

# **Cherwell District Council**

## **Council**

**23 February 2015**

<p><b>Revenue and Capital Budget 2015-16 and Five Year Strategic Business Strategy and Annual Business Plan for 2015-16</b></p>
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### **Report of the Head of Finance and Procurement and Head of Transformation**

This report is public

#### **Purpose of report**

The purpose of this report is to set the Council's General Fund Budget and to seek formal adoption of all parts of the Council's financial plans for the 2015-16 budget year.

The report also details the proposed strategic priorities, the underpinning key objectives and outcomes for 2015-16 which have now been converted into a proposed business plan for the Council. The proposed business plan sits alongside the proposed budget for 2015-16 so as to demonstrate that the Council adopts a strategic and integrated approach to managing all of its resources by aligning the development and delivery of the Council's strategic business priorities and key outcomes to the proposed budget.

#### **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 2015-16 and to formally record that consideration.
- 1.2 To approve the 2015-16 General Fund Budget (in table 1) and 2015-16 Capital Programme (in Appendix 1) proposed by the Executive on 2 February 2015.
- 1.3 To approve the Collection Fund Estimates contained in Appendix 2
- 1.4 To approve the proposed 5 year business strategy, 2015-16 business plan and public pledges (detailed in Appendices 3, 4 and 5) and to delegate authority to the Head of Transformation in consultation with the Leader of the Council and the Lead Member for Banbury Developments, Communications and Performance to make

any minor amendments to the plan or pledges as required before final publication in March 2015.

- 1.5 To note the contents of the section 25 statement from the Director of Resources contained in paragraphs 2.1 to 2.7 in relation to the robustness of the estimates and the adequacy of reserves.
- 1.6 To approve the Treasury Management Strategy as detailed in Appendix 6.
- 1.7 To approve the appended statement of pay policy for 2015-16 as required by the Localism Act and detailed in Appendix 7.
- 1.8 To approve the proposed Transitional Relief and Retail Relief Policies outlined in paragraphs 3.24 and contained in Appendices 8 and 9.

## **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 fall back 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 2015-16.

### **3.0 Report Details**

#### **Five Year business strategy, 15/16 business plan, performance pledges and service plans**

- 3.1 **Appendix 3** sets out the four strategic priorities which drive the Council's five year business strategy. They in turn have helped to shape the development of the Council's annual business plan and key outcomes for 2015-16 which in turn inform operational service plans.
- 3.2 **Appendix 4** sets out the proposed annual business plan which details the key objectives and outcomes for 2015-16 against which the Council's performance can be monitored in the year ahead.
- 3.3. **Appendix 5** details the Council's performance pledges. Together the business plan and performance pledges will form the basis of the council's performance management framework and progress will be reported quarterly.
- 3.4 As detailed in section 5 of this report, the Overview and Scrutiny Committee was invited to consider the proposed strategic priorities, key objectives and outcomes for 2015-16 ahead of The Executive making its final recommendations to Full Council, so as to ensure a transparent, engaging and whole Council approach to the development of the Council's business priorities.
- 3.5 After the budget, five year strategy and business plan have been agreed they will be published as formal documents and will be available from March 2015.

#### **Budget Process 2015-16**

- 3.6 The budget for 2015-16 includes the fifth year of the major cut in government Revenue Support. The reduction in grant funding compared to 2014-15 equates to £1,043,000 - a drop of 29.8%. Preparation for both this impact and the future uncertainty of funding began in September 2014 through the search for efficiencies and the opportunities for continued joint working with South Northamptonshire Council and others.
- 3.7 The budget process formally began with the Executive agreeing Budget Guidelines at their meeting on 6 October 2014. These guidelines included the decision that any service growth should be self-funding via efficiencies and that the council tax should not be increased.
- 3.8 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.

- 3.9 The Joint Management Team received regular updates on the overall budget position from September 2014 through to January 2015 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 1 December 2014, and the second and final proposals on 2 February 2015. All reports outlining the latest position regarding efficiencies identified and remaining sums required to balance the budget.
- 3.10 The Budget Planning Committee reviewed a number of components of the 2015-16 budget. These focused primarily on the proposed capital project schemes. This work was carried out from October 2014 until January 2015. The recommendations of this committee were taken to the Executive for consideration on 2 February 2015 and these were included in the final budget proposal. The Executive concluded its budget deliberations on 2 February 2015 and has now recommended a budget to the Full Council.
- 3.11 The draft revenue budget is set out in Table 1 (on the next page). The following changes have been made as a result of the final settlement:
- statutory calculation of the collection fund surplus
  - finalisation of the tax base

<b>Table 1: Revenue Budget 2015-16</b>	<b>Approved Budget 2014-15 £</b>	<b>Draft Budget 2015-16 £</b>	<b>Movement £</b>
<b>Community and Environment</b>			
Community Services	3,527,110	5,496,078	1,968,968
Environmental Services	4,904,252	4,640,014	(264,238)
<b>Community &amp; Environment Directorate Total</b>	<b>8,431,362</b>	<b>10,136,092</b>	<b>1,704,730</b>
<b>Development</b>			
Strategic Planning and the Economy	567,447	607,655	40,208
Public Protection / Development Management	852,162	552,307	(299,855)
Regeneration and Housing	1,471,847	1,874,418	402,571
<b>Development Directorate Total</b>	<b>2,891,456</b>	<b>3,034,380</b>	<b>142,924</b>
<b>Resources</b>			
Transformation	2,782,384	2,478,842	(303,542)
Finance and Procurement	318,489	857,004	538,515
Law and Governance	1,089,403	939,200	(150,203)
<b>Resources Directorate Total</b>	<b>4,190,276</b>	<b>4,275,046</b>	<b>84,770</b>
<b>Bicester Renovation Programme</b>	<b>122,820</b>	<b>387,531</b>	<b>264,711</b>
<b>Chief Executive</b>	<b>176,840</b>	<b>185,040</b>	<b>8,200</b>
Centrally Controlled Items	1,919,054	1,214,994	(704,060)
Credit for Capital Charges	(3,341,264)	(3,999,650)	(658,386)
<b>Net Budget Requirement</b>	<b>14,390,544</b>	<b>15,233,433</b>	<b>842,889</b>
<b>FUNDING</b>			
Business Rates Baseline	(3,401,000)	(3,466,000)	(65,000)
Revenue Support Grant	(3,863,879)	(2,628,514)	1,235,365
<b>Formula grant equivalent</b>	<b>(7,264,879)</b>	<b>(6,094,514)</b>	<b>1,170,365</b>
Transfer to Parish Councils for CTRS	349,000	349,000	0
Transfer Homelessness Grant	99,878	101,000	1,122
Investment income	(49,190)	0	49,190
Council Tax Compensation Grant	0	(63,000)	(63,000)
Collection Fund	(232,640)	(232,683)	(43)
New Homes Bonus	(1,013,000)	(1,272,304)	(259,304)
<b>Business Rates</b>			
S31 Grant	0	(1,136,000)	(1,136,000)
Growth above baseline	(400,000)	(600,000)	(200,000)
Pooling	0	(450,000)	(450,000)
	(8,510,832)	(9,398,501)	(887,669)
Council Tax Income	(5,879,712)	(5,959,246)	(79,534)
Contribution to reserves	0	124,314	124,314
<b>TOTAL INCOME</b>	<b>(14,390,544)</b>	<b>(15,233,433)</b>	<b>(842,889)</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Tax Base</b>	47,609	48,253	
<b>Band D Council Tax</b>	£123.50	£123.50	0
<b>% increase in Council Tax</b>	0%	0%	

3.12 The budget will form the financial expression of the Council's service delivery plans for 2015-16; the allocation of resources against agreed service priorities is necessary in order to achieve its strategic priorities.

3.13 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.

- 3.14 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 2015-16. This is the sixth year that Council Tax has been frozen. This compares to a CPI rate at December 2014 of 0.5% and RPI of 1.6%.

### **Windfall Income**

- 3.16 The Council's strategy to reduce reliance on investment income means that nothing has been used in the revenue budget. Forecasts show that we will achieve closer to £333,000 in 2015-16 and any surplus will be treated as windfall and can be used to replenish capital and revenue reserves in line with the existing strategy.
- 3.17 The Collection Fund estimates have been finalised and are detailed in **Appendix 2** - the budget assumes a £232,683 surplus and this is included in the funding. The statutory deadline for producing this information is 15 January 2014 and the statutory calculation is s higher than that estimate reported to Executive on 2 February which was based on the Medium Term Revenue Plan (£100,000).
- 3.18 The surplus is currently projected to be higher but at this stage any surplus income in excess of £232,683 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.
- 3.19 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 2015-16.
- 3.20 As part of the settlement, the 2015-16 allocations for New Homes Bonus were also announced. For Cherwell this totalled £2,712,329 for 2015-16. The additional amount for year five only was £686,016. This reflects for 2015-16 a total of 530 additions to the housing stock and empty homes being brought back into use. Therefore the 2015-16 budget has been prepared using £1,272,305 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.
- 3.21 Business Rate Growth – the council is likely to generate growth above its set baseline and will retain some of this locally. We have built in £600,000 for the 2015-16 budget. This will be considered in more detail in the development of the Medium Term Revenue Plan.
- 3.22 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. The grant received in and 2015-16 and will be substantial based on last year's figures. The budget includes £1,053,000 (90%) of the anticipated Section 31 grant monies. This will be considered in more detail in the Medium Term Revenue Plan.

- 3.23 Last year, the decision was taken to form a pool with Oxfordshire County Council and West Oxfordshire District Council. The pool anticipates generating £600,000 for Cherwell, 75% of this amount £450,000 has been built into the draft budget for 2015-16. This estimate is deliberately prudent at this stage given the turbulence and uncertainty still associated with the scheme.
- 3.24 The Council currently makes awards in accordance with Section 47 of the Local Government Finance Act 1988 (as amended) to grant discretionary relief. In order to adopt both the retail relief and transitional relief schemes members will be required to adopt a local scheme and decide in each individual case when to grant relief. The transitional relief policy and retail relief policy is contained in **Appendices 8 and 9** respectively. The costs of the two schemes will be funded from central government.
- 3.25 The Medium Term Revenue Plan will be presented to the Executive in June 2015. The Council has a strong track record and commitment to delivering efficiencies resulting in a 35% reduction in net expenditure of services since 2007-08 when the net revenue budget stood at £23.5m compared to £15.2m in 2015-16. This together with the continued joint working with South Northamptonshire Council strengthens our position to meet the forecast challenges of future years.

### Capital Programme 2015-16

- 3.26 This capital programme budget is summarised in table 2 below and the capital bids are listed in **Appendix 1**.

<b>Table 2: Capital Programme from 2014-15 to 2019-20</b>	<b>Total Scheme Cost</b>	<b>2015-16 Profile</b>
Existing capital programme 2014-15	£16,332,414	£0
Proposed additions to the capital programme 2015-16	£5,280,500	£3,675,500
Future schemes agreed prior to 2014-15 budget setting	£78,000	£78,000
East West Railways (Executive 21 October 2013)	£1,740,000	£290,000
Build (Executive May 2014)	£9,482,000	£0
Graven Hill Programme (Executive 1 September 2014)	£44,433,000	£23,333,000
<b>Total Capital Programme to be Financed</b>	<b>£77,345,914</b>	<b>£27,376,500</b>
<b>Financed by:</b>		
<i>Capital Receipts</i>	£23,205,914	£0
<i>Build Programme (Executive 3 March 2014)</i>	£19,136,000	£19,136,000
<i>Graven Hill (Executive 1 September 2014)</i>	£1,428,000	£0
<i>VAT Shelter and Right to Buy Receipts</i>	£4,310,000	£610,000
<b>External Funding:</b>		
<i>Mandatory Disabled Facilities Grants</i>	£2,346,000	£457,000
<i>Bicester Sports Village External Funding</i>	£260,000	£260,000
<b>External Borrowing (for Graven Hill):</b>	£26,660,000	£6,913,500
<b>Total Receipts financing Capital Programme</b>	<b>£77,345,914</b>	<b>£27,376,500</b>

- 3.27 The level of capital receipts is falling and this will be considered in the refresh of the Medium Term Revenue Plan.

## **Guidance on evaluation of estimates**

- 3.28 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.
- 3.29 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.
- 3.30 The above issues are also of relevance when evaluating the robustness of the budget.

## **Reserves**

- 3.31 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.
- 3.32 Reserves can be held for two 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.
- 3.33 These reserves are in the region of £13m but will be subject to change as a result of year-end adjustments and formulating the statutory accounts. The Director of Resources and the Head of Finance & Procurement, together with the Lead



Member for Financial Management, will carry out a thorough review of all reserves as part of the closedown process.

### **Strategic budget issues to evaluate for robustness**

#### Inflationary Pressures

- 3.34 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.
- 3.35 A local agreement with Unison was reached in December 2014 for a 1.85% annual cost of living pay award for the council's mainstream staff payable from 1 April 2015. Consequently this has been built into the base budget for 2015-16, along with provision for a cost of living pay award for the Joint Management Team and other Shared Managers if this is approved by the Joint Personnel Committee (or equivalent body) later in the year.
- 3.36 The Localism Act requires the Council to approve a statement of pay policy for 2015-16 by 31 March 2015. 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 7**. It should be noted that a shared policy statement has been created with South Northamptonshire Council to reflect 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

- 3.37 The revenue budget includes all revenue effects of capital schemes. Assumptions of new capital receipts in 2015-16 are based on realistic estimates received from the relevant officers in the Council.

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

- 3.38 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.

### **Capacity to manage in-year budget pressures**

- 3.39 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.

- 3.40 Managers with budgetary responsibility receive financial training and support. The Executive receives quarterly budgetary control reports, including proposed actions to deal with any variances from budget.

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

- 3.41 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.

### **Longer-Term Considerations**

- 3.42 Although this report has the 2015-16 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.
- 3.43 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.
- 3.44 The next Medium Term Revenue Plan, covering the years 2015-16 to 2019-20 will be considered by the Executive in June 2015. Although managerial action will be required during the 2015-16 budget year to deal with the likely budget deficit from 2016-17 onwards there are currently no plans which will affect the 2015-16 budget itself.
- 3.45 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.

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

- 3.46 Estimates for Housing Benefit payments, related Government subsidy and administration 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 few years and may 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.
- 3.47 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.
- 3.48 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.

- 3.49 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.
- 3.50 The homelessness budget is demand-led and therefore difficult to accurately estimate. It will be closely monitored.

### **2015-16 Treasury Strategy**

- 3.51 The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment.
- 3.52 The proposed strategy for 2015-16 is attached in **Appendix 6** 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).
- 3.53 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.
- 3.54 The strategy detailed in **Appendix 6** covers:
- The Current Treasury Position
  - Prospects for interest rates
  - The borrowing strategy
  - Prudential Indicators
  - The investment strategy
  - Creditworthiness policy
- 3.55 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.
- 3.56 In addition there will be monitoring reports and regular review by members in both executive and scrutiny functions.
- 3.57 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.

- 3.58 This Council adopts the reporting arrangements outlined in the attached Strategy.

### **Counterparty Ratings**

- 3.59 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.

- 3.60 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.
- 3.61 The early adoption of the EU Bank Recovery and Resolution Directive (BRRD) in the UK and the EU and UK Bank of England Bank Stress tests on a number of UK Banks has resulted in the ratings agencies reviewing their methodologies which has meant that the ratings of a number of counterparties have reduced but which are still within the Council's minimum criteria whilst other institutions have been placed on a 'negative' watch. This is not indicative of deteriorating credit quality in the institution concerned. Instead it is reflective of underlying methodology changes by the agencies in light of regulatory changes. The Council's Treasury Management advisors have given their views and advice in respect of these developments which is being followed by the Treasury Management team.
- 3.62 As a result of the full implementation of the BRRD from July 2015, it is expected that the number of institutions on the counterparty list will reduce which coupled with the continuing low rates of interest will require the consideration and use of a range of investment products away from the traditional unsecured fixed term deposits and Money Market Funds. This has been allowed for in the Treasury Management Strategy at **Appendix 6**.
- 3.63 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 2015-16 financial year.

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

- 3.64 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.
- 3.65 This MRP Statement is being submitted before the start of the 2015-16 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**

- 3.66 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.

- 3.67 It is considered that these requirements are in fact met and that the budget is sufficiently robust to be recommended for approval.
- 3.68 The production of the Treasury Management and Investment Strategy is a requirement of the CIPFA Code of Practice for Treasury Management.
- 3.69 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 “Authorised Borrowing Limit”.
- 3.70 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.
- 3.71 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, strategic priorities and annual business plan for Council to consider alongside the setting of the 2015-16 Council Tax.

## **5.0 Consultation**

- 5.1 This report has been considered by Councillor Ken Atack, Lead Member for Financial Management and Councillor Kieron Mallon, Lead Member for Banbury Developments, Communications and Performance.
- 5.2 The Executive has considered the budget through different reports from October through to December.
- 5.3 The Budget Planning Committee has considered the budget through its meetings during October to January.
- 5.4 The Executive considered the draft strategic priorities, key objectives and key outcomes for 2015-16 at its December 2014 meeting.
- 5.5 The Overview and Scrutiny Committee considered the proposed strategic priorities, key objectives and key outcomes for 2015-16 at its meeting on 13 January 2015 and did not wish to recommend any changes for the Executive to consider ahead of finalising its proposals for Full Council to consider at this meeting.
- 5.6 The Executive has consulted on its proposed budget and also used both the annual customer satisfaction survey and the Citizen’s panel to look at budget issues and

develop the annual business plan and the specific outcomes required for the Council and our residents / stakeholders for the year ahead.

- 5.7 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 2015-16 revenue and capital budget. This will be presented to Council on the 23 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 2015-16 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](mailto:nicola.jackson@cherwellandsouthnorthants.gov.uk)

### **Legal Implications**

- 7.2 The Council is legally required to set a balanced budget which the recommendations will achieve if approved by Executive and Council. Due consideration of external responses to consultation is also required and has taken place as part of the budget process.

Comments checked by: Kevin Lane, Head of Law and Governance  
0300 0030107 [kevin.lane@cherwellsouthnorthants.gov.uk](mailto: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 priorities and key outcomes. 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, Acting Corporate Performance Manager.  
01295 221786 [louise.tustian2@cherwellandsouthnorthants.gov.uk](mailto:louise.tustian2@cherwellandsouthnorthants.gov.uk)

## **Equality and Diversity**

- 7.4 Both the proposed budget and business plan have been subject to an equality impact assessment with no recommendations for action.

Comments checked by: Caroline French,  
01295 221786 [louise.tustian2@cherwellandsouthnorthants.gov.uk](mailto:louise.tustian2@cherwellandsouthnorthants.gov.uk)

## **8.0 Decision Information**

### **Wards Affected**

All

### **Links to Corporate Plan and Policy Framework**

All

### **Lead Councillors**

Councillor Ken Atack – Lead Member for Financial Management

Councillor Kieron Mallon – Lead Member for Banbury Developments, Communications and Performance

### **Document Information**

<b>Appendix No</b>	<b>Title</b>
1	Capital Bids 2015-16
2	Collection Fund Estimates
3	Five Year Strategy
4	Business Plan 2015-16
5	Pledges 2015-16
6	Treasury Strategy
7	Pay Policy
8	Retail Rate Relief Policy
9	Transitional Relief Policy
<b>Background Papers</b>	
None	
<b>Report Authors</b>	Paul Sutton, Head of Finance & Procurement Joanne Pitman, Head of Transformation
<b>Contact Information</b>	<a href="mailto:paul.sutton@cherwellandsouthnorthants.gov.uk">paul.sutton@cherwellandsouthnorthants.gov.uk</a> Tel: 0300 003 0106 <a href="mailto:jo.pitman@cherwellandsouthnorthants.gov.uk">jo.pitman@cherwellandsouthnorthants.gov.uk</a> Tel: 0300 0030108