline in the face of mid-year pressures, including virement procedures

that allow funds to be moved to areas where shortages exist. Although underspends and overspends are not automatically carried forward, the Council does have an approved carry forward scheme.

- 6.2 For many years, year-end out-turn has been within approved budget levels, although the trend to significant underspends has now been eliminated. This is a welcome change, although it does mean, quite rightly, that there can be no reliance on underspends being available to deal with any unwanted overspends. This has put more reliance on accurate budgeting and forecasting and the level of reserves held.
- 6.3 The Audit Commission have frequently commended the Council's record in financial management.
- 6.4 Managers with budgetary responsibility receive ongoing financial training and support and attend regular briefings regarding issues such as the Budget Guidelines.
- 6.5 Budget holders receive regular information from their relevant service accountant and regular Financial Management System (FMS) reports through on-line access. Both budget profiling and commitment accounting are used to assist the budgetary control process. The Council utilises a 'Dashboard' reporting system which gives budget managers prompt information about financial and service performance. This has proved extremely popular and well used, leading to a very detailed and timely position statement being available on the Council's finances.
- 6.6 The Executive receives quarterly budgetary control reports, including proposed actions to deal with any variances from budget.

### **Risk Management and Insurance Arrangements**

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- 7.1 The Council has a well developed risk management approach which regularly updates the key strategic and operational risks and identifies actions which can reduce the likelihood and impact of those risks. The risk registers identified are fed into the budgetary process as appropriate. In the last three budget cycles the economic scenario has featured as a key risk for several of the Council's budgets and appropriate budgetary provision has been made in respect of these.
- 7.2 The Authority has a low record of claims against its insurance policies. A recent Value for Money Review of insurance identified the scope for the Council to delete some of the policies held and levels of cover on some retained policies reduced with a significant saving in premiums paid and an acceptable increase in exposure to risk.
- 7.3 The authority budgets for specific risks, as detailed later in the report.

### **Longer-Term Considerations**

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- 8.1 Although this report has the 2013/14 budget as its focus it is worthwhile considering briefly some of the key longer term financial issues facing the

Council so that it can be established that no hidden issues could affect the forthcoming budget year.

- 8.2 The Council has a robust Medium Term Financial Strategy which is regularly updated and gives multi-year projections of the Council's revenue and capital position.
- 8.3 The next Medium Term Financial Strategy, covering the years 2014/15 to 2017/18 will be considered by the Executive in June 2013. Although managerial action will be required during the 2013/14 budget year to deal with the likely budget deficit from 2014/15 onwards there are currently no plans which will affect the 2013/14 budget itself.
- 8.4 Any change in the overall funding mechanism can reasonably be expected to have some redistributive effect between councils and it is, therefore, difficult to predict whether the impact on Cherwell District Council will be better, or worse than these national control totals.
- 8.5 The Council is currently debt free, the current capital expenditure plans mean that there is currently no need to borrow money long term at present although the Council does have the ability too if required. Short term borrowing for cash flow purposes continues to be very rare and a small sum has been budgeted in the years ahead as interest payable should there be a mis-match in cash available for a few days or weeks.

#### **Specific Service Budget Risk Considerations**

- 9.1 Estimates in respect of Council Tax Benefit and Housing Benefit payments, Government reimbursement of these payments and payment of administrative subsidy have been calculated based on the latest information available about take-up of benefits, the latest levels of correctly paid benefits and government notifications of reimbursements and subsidy levels. There has been a significant increase in the level of such payments during the economic difficulties of the last two years and this is set to continue for some time yet. Bearing in mind that most of the sums paid out are reimbursed by the Government, these estimates are therefore as robust as possible for an area of expenditure that is demand led.
- 9.2 The income from car parking will be closely monitored, as it is demand led and we need to see if the impact of a fee changes.
- 9.3 Planning fees and land charges fees are also significant factors in the Council's budget. The budgeted sums for 2013/14 continue to be at a lower level than before the problems in the economy started and prudent assumptions have again been made of sums likely to be received. The sums included will be closely monitored during the year.
- 9.4 Rental income from the Council's property portfolio is again subject to market forces and best estimates from officers concerned have been used and will be monitored closely.
- 9.5 The homelessness budget is demand-led and therefore difficult to accurately estimate. It will be closely monitored.

- 9.6 A Contingency Risk Reserve of £151k has been set up to cover any major variations on the budgets covered in the previous paragraphs. As in previous years there is also a general risk reserve equal to 1% of net expenditure also held to assist in managing the budgets.

### **2013/14 Treasury Strategy**

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- 10.1 The Council has £11.7m invested with fund managers Tradition UK and Investec. In addition it has around £70m managed in-house (including Eco Town funds of £11.5m) which fluctuates during the year.
- 10.2 The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment.
- 10.3 The proposed strategy for 2013/14 is attached in Appendix 5 and is based upon the views of the Director of Resources, Head of Finance and Procurement and the Council's Treasury Management Team. This is informed by market forecasts provided by the Council's treasury advisor, Sector.
- 10.4 In consultation with Sector and with full reference to the CIPFA Code of Practice, the Council has reviewed its risk appetite and associated priorities in relation to security, liquidity and yield in respect of returns from various financial instruments.
- 10.5 The strategy detailed in Appendix 5 covers:
- The Current Treasury Position
  - Prospects for interest rates
  - The borrowing strategy
  - Prudential Indicators
  - The investment strategy
  - Creditworthiness policy
  - Policy on use of external service providers.
- 10.6 This strategy statement has been prepared in accordance with the revised Code. Accordingly, the Council's Treasury Management Strategy will be considered for approval annually by the full Council and there will also be a midyear report.
- 10.7 In addition there will be monitoring reports and regular review by members in both executive and scrutiny functions.
- 10.8 The aim of these reporting arrangements is to ensure that those with responsibility for the treasury management function appreciate fully the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities relating to delegation and reporting.
- 10.9 This Council adopts the reporting arrangements outlined in the attached Strategy.

### **Counterparty Ratings**

- 10.10 The Council will select financial institutions following advice received by our Treasury Advisors. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 10.11 The Council will also assess other indicators, such as credit default swaps, share prices, the sovereign's economic fundamentals, corporate developments highlighted through news articles and market sentiment. If any of these indicators give rise to concern, the counterparty may be suspended from further use irrespective of the existing credit rating.
- 10.12 The highest standard of stewardship of public funds remains of the upmost importance to the Council. This strategy sets out the Council's priorities and policies for making, and managing investments made by the Council in the course of undertaking treasury management activities during the forthcoming 2013/14 financial year.

### **Minimum Revenue Provision (MRP) Policy**

- 10.13 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) places a duty on local authorities to make prudent provision for debt redemption. Guidance on Minimum Revenue Provision (MRP) has been issued by the Secretary of State and local authorities are required to "have regard" to such Guidance under section 21(1A) of the Local Government Act 2003. The Strategy this year includes our Minimum Revenue Provision Statement.
- 10.14 This MRP Statement is being submitted before the start of the 2013-14 financial year. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be submitted as at that time.

### **Key Issues for Consideration and Options**

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- 11.1 The key issues are whether:
- the base budget is realistic, both in terms of expenditure and income
  - the expenditure efficiencies are achievable
  - any new or increased income will be received
  - the reserves are adequate to deal with any budget problems.
- 11.2 It is considered that these requirements are in fact met and that the budget is sufficiently robust to be recommended for approval.
- 11.3 The production of the Treasury Management and Investment Strategy is a requirement of the CIPFA Code of Practice for Treasury Management.
- 11.4 It is a statutory duty under Section 3 of the Local Government Act 2003 and supporting regulations for the Council to determine and keep under review how much it can afford to borrow. The amount so determined is termed the "Affordable Borrowing Limit".
- 11.5 The Full Council can of course make changes to the budget even at this late stage, although it is advised that any such changes, if significant, could

adversely affect the robustness of the budget if a full appraisal of their likely consequences is not undertaken.

- 11.6 The following options have been identified. The approach recommended is believed to be essential so that the Council complies with the legislation directing it to consider the Chief Financial Officer's report.

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<b>Option One</b>	To consider this report.
<b>Option Two</b>	To fail to consider this report and fail to meet the legal requirements in relation to setting the Council's budget.

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### **Consultations**

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<b>None</b>	This is a statutory report giving the view of the Council's Chief Financial Officer on the robustness of the budget, although in practice discussions have been held with relevant staff as part of forming the judgement required. There is also significant consultation for the formation of the budget with the public and commerce as detailed in report to the February Executive. This will also be summarised in the 2013/14 budget book.
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### **Implications**

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<b>Financial:</b>	The report looks at the robustness of the Council's draft 2013/14 budget and seeks approval by Council to confirm these as spending plans for 2013/14. All financial implications are contained within the body of the report and associated appendices. Comments checked by Beth Baines, Strategic Finance Accountant, 01327 322223.
<b>Legal:</b>	The draft budget complies with the Council's legal obligations. Comments checked by Kevin Lane, Head of Law and Governance, 01295 222127
<b>Risk Management:</b>	The draft budget has been built with consideration of relevant risks. Comments checked by Beth Baines, Strategic Finance Accountant, 01327 322223.

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### **Wards Affected**

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All

## Corporate Plan Themes

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**An Accessible, Value for Money Council.**

## Executive Lead Member

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**Councillor Atack  
Lead Member for Financial Management**

## Document Information

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Appendix No	Title
1	Revenue Budget Analysis
2	Collection Fund Estimates
3	Capital Programme by Scheme
4	Corporate Plan
5	Treasury Strategy
6	Pay Policy
<b>Background Papers</b>	
Reports to the Executive, September 2012 to February 2013	
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