

Cherwell District Council

Council

24 February 2014

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| <p>Corporate Plan, Revenue and Capital Budgets and Treasury Strategy 2014-15</p> |
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Report of the Director of Resources and the Interim Head of Finance and Procurement

This report is public

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 2014-15 budget year.

1.0 Recommendations

The meeting is recommended:

- 1.1 To consider the contents of this report in approving the General Fund Revenue Budget and Capital Programme for 2014-15 and to formally record that consideration.
- 1.2 To approve the 2014-15 General Fund Budget and 2014-15 Capital Programme proposed by the Executive on 3 February 2014 as detailed in Annex 1 amended for the changes to the collection fund and investment income as set out in paragraphs 3.12 and 3.13.
- 1.3 To approve the Collection Fund Estimates contained in Annex 2
- 1.4 To approve the draft 5 year strategy, 2014-15 business plan and public pledges (detailed in Appendices 3, 4 and 5 to Annex 1) and to delegate authority to the Director of Resources in consultation with the Leader of the Council and the Lead Member for Performance and Customers to make any minor amendments to the plan or pledges as required before final publication in March 2014.
- 1.5 To approve the Treasury Management Strategy as detailed in Annex 3.

- 1.6 To approve the appended statement of pay policy for 2014-15 as required by the Localism Act and detailed in Annex 4.
- 1.7 To approve the Business Rates Retail Relief Policy as outlined in paragraphs 3.18 and 3.19 and contained in Annex 5 and the formal resolutions that underpin the policy:
 - 1.7.1 The Council award “Retail Relief” of up to £1,000 to qualifying businesses in occupation of retail premises which have a rateable value of £50,000 or less in accordance with discretionary relief powers (Section 47 of the Local Government Finance Act 1988 (as amended)) for the financial years 1 April 2014 to 31 March 2015 and 1 April 2015 to 31 March 2016.
 - 1.7.2 The business to qualify for the relief must be “retail” as detailed in the Business Rates Retail Relief Policy.
 - 1.7.3 The Council, through the National Non-Domestic Rate Return process, seek full reimbursement of the cost of “retail relief” from Central Government.
- 1.8 To approve the discount and exemptions as follows:
 - 1.8.1 Agree that in respect of properties within Class A and B as defined by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 (furnished chargeable dwellings that are not the sole or a main residence of an individual) the discount provided by Section 11A of the Local Government Finance Act 1992 shall be reduced to zero.
 - 1.8.2 Agree that in respect of properties within Class C as defined by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 (a property that is unoccupied and substantially unfurnished) the discount provided by Section 11A of the said Act shall be reduced to 25% for a maximum period of six months and thereafter to zero.
 - 1.8.3 Agree that in respect of properties within Class D as defined by the said Regulations (chargeable dwellings that are vacant and undergoing major repair work to render them habitable) the discount provided by Section 11A of the said Act shall be reduced to 50% for twelve months and thereafter to zero.

2.0 Introduction

- 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 2004-05.
- 2.4 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
- 2.5 Under the Act, Members must have regard to the contents of this report when making their decisions on the budget.
- 2.6 It is proposed that Members consider the contents of this report when making their decisions on the Council's budgets at this meeting.
- 2.7 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 2014-15.

3.0 Report Details

Five Year Business Strategy, 14/15 Business Plan, performance pledges and service plans

- 3.1 **Annex 1 appendix 3** sets out the high level priorities for the Council's five year strategy. These inform the council's annual business plan and budget which in turn inform operational service plans.
- 3.2 **Annex 1 appendix 4** sets out the council's objectives for 2014-15 and **Annex 1 appendix 5** the council's performance pledges. The business plan and performance pledges form the basis of the council's performance management framework and progress will be reported quarterly.
- 3.3 After the budget, five year strategy and plan have been agreed they will be published as formal documents and will be available from March 2014.

Budget Process 2014-15

- 3.4 The budget for 2014-15 includes the fourth year of the major cut in government Revenue Support Grant outlined in the 2010 Comprehensive Spending Review (CSR10). The reduction in grant funding equates to £1,149,000 - a drop of 13.7%. Preparation for both this impact and the future uncertainty of funding began in September 2013 through the search for efficiencies and the opportunities for continued joint working with South Northamptonshire Council and others.

- 3.5 The budget process formally began with the Executive agreeing Budget Guidelines at their meeting on 7 October 2013. These guidelines included the decision that any service growth should be self-funding via efficiencies and that the council tax should not be increased.
- 3.6 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.
- 3.7 The Joint Management Team received regular updates on the overall budget position from September 2013 through to January 2014 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 2 December 2013, and the second and final proposals on 3 February 2014. All reports outlining the latest position regarding efficiencies identified and remaining sums required to balance the budget.
- 3.8 The Budget Planning Committee reviewed a number of components of the 2014-15 budget. These focussed primarily on the proposed capital project schemes. This work was carried out from October 2013 until January 2014. The recommendations of this committee were taken to the Executive for consideration on 3 February 2014 and these were included in the final budget proposal. The Executive concluded its budget deliberations on 3 February 2014 and has now recommended a budget to the Full Council.

Table One, General Fund Revenue Budget, is on the next page

| Table 1: General Fund Revenue Budget | Budget | Proposed Budget | Movement |
|--|--------------------|------------------------|-------------------|
| | 2013-14 | 2014-15 | |
| Net Expenditure | £15,365,552 | £15,812,753 | £447,201 |
| Capital Charges Reversed | -£3,323,392 | -£3,341,264 | £17,872 |
| Net Expenditure Services | £12,042,160 | £12,471,489 | £429,329 |
| Centrally Controlled Items | £1,831,956 | £1,919,054 | £87,098 |
| Net Budget Requirement | £13,874,116 | £14,390,543 | £516,427 |
| Funding | | | |
| Investment Income | £150,581 | £49,190 | £101,391 |
| Government Grant | £7,210,000 | £6,398,000 | -£812,000 |
| Council Tax Compensation Grant <small>(now in above)</small> | £155,415 | £0 | -£155,415 |
| Collection Fund | £100,000 | £232,640 | £132,640 |
| New Homes Bonus | £0 | £1,013,000 | £1,013,000 |
| Retained Business Rates | £0 | £400,000 | £400,000 |
| Council Tax | £5,763,992 | £5,879,712 | £115,720 |
| Council Tax Support Grant | £494,128 | £418,000 | -£76,128 |
| Proposed Budget | £13,874,116 | £14,390,543 | £516,426 |
| Shortfall / surplus | | £0 | £0 |
| % Change | | | 3.7% |
| Council Tax | | | |
| Number band D equivalents | 46,672 | 47,609 | |
| 2014-15 Cost of Band D equivalent | £123.50 | £123.50 | |
| 2013-14 Cost of Band D equivalent | £123.50 | £123.50 | |
| | £5,763,992 | £5,879,712 | |

- 3.9 The budget will form the financial expression of the Council's service delivery plans for 2014-15; the allocation of resources against agreed service priorities is necessary in order to achieve its strategic priorities.
- 3.10 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.
- 3.11 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 2014-15. This is the fifth year that Council Tax has been frozen. This compares to a CPI rate at December 2013 of 2.0% and RPI of 2.7%.

Windfall Income

- 3.12 The Council's strategy to reduce reliance on investment income means that only £49,000 has been used in the revenue budget. Forecasts show that we will achieve closer to £328,000 in 2014-15 and any surplus will be treated as windfall and can be used to replenish capital and revenue reserves in line with the existing strategy.

- 3.13 The Collection Fund estimates have been finalised and are detailed in **Annex 2** - the budget assumes a £232,640 surplus and this is included in the funding. The statutory deadline for producing this information is 15 January 2014 and the statutory calculation is slightly higher than that estimate reported to Executive on 3 February (£209,830).
- 3.14 The surplus is currently projected to be higher but at this stage any surplus income in excess of £232,640 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.
- 3.15 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. Should the proposal of a zero % increase be adopted the Council will also receive £63,000 in an additional Compensation Freeze grant for 2014-15 and 2015-16. Although this will be a separate grant in 2014-15, for 2015-16 it will be subsumed into the general government grant for the Council and will lose its separate identity.
- 3.16 The Government has committed to New Homes Bonus grant until 2015, but the position from 2013-14 is that it is no longer additional funds and is being funded from formula grant funding. It therefore has a redistributive effect, rather than being seen as additional funding. Therefore the 2014-15 budget has been prepared using £1,013,000 of New Homes Bonus monies. This is in line with the Council's medium term financial strategy to include 50% of New Homes Bonus funding to support the revenue budget.
- 3.17 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 built in £400,000 for the 2014-15 budget. This will be considered in more detail in the development of the Medium Term Financial Strategy.
- 3.18 The government has unveiled a number of initiatives which will impact on the level of business rates income received by the council. They have committed to funding this loss of income through what is known as a Section 31 grant. Details of this grant are emerging and it is anticipated that this grant will be received in 2013-14 and 2014-15 and could be substantial. This will be considered in more detail in the Medium Term Financial Strategy.
- 3.19 As referred to in the Executive report, there is a further income stream in business rates as a result of the decision to pool. Given the uncertainty around this income stream, this too will be treated as windfall income until there is more clarity and better forecasting can be applied to the income stream.
- 3.20 Business Rate Retail Relief policy - the Government announced in the Autumn Statement on 5 December 2013 that it will provide relief of up to £1,000 to all occupied retail premises with a rateable value of £50,000 or less in each of the 2014-2015 and 2015-2016 financial years.
- 3.21 The Council currently makes awards in accordance with Section 47 of the Local Government Finance Act 1988 (as amended) to grant relief. In order to adopt the "retail relief" scheme members will be required to adopt a local scheme and decide in each individual case when to grant "retail relief". This policy is contained in

Annex 5. The costs of the scheme for 2014-15 will be funded from central government.

- 3.22 The Medium Term Financial Strategy will be modelled on a number of scenarios and be presented to the Executive in June 2014. The Council's has a strong track record and commitment to delivering efficiencies resulting in a 39% reduction in net expenditure of services since 2007-08 when the net revenue budget stood at £23.5m compared to £14.4m in 2014-15. This together with the continued joint working with South Northamptonshire Council strengthens our position to meet the forecast challenges of future years.

Capital Programme 2014-15

- 3.23 This capital programme budget is detailed in **Annex 1 Appendix 3** and summarised below.

| | Total Scheme Cost | 2014-15 Profile |
|--|--------------------------|------------------------|
| Proposed additions to the capital programme | £3,863,848 | £3,396,589 |
| Schemes slipped from 2013-14 | £5,049,000 | £5,049,000 |
| Future schemes agreed prior to 2014-15 budget setting | £8,120,000 | £8,120,000 |
| Total Capital Programme to be Financed | £17,032,848 | £16,565,589 |
| Financed by: | | |
| Capital Receipts | £12,910,236 | £12,442,977 |
| External Funding | | |
| <i>£389k per annum Government Grant Funding towards Mandatory Disabled Facilities Grants</i> | £389,279 | £389,279 |
| <i>Bicester Community Building External Funding</i> | £900,000 | £900,000 |
| Previously committed capital receipts | | |
| <i>SW Bicester Sports Village Fund</i> | £500,000 | £500,000 |
| <i>Housing Reserves</i> | £2,333,333 | £2,333,333 |
| | | |
| | £17,032,848 | £16,565,589 |

- 3.24 The level of capital receipts is falling and this will be considered in the refresh of the MTFS.

Guidance on Evaluation of Estimates

- 3.25 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.

3.26 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.

3.27 The above issues are also of relevance when evaluating the robustness of the budget.

Reserves

3.28 The rationale for each of the Council's 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.

3.29 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.

3.30 These reserves are in the region of £11m 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

Inflationary Pressures

- 3.31 The approved budget guidelines recommended the inclusion of 2.7% 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.
- 3.32 A local agreement with staff was agreed for a 1.25% pay award payable from 1 April 2014. This has been built into the base budget for 2014-15.
- 3.33 The Localism Act obliges the Council to approve a statement of pay policy for 2014-15 by 31 March 2014. 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 **Annex 4**. 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

- 3.34 The revenue budget includes all revenue effects of capital schemes. Assumptions of new capital receipts in 2014-15 are based on realistic estimates received from the relevant officers in the Council.

Treatment of demand-led pressures and efficiencies

- 3.35 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

- 3.36 The 2014-15 net revenue budget has incorporated net budget reductions of £0.6m, as detailed in **Annex 1**.
- 3.37 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.
- 3.38 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 2014-15 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.

- 3.39 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

- 3.40 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.
- 3.41 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.
- 3.42 Managers with budgetary responsibility receive ongoing financial training and support and attend regular briefings regarding issues such as the Budget Guidelines.
- 3.43 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.
- 3.44 The Executive receives quarterly budgetary control reports, including proposed actions to deal with any variances from budget.

Risk Management and Insurance Arrangements

- 3.45 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. The Authority has a low record of claims against its insurance policies.
- 3.46 The authority budgets for specific risks, as detailed later in the report.

Longer-Term Considerations

- 3.47 Although this report has the 2014-15 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.
- 3.48 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.
- 3.49 The next Medium Term Financial Strategy, covering the years 2015-16 to 2019-20 will be considered by the Executive in June 2014. Although managerial action will be required during the 2014-15 budget year to deal with the likely budget deficit from 2015-16 onwards there are currently no plans which will affect the 2014-15 budget itself.
- 3.50 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.
- 3.51 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 to 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. However, there are significant projects currently being considered that will have an impact on the overall capital resources and is likely to see the Council borrowing funds in the future.

Specific Service Budget Risk Considerations

- 3.52 Estimates in respect of 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.
- 3.53 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.
- 3.54 Planning fees and land charges fees are also significant factors in the Council's budget. The sums included will be closely monitored during the year.
- 3.55 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.

3.56 The homelessness budget is demand-led and therefore difficult to accurately estimate. It will be closely monitored.

2014-15 Treasury Strategy

3.57 The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment.

3.58 The proposed strategy for 2014-15 is attached in **Annex 3** 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, Capita Asset Services (formerly Sector).

3.59 In consultation with Capita Asset Services 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.

3.60 The strategy detailed in **Annex 3** covers:

- The Current Treasury Position
- Prospects for interest rates
- The borrowing strategy
- Prudential Indicators
- The investment strategy
- Creditworthiness policy

3.61 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.

3.62 In addition there will be monitoring reports and regular review by members in both executive and scrutiny functions.

3.63 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.

3.64 This Council adopts the reporting arrangements outlined in the attached Strategy.

Counterparty Ratings

3.65 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.

- 3.66 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.
- 3.67 The highest standard of stewardship of public funds remains of the utmost 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 2014-15 financial year.

Minimum Revenue Provision (MRP) Policy

- 3.68 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.
- 3.69 This MRP Statement is being submitted before the start of the 2014-15 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

- 3.70 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.
- 3.71 It is considered that these requirements are in fact met and that the budget is sufficiently robust to be recommended for approval.
- 3.72 The production of the Treasury Management and Investment Strategy is a requirement of the CIPFA Code of Practice for Treasury Management.
- 3.73 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".
- 3.74 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.

- 3.75 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.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The above narrative alongside the appendices represents the draft budget for Council to approve. This will be considered alongside the setting of the 2014-15 Council Tax.

5.0 Consultation

This report has been considered by Councillor Ken Atack, Lead Member for Financial Management.

The Executive has considered the budget through different reports from October through to December.

The Budget Planning Committee has considered the budget through its meetings during October to January.

The Council has consulted on its budget and priorities via the annual satisfaction survey and using the Citizen's panel to look at budget issues. Executive have used the results of these consultations to develop the content of the business plan. The draft budget has also been on the Council's consultation portal.

6.0 Alternative Options and Reasons for Rejection

- 6.1 This report presents a final analysis of the Council's draft 2014-15 revenue and capital budget. This will be presented to Council on the 24 February to support the setting of the Council Tax.
- 6.2 It is a legal requirement to set a balanced budget and the recommendations as set out represent what is believed to be the best way of achieving this. Alternative options are:

To reject the current proposals and to make alternative recommendations or ask officers for further information.

7.0 Implications

Financial and Resource Implications

- 7.1 The financial effects of the revenue budget are identified in the report. Any decisions made in relation to on-going expenditure or income in the budget for 2014-15 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.

Comments checked by: Nicola Jackson, Corporate Finance Manager
01295 221731 nicola.jackson@cherwellandsouthnorthants.gov.uk

Legal Implications

7.2 The Council has a legal obligation to set a balanced budget.

Comments checked by: Kevin Lane, Head of Law and Governance
0300 0030107 kevin.lane@cherwellsouthnorthants.gov.uk

Risk management

7.3 The purpose of the Performance Management Framework is to enable the Council to deliver its strategic objectives. All managers are required to identify and manage the risks associated with achieving this. All risks are logged on the Risk Register and reported quarterly to the Accounts, Audit and Risk Committee.

Comments checked by: Louise Tustian, Senior Performance & Improvement Officer
01295 221786 louise.tustian2@cherwellandsouthnorthants.gov.uk

Equality and Diversity

7.4 The budget has had an equality impact assessment.

Comments checked by: Louise Tustian, Senior Performance & Improvement Officer
01295 221786 louise.tustian2@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Ken Atack – Lead Member for Financial Management

Document Information

| Annex No | Title |
|-----------------|---|
| 1 | Executive Report – Draft Business Plan and Draft Budget |
| 2 | Collection Fund Estimates |
| 3 | Treasury Strategy |

| | |
|----------------------------|---|
| 4 | Pay Policy |
| 5 | Business Rates Retail Relief Policy |
| Background Papers | |
| None | |
| Report Author | Tim Madden, Interim Head of Finance & Procurement |
| Contact Information | 0300 0030106 tim.madden@cherwellandsouthnorthants.gov.uk |