

Cherwell District Council

Executive

1 February 2016

<p>Draft Budget and Corporate Business Plan 2016/17</p>
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Report of Director of Resources

This report is public

Purpose of report

The Council is required to produce a balanced budget for 2016/17 as the basis for calculating its level of Council Tax. It has to base that budget on its plans for service delivery during the year, recognising any changes in service demand that may arise in future years.

The proposed budget and business plan for 2016/17 are presented as an integrated report to demonstrate that the Council adopts a strategic approach to managing all of its resources, ensuring that the delivery of the Council's priorities for the district directs the allocation of financial resources.

1.0 Recommendations

The meeting is recommended:

- 1.1 To consider and approve the draft budget in the context of the Council's service objectives and strategic priorities.
- 1.2 To approve and recommend the balanced budget to Full Council.
- 1.3 To recommend to Full Council a Council tax freeze.
- 1.4 To recommend to full council the proposed 2016/17 capital programme, see Appendix 5.
- 1.5 To note the latest Medium Term Revenue Plan (MTRP) for 2016/17 to 2020/1, at Appendix 3; this will be the basis of the work of the Budget Planning Committee for the following year.
- 1.6 To recommend, subject to any further changes Members may wish to include tonight, the updated draft revenue budget for adoption by Full Council on 22 February 2016.

- 1.7 To delegate authority to the Head of Finance and Procurement, in consultation with Director of Resources and the Lead Member for Financial Management to amend the contributions to or from general fund balances to allow the Council Tax to remain at the level recommended to Full Council following the announcement of the final settlement figures, any changes to relating to Business Rates or as a result of any financial implications arising from recommendation 1.6, above.
- 1.8 To recommend the 2016/17 business plan and performance pledges to Full Council (detailed in Appendices 6 and 7 respectively).
- 1.9 To note the 2016/17 Business Plan and Budget Equality Impact Assessment (detailed in Appendix 8).

2.0 Introduction

- 2.1 This report sets out the draft revenue budget for 2016/17 for the Council which will form the basis of the council tax setting report which is due to be considered by Full Council on the 22 February 2016. The report covers the information and work undertaken by Budget Planning Committee and the budget and capital programme recommended by that Committee at its meeting held on 19 January 2016.
- 2.2 The report also looks at the impact of the local government finance settlement which was announced on 17 December 2015. It sets out the steps which have been undertaken to produce a balanced budget and the capital programme.
- 2.3 Throughout the autumn and winter officers have been preparing the budget in line with the guidelines considered by the Executive at its meeting of the 5 October 2015. A copy of the guidelines is set out at Appendix 1 for ease of reference. This has set out the framework within which the budget has been developed.
- 2.4 The budget has been subject to consideration by the Budget Planning Committee which has also been involved in assessing the proposed capital programme.

3.0 Report Details

Draft Revenue Budget

- 3.1 The initial Medium Term Revenue Plan (MTRP) for 2016/17 showed a funding gap of £1.8m. The budget presented in this report follows significant work by officers and the Budget Planning Committee in order to arrive at a balanced budget position. Table 1 sets out the draft General Fund Revenue Budget for consideration by the Executive.

Table 1: Revenue Budget 2016-17	Approved Budget 2015-16 £000	Draft Budget 2016-17 Proposed Budget £000	Movement £000	Movement %
Community and Environment				
Community Services	5,557	4,931	(626)	(11)
Environmental Services	4,444	4,919	475	11
Community & Environment Directorate Total	10,001	9,850	(151)	(2)
Development				
Strategic Planning and the Economy	700	1,195	495	71
Public Protection / Development Management	483	261	(222)	(46)
Regeneration and Housing	1,801	1,642	(159)	(9)
Development Directorate Total	2,984	3,098	114	4
Resources				
Transformation	2,455	2,659	204	8
Finance and Procurement	824	1,142	318	39
Law and Governance	909	990	81	9
Resources Directorate Total	4,188	4,791	603	14
Bicester Regeneration Programme	(311)	1,163	1,474	(474)
Chief Executive	410	417	7	2
NET COST OF SERVICES	17,272	19,319	2,047	13
Transfers to/from Reserves NHB	1,461	2,030	569	39
Transfers to/from reserves	124	(1,705)	(1,829)	(1,410)
Transfers to General Fund Balance	0	417	417	0
Interest due on debt	159	25	(134)	(84)
Interest on Investments	0	(175)	(175)	0
Superannuation	1,781	1,847	66	4
Depreciation adjustment	(4,000)	(4,002)	(2)	0
NET BUDGET REQUIREMENT	16,797	17,756	959	6
FUNDING				
Business Rates Baseline	(3,466)	(3,499)	(33)	1
Revenue Support Grant	(2,629)	(1,850)	779	(30)
Formula grant equivalent	(6,095)	(5,349)	746	(12)
Transfer to Parish Councils for CTRS	349	349	0	0
Transfer Homelessness Grant	101	0	(101)	(100)
Council Tax Compensation Grant	(63)	0	63	(100)
Collection Fund	(233)	(180)	53	(23)
New Homes Bonus	(2,712)	(3,682)	(970)	36
Business Rates				
S31 Grant	(1,135)	(860)	275	(24)
Growth above baseline	(600)	(1,020)	(420)	70
Pooling	(450)	(900)	(450)	100
	(10,838)	(11,642)	(804)	7
Council Tax Income	(5,959)	(6,114)	(155)	3
TOTAL INCOME	(16,797)	(17,756)	(959)	6
(Surplus) / Deficit	0	0	0	0
Tax Base	48,253	49,506		
Band D Council Tax	£123.50	£123.50	£0.00	0
% increase in Council Tax	0%	0%		

- 3.2 In order to balance the budget and secure the £1.8m deficit from the initial MTRP, further reductions in costs and increases in income were taken into account. The main drivers for this are summarised in Table 2 below and these adjustments have resulted in a balanced budget.

Table 2: adjustments to proposed budget 2016/17

Movement Summary	£'000
Employee Costs	995
Implementation of Business Cases	-37
Use of Reserves	1,578
Accounting Adjustment	101
Planning Income	-500
Leisure Contract Savings	-276
Contracts and tendering	50
Reduction in Housing Benefit Admin Grant	89
Small Variances	47
Change to Net Cost of Services	2,047
Reduction in transfer to reserves	-843
Interest	-309
Pension & Depreciation	64
Budget Requirement	959
Funding	£'000
Reduction in Formula Grant	746
Increase in New Homes Bonus	-970
Increase in Business Rates	-595
Other Adjustments	15
Increase in Council Tax Income	155

- 3.3 The above actions have succeeded in balancing the budget. Appendix 2 details a 'high level walk' from the 2015/16 net budget to the proposed 2016/17 net budget highlighting cost pressures and reductions.

Proposed Council Tax 2016/17

- 3.4 The level of council tax being proposed is £123.50 p.a. at Band D.
- 3.5 If the Executive were minded to change the Council Tax increase they should be aware that a 1% increase would equate to an increase in income of £61,140.

Local Government Finance Settlement

- 3.6 On the 17 December 2015, the Secretary of State for Communities and Local Government, the Rt Hon Greg Clark MP made a statement on the provisional local government finance settlement for 2016/17. This statement is still provisional and the final settlement is likely to be announced towards the end of January 2016.
- 3.7 The MTRP contained assumptions of a significant reduction in Revenue Support Grant (RSG) for 2016/17 and no RSG from 2017/18. This was partly in expectation of significant cuts, but also to reduce the Council's reliance on RSG. In the event, the Secretary of State announced a four year settlement, which included a higher than expected figure for 2016/17.

- 3.8 The settlement proposes RSG, Business Rates Baseline Funding and New Homes Bonus (NHB) for the next four years, until the revised Business Rates Scheme can be introduced, when local authorities may retain more of the business rates collected.
- 3.9 The New Homes Bonus scheme has remained unchanged for 2016/17. The Government is consulting on changes to NHB, the aim being to reduce the overall payments for NHB to provide additional funding for other public sector spending pressures and new burdens. This is likely to be achieved by reducing the period for which NHB is paid from the current 6 years. The revised scheme is likely to be in place from 2017/18 onwards.

Table 3. New Homes Bonus

Table 3 - New Homes Bonus	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	£000	£000	£000	£000	£000	£000
	2,712	3,682	4,060	2,980	2,990	2,300

Treasury Management Strategy 2016/17

- 3.10 The Council's investment income budget for 2016/17 has been compiled on the basis of close tracking of actual and likely interest rates and with the help of external advice. The emphasis has been on investments with the least risk for the Council's money and this, along with the continued low interest rates on offer and the agreed use of capital receipts has led to continuing low levels of investment income built into the budget. In budgetary terms this is prudent and places the Council at less risk of exposure in-year. A revised Treasury Management Strategy will be recommended to Full Council in February 2016 by the Accounts, Audit and Risk Committee.

Business Rates Pooling and Growth

- 3.11 Two years ago, the decision was taken to form a pool with Oxfordshire County Council and West Oxfordshire District Council. The detail of the figures is still being calculated and the estimate will only be finalised when the 2016/17 return is made to the Government by the end of January 2016.
- 3.12 However there will be a significant benefit to Cherwell as a result of the pooling arrangements. The budget anticipates £900,000 for Cherwell as a result of pooling. This estimate is deliberately prudent given the turbulence and uncertainty still associated with the scheme.
- 3.13 The draft budget also includes £1.02m business rates growth above the baseline and £860,000 of Section 31 grant. These represent an increase over last year of £595,000 overall.

2015-16 Capital Programme

- 3.14 The Budget Planning Committee reviewed all the capital bids during November and made recommendations to the Executive at its meeting of 19 January 2016. The new capital schemes for 2016/17 supported by Budget Planning Committee total £1.406 million are set out at Appendix 4. There are also £0.94 million of capital schemes for 2016/17 that were approved in previous years. It should also be noted that there are seven ongoing capital projects, and the capital programme shown in

Appendix 5, includes an additional year in 2020/21 for these schemes, totalling £0.94 million.

The Future – Medium Term Financial Strategy 2017/18 to 2021/22

- 3.15 The coming years will present further challenges which in the main will relate to the continued changes to government grants, local government reform and welfare reform. The Council has a strong track record and commitment to delivering efficiencies and this will continue in order to manage the challenges facing the authority in the future.
- 3.16 The forward planning together with the joint working with South Northamptonshire Council (and any others we choose to collaborate with), combined with our commitment to identifying alternative sources of income and commercial practice to provide financial independence strengthens our position to meet the forecast challenges of future years. The Council will update its MTRP forecast to be included in the 2016/17 budget book and will be presented to the Executive once complete.

Five Year Business Strategy, 2016-17 Business Plan and Performance Pledges

- 3.17 Whilst Appendix 6 sets out the corporate business plan, Appendix 7 clearly illustrates the performance pledges for 2016/17 arising from the Council's five year strategy, following consultation with the Overview and Scrutiny Committee. These inform the development of the annual budget and direct operational business plans for all services.
- 3.18 After the budget, five year strategy, business plan and Pledges have been considered and agreed by Full Council they will be published in March 2016 and will form the basis of the Council's performance management framework.

Impact assessment

- 3.19 An impact assessment of the 2015-16 budget and business plan has been carried out and is attached at Appendix 8.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The above narrative alongside the appendices represents the draft budget and business plan for 2016/17 for approval by the Executive. If agreed, they will be recommended to Full Council on the 2 February and be considered alongside the setting of the 2016/17 Council Tax.

5.0 Consultation

Public Consultation

- 5.1 The development of the Council's corporate business plan and budget is shaped by undertaking public consultation including using the Citizen's Panel and an annual customer satisfaction survey.

- 5.2 In addition, the draft budget has been available on the Council's consultation portal for comment.

Other Consultation

- 5.3 As part of our commitment to a whole Council approach to the setting of the budget and our priorities for the year ahead, the Council's Overview and Scrutiny Committee has been invited to help shape the proposed business plan and Pledges for 2016/17.
- 5.4 During its meeting on 12 January 2016 the Overview and Scrutiny Committee offered a number of suggested changes to the draft business plan and Pledges for 2016/17 which have subsequently been considered and incorporated.
- 5.5 The Budget Planning Committee has considered the budget through its meetings during October 2015 to January 2016.

6.0 Alternative Options and Reasons for Rejection

- 6.1 This report presents a final analysis of the Council's draft revenue and capital budget and business plan for 2016/17. They will be presented together to Full Council on the 22 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 and directed by the corporate business plan represent what is believed to be the best way of achieving this.
- 6.3 Members could decide not to agree the recommendations or to present alternative budget proposals but that would run counter to the detailed budget setting process that has taken place as part of the formulation of this budget.

7.0 Implications

Financial and Resource Implications

- 7.1 The financial effects of the revenue budget are identified in the report. The new capital schemes are detailed in Appendix 4. Any decisions made in relation to on-going expenditure or income in the budget for 2016/17 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 be subject to the intervention of the Secretary of State if it failed to do so.

Comments checked by: George Hill, Corporate Finance Manager
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Legal Implications

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

Comments checked by:
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Risk Management

- 7.3 The position to date highlights the relevance of maintaining a minimum level of reserves and budget contingency to absorb the financial impact of changes during the year. Any increase in risk will be escalated through the corporate risk register.

Comments checked by:
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Equality and Diversity

- 7.4 Impact assessments will be carried out in advance of setting the 2016/17 budget.

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8.0 Decision Information

Key Decision

Financial Threshold Met: Yes

Community Impact Threshold Met: Yes

Wards Affected

All

Links to Corporate Plan and Policy Framework

Enhancing the Council Performance

Lead Councillors

Councillor Barry Wood, Leader of the Council
Councillor Ken Atack – Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Budget Guidelines
Appendix 2	Revenue Budget Summary and “high level walk” 2015/16 to 2016/17
Appendix 3	MTRP 2015/16 to 2020/21
Appendix 4	New Capital Bids 2016-17
Appendix 5	Capital Programme
Appendix 6	2016-17 Business Plan
Appendix 7	2016-17 Performance Pledges
Appendix 8	Business Plan and Budget Equality Impact Assessment
Background Papers	
None	
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