

Cherwell District Council

Council

20 February 2017

Revenue and Capital Budget , Corporate Business Plan and Cycle of Growth 2017/18

Report of Chief Finance Officer

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 2017/18 budget year.

The report also details the proposed strategic priorities, the underpinning key objectives and outcomes for 2017/18 which have now been converted into a proposed business plan for the Council, and the proposed new cycle of growth strategies.

The proposed business plan and cycle of growth strategies sit alongside the proposed budget for 2017/18 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 2017/18 and to formally record that consideration.
- 1.2 To approve the 2017/18 General Fund Budget (in **table 1**) and 2017/18 Capital Programme (in **Appendices 2 and 3**).
- 1.3 To approve the Collection Fund Estimates contained in **Appendix 4**
- 1.4 To approve 2017/18 business plan, public pledges and joint cycle of growth strategies (detailed in **Appendices 7 and 8**) and to delegate authority to the Director of Operational Delivery, in consultation with the Leader of the Council to make any minor amendments to the strategies and corporate values as required before final publication in March 2017.

- 1.5 To note the contents of the section 25 statement from the Chief Finance Officer contained in paragraphs 2.1 to 2.7 in relation to the robustness of the estimates and the adequacy of reserves.
- 1.6 To note the impact of the proposed budget on reserves, including the use of reserves to fund a one-off pension fund contribution, and approve the list of reserves, **Appendix 5**
- 1.7 To approve the Treasury Management Strategy as detailed in **Appendix 6** including the Capital Prudential Indicators 2017/18 – 2019/20
- 1.8 To approve the appended statement of pay policy for 2017/18 as required by the Localism Act and detailed in **Appendix 9**.
- 1.9 To note that there is no change to the level of Empty Homes Premium for 2017/18 as set out in table 4, below, which will form a recommendation in the Council Tax Setting report.
- 1.10 To note that there is no change to the council tax discounts for 2017/18 set out in table 4 below, which will form part of the Council Tax setting report.
- 1.11 To Opt-in to the LGA national Sector Led Body in order to negotiate a new External Audit Contract as detailed in **Appendix 10**
- 1.12 To approve the Business Rates 100% Rural Rate Relief Policy as set out at **Appendix 11** and the formal resolutions that underpin the policy:
- The Council award 100% rural rate relief to eligible ratepayers from 1 April 2017.
 - The Council through the National Non-Domestic Rate return process seeks full reimbursement of the actual cost under the rates retention scheme of granting this relief.
- 1.13 To approve the Local Newspapers Policy as set out in **Appendix 12** and the formal resolutions that underpin the policy:
- The Council award a £1,500 business rates discount for office space occupied by local newspapers, up to a maximum of one discount per local newspaper title and per hereditament, up to state aid limits for 2 years from 1 April 2017.
 - The Council through the National Non-Domestic Rate return process seeks full reimbursement of the actual cost under the rates retention scheme of granting this relief.
- 1.14 To approve the Discretionary Rate Relief Policy, effective from 1 April 2017, as set out in **Appendix 13**.

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 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 2017/18.

3.0 Report Details

Five Year Business Strategy, 2017/18 Business Plan, Performance Pledges and Cycle of Growth

- 3.1 Whilst Appendix 7 sets out the corporate business plan and performance pledges following consultation with the Overview and Scrutiny Committee, Appendix 8 clearly illustrates the joint cycle of growth strategies for 2017/18 arising from the Council’s five year strategy. These inform the development of the annual budget and direct operational business plans for all services.
- 3.2 After the budget, five year strategy, business plan, pledges and joint cycle of growth strategies 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.

Budget Process 2017/18

- 3.3 The budget for 2017/18 includes a further cut in government Revenue Support. The reduction in grant funding compared to 2016/17 equates to £677,000 - a drop of 12.7%.

- 3.4 The budget process formally began with the Executive agreeing Budget Guidelines at their meeting on 3 October 2016. These guidelines included the decision that any service growth should be self-funding via efficiencies and that the council tax should not be increased.
- 3.5 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 at which council tax should be set.
- 3.6 The Joint Management Team received regular updates on the overall budget position from September 2016 through to January 2017 and managed the overall process. The Executive received regular reports detailing the service and financial planning process. The revenue and capital budget proposals were reported to Executive on 6 February 2017, outlining the latest position regarding efficiencies identified and remaining sums required to balance the budget.
- 3.7 The Budget Planning Committee reviewed a number of components of the 2017/18 budget. These focused primarily on the proposed capital project schemes and reserves. This work was carried out from October 2016 until January 2017. The recommendations of this committee were taken to the Executive for consideration on 6 February 2017 and these were included in the final budget proposal. The Executive concluded its budget deliberations on 6 February. .
- 3.8 The draft revenue budget is set out in Table 1.

Table 1: Revenue Budget 2017-18	Budget 2016/17 £'000	Proposed Budget 2017/18 £'000	Movement Movement £'000	Movement %
Chief Executive	173	187	14	8%
Commercial Development				
Bicester Regeneration Project	1,163	1,190	27	2%
Regeneration & Housing	1,642	2,263	621	38%
Human Resources	524	555	31	6%
Information Services	1,497	1,637	140	9%
Business Transformation	278	300	22	8%
Sub Total	5,104	5,945	841	16%
Finance and Procurement	1,148	1,398	250	22%
Strategy & Commissioning				
Strategic Planning Economy	1,124	1,201	77	7%
Development Management	296	585	289	98%
Communications & Corp Perf	295	318	23	8%
Business Support Unit	87	90	3	3%
Performance	197	180	(17)	-9%
Law and Governance	1,040	1,093	53	5%
Sub Total	3,038	3,467	429	14%
Community and Environment				
Community Services	5,162	5,176	14	0%
Environmental Services	4,913	5,454	541	11%
Sub Total	10,075	10,630	555	6%
NET COST OF SERVICES	19,538	21,627	2,089	11%
Transfers to/from Reserves NHB	2,030	2,373	343	17%
Transfers to/from reserves	(1,924)	(4,850)	(2,926)	-152%
Transfers to General Fund Balance	688	590	(98)	-14%
Interest on Investments (including Graven Hill)	(150)	(1,954)	(1,804)	-1203%
Pension Fund - Historic Costs	1,847	4,985	3,138	170%
Depreciation adjustment	(4,002)	(4,002)	0	0%
NET BUDGET REQUIREMENT	18,027	18,769	742	4%
CDC: FUNDING				
Formula Grant Equivalent				
Business Rates Baseline	(3,495)	(3,564)	(69)	-2%
Revenue Support Grant	(1,851)	(1,105)	746	40%
Sub Total	(5,346)	(4,669)	677	-13%
Grants Awarded				
Transfer to Parish Councils for CTRS	349	349	0	0%
New Homes Bonus	(3,851)	(4,468)	(617)	-16%
Sub Total	(3,502)	(4,119)	(617)	18%
Business Rates Growth				
Retained Business Rates	(2,114)	(2,231)	(117)	-6%
Pooling Gain	(1,869)	(1,562)	307	16%
Renewable Energy	(244)	(213)	31	13%
S31 Inflation Cap	(108)	0	108	100%
NNDR Collection Fund Deficit	1,555	648	(907)	58%
Sub Total	(2,780)	(3,358)	(578)	-21%
Council Tax Income				
Baseline	(6,219)	(6,219)	0	0%
Taxbase increase	0	(158)	(158)	0%
Council Tax Increase by £5	0	0	0	0%
Collection Fund	(180)	(246)	(66)	37%
Sub Total	(6,399)	(6,623)	(224)	-4%
TOTAL INCOME	(18,027)	(18,769)	(742)	-4%
(SURPLUS) / DEFICIT	0	0	0	
Tax Base	49,506	51,639.5	2,133	-4%
Band D Council Tax	£123.50	£123.50	£0.00	0%

- 3.9 The budget will form the financial expression of the Council's service delivery plans for 2017/18; 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.

Proposed Council Tax 2017/18

- 3.11 The level of council tax being proposed is £123.50 per year at Band D and this is in line with Council commitment to a zero increase in 2017/18. This is the eighth year that Council Tax has been frozen. This compares to a CPI rate at December 2016 of 0.5% and RPI of 1.6%.

Local Government Finance Settlement

- 3.12 On the 15 December 2016, the Secretary of State for Communities and Local Government, the Rt Hon Sajid Javid MP made a statement on the provisional local government finance settlement for 2017/18. The final settlement has been delayed and is now likely to be announced on 22 February 2017, see **Appendix 14**. The best information available at this stage is the interim settlement, which has been used in **table 1**. Any significant change from this figure will require an adjustment to reserves to maintain a balanced budget, the level of council tax will remain unchanged.
- 3.13 The Council's efficiency plan was accepted by the Government and the figures for Grant, Business Rates and New Homes Bonus are in line with the four year settlement originally proposed in December 2015.
- 3.14 The settlement proposes RSG, Business Rates Baseline Funding and New Homes Bonus (NHB) for the next three years, until the revised Business Rates Scheme can be introduced, when local authorities may retain more of the business rates collected.

Table 2: Grant Figures for the four year settlement, with estimated figures for 2020/21 and 2021/22

Formula Grant	Four Year Settlement				100% Business Rates Retention	
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Business Rates Baseline	3,495	3,564	3,669	3,786	0	0
Business Rates Retention	0	0	0	0	3,900	4,017
Revenue Support Grant	1,851	1,105	637	114	0	0
Total	5,346	4,669	4,306	3,900	3,900	4,017
Percentage Change		-13%	-8%	-9%	0%	3%

- 3.15 The settlement maintained the four year settlement that had been promised and also set out the outcomes from the New Homes Bonus consultation, which had been outstanding since March.

The main changes to New Homes Bonus (NHB) are set out below:

- The Government is implementing its preferred option: to reduce legacy payments from 6 years to 5 years in 2017/18 and then to 4 years in 2018/19.
- A “deadweight” factor will also be introduced, so that no NHB payments will be made to a local authority whose housing growth is less than 0.4%. The baseline for Cherwell in 2017/18 is 236 band D equivalent properties, a loss in NHB payments of £290k, or £1.16m over 4 years. The consultation included a baseline of 0.25%, the increase to 0.4% requires a further 88 band d D properties to be built in 2017/18 before NHB is paid.
- The Government will review the 0.4% baseline annually to ensure that the cost of NHB to the Treasury is affordable.
- Furthermore, from 2018/19 the Government could withhold payments from authorities not supporting housing growth (appeals, local plan); there will be a further consultation on these elements.

Table 3: New Homes Bonus

New Homes Bonus	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Without baseline	4,755	4,629	5,827	6,226	5,990
Baseline at 0.25%	4,576	4,265	5,229	5,438	5,188
Baseline at 0.4%	4,468	4,046	4,870	4,965	4,706
Reduced NHB @ 0.25%	179	364	598	788	803
Further reduction to 0.4%	108	219	359	473	482
Total reduction	287	583	957	1,261	1,284

Treasury Management Strategy 2017/18

- 3.16 There is a significant increase in interest on balances as a result of the Council's decision to set up, and invest in the Graven Hill Company. Interest payable by Graven Hill to the Council in 2017/18 is estimated at £1.249m. In addition a commitment fee of £0.661m is also payable, giving total income of £1.91m from the project in 2017/18.
- 3.17 The Council's investment income budget for 2017/18 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 2017 by the Accounts, Audit and Risk Committee.

Business Rates Pooling and Growth

- 3.18 Three years ago, the decision was taken to form a pool with Oxfordshire County Council and West Oxfordshire District Council. The calculations are still being made and will only be finalised when the 2017/18 NNDR1 return is made to the Government by the 31 January 2017.
- 3.19 However there will be a significant benefit to Cherwell as a result of the pooling arrangements. The budget anticipates £3.35m growth in business rates for the Council, a significant proportion, as a result of pooling. This estimate is deliberately prudent given the turbulence and uncertainty still associated with the scheme.
- 3.20 In the Autumn Statement on 23 November 2016 the Chancellor of the Exchequer confirmed that rural rate relief will double from 50% to 100% from 1 April 2017.
- 3.21 The Government intends to amend the relevant primary legislation to require local authorities to grant 100% mandatory rural rate relief to take effect from 1 April 2018. However, before the grant mandatory relief comes into force the Government expects local authorities to use their local discount powers to grant 100% rural rate relief to eligible ratepayers from 1 April 2017.
- 3.22 The Government announced in the Budget on 16 March 2016 that it will provide relief of up to £1,500 to all office space occupied by local newspapers, up to a maximum of one discount per local newspaper title and per hereditament, and up to state aid limits, for 2 years from 1 April 2017.
- 3.23 This is a temporary measure to support local newspapers in adapting to technological changes within the industry. The relief is intended to be specifically for local newspapers.

Discretionary Rate Relief

- 3.24 The Discretionary Rate Relief Policy, attached as **Appendix 13**, outlines the areas of local discretion and the Council's approach to the various discretionary awards. This has been prepared having regard to the impact:
- of granting discretionary relief on the Council's wider financial position and Council taxpayers;
 - on the organisations and businesses that currently receive or may apply for relief in the future;
 - for residents and council taxpayers of the Cherwell district;
- 3.25 The legislation governing the granting of discretionary rate relief is found in Section 47 of the Local Government Finance Act 1988 and subsequent amending legislation. The qualifying conditions are one or more of the following:
- the ratepayer is a charity or trustees for a charity and the hereditament ('liable property') is wholly or mainly used for charitable purposes (whether of that charity or of that and other charities);

- the hereditament is not an excepted hereditament, and all or part of it is occupied for the purposes of one or more institutions or other organisations none of which is established or conducted for profit and each of whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science literature or the fine arts;
- the hereditament is not an excepted hereditament, it is wholly or mainly used for the purposes of recreation, and all or part of it is occupied for the purposes of a club, society or other organisation not established or conducted for profit.

3.26 In addition to this, the Localism Act 2011 amended Section 47 of the Local Government Finance Act 1988 to allow billing authorities to reduce the business rates of any local ratepayer under a local discount scheme.

3.27 The legislation also allows the Council to exercise its discretion to grant relief from rates in respect of those ratepayers suffering hardship as well as those occupying only parts of a property for a short period of time only.

3.28 Due to the on-going financial impact of granting discretionary rate relief it is recommended that a formal policy, incorporating guidelines for the assessment of applications, is introduced and that the policy at **Appendix 13** is considered and recommended for adoption from 1 April 2017.

Collection Fund

3.29 The Collection Fund estimates have been finalised and are detailed in **Appendix 4**. The surplus is currently projected to be £245,661, and this has been included as funding for 2017/18.

3.30 The Council is also required to approve any Empty Homes Premium it wishes to charge for the forthcoming year. This has been set at 150%, as recommended by the Executive Committee at a meeting on 7 September 2015, see table 3 below.

3.31 The Council is required to set discount rates for unoccupied properties. The Executive Committee reviewed the rates for 2015/16 and recommended the rates shown in table 3 below for 2016/17 at a meeting on 1 February 2016.

Table 4. Discounts and Premiums 2017/18

Discount Description		Rate 2016/17	Rate 2017/18
Properties within Class A and B as defined by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 (furnished chargeable dwelling that are not the sole or a main residence of an individual).		0%	0%
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).	First three months	50%	50%
	Over three months	0%	0%
Properties within Class D as defined by the said Regulations (chargeable dwellings that are vacant and undergoing major repair work to render them habitable).		0%	0%
Premium Description		Rate 2015/16	Rate 2016/17
Dwellings that are unoccupied and unfurnished for more than two years		50%	50%

Capital Programme 2017/18

- 3.32 The Budget Planning Committee reviewed all of the capital bids at the November and January meetings and made recommendations to the Executive at its meeting of 6 February 2017. The new capital schemes for 2017/18 supported by Budget Planning Committee and Executive Committee totalling £1.704 million are set out at **Appendix 2**. It should also be noted that there are seven ongoing capital projects, and the capital programme shown in **Appendix 3**, includes £7.04m for the period 2018/19 to 2021/22.
- 3.33 This capital programme budget is summarised in table 5 below and the capital bids are listed in **Appendix 2**. The Capital programme is shown in **Appendix 3**.

Table 5: Capital Programme and Finance:		2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
In Year Spend - Capital Programme		72,149	3,770	1,880	1,650	1,730	1,780	82,959
Financed By:								
External Grant Funding - DFG		-375	-375	-375	-375	-375	-375	-2,250
External Grant Funding - Bicester Sports Village		-260	0	0	0	0	0	-260
Borrowing - Build Programme		-11,531	0	0	0	0	0	-11,531
Borrowing - Graven Hill		-44,428	0	0	0	0	0	-44,428
In Year - use of Capital Receipts		-15,555	-3,395	-1,505	-1,275	-1,355	-1,405	-24,490
		0	0	0	0	0	0	0

Capital Receipts		2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Capital Receipts balance brought forward		-3,161	0	-4,507	-4,082	-3,887	-7,107	-3,161
VAT Shelter and Right to Buy		-580	-580	-580	-580	-580	-580	-3,480
Other In Year Capital Receipts		0	-19,136	-500	-500	-3,995	-500	-24,631
In Year - use of Capital Receipts		15,555	3,395	1,505	1,275	1,355	1,405	24,490
Internal borrowing		-11,814	11,814	0	0	0	0	0
Capital Receipts balance carried forward		0	-4,507	-4,082	-3,887	-7,107	-6,782	-6,782

Guidance on evaluation of estimates

- 3.34 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.
- 3.35 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
 - 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.
- 3.36 The above issues are also of relevance when evaluating the robustness of the budget.

Reserves

- 3.37 The rationale for each of the Council's reserves and the level required in each has been reviewed by the Leader, the Lead Member for Financial Management, The Budget Planning Committee and the Chief Finance Officer. The reserves are considered to be both necessary and at adequate levels.
- 3.38 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.
- 3.39 These reserves are in the region of £20m but will be subject to change as a result of year-end adjustments and formulating the statutory accounts. A list of current reserves is shown at **Appendix 5.**

Pension Fund – Lump Sum Contributions

- 3.40 The triennial review of the Council's pension fund has been completed. There are three elements of pension contributions that the Council has to make:

1. A percentage which is added to employee costs, which is to fund the future cost of pensions for current employees. This percentage has increased from 13.9% to 14.9%.
2. A lump sum to fund historic pension costs for former employees. A schedule of payments for the next three years is shown in table 6 below.
3. An annual payment, currently £275,000 per year to fund the additional cost of employees who have been allowed to retire early, usually through ill-health.

3.41 Following discussion with the pension fund actuary, there is an opportunity for the Council to use reserves to make a one-off payment to fund 2 above. The one-off payment would be £4.71m and this would achieve a saving of £282,000 or 7.5% over the three annual payments.

Table 6: Pension Fund Contributions

Year	Original Proposed Schedule	Alternative One-off Option	Saving
	£'000	£'000	£'000
2017/18	1,657	4,710	3,053
2018/19	1,697	0	-1,697
2019/10	1,738	0	-1,738
Total	5,092	4,710	-382

3.42 Executive Committee approved the use of reserves to fund the initial one-off payment of £3.053m. The impact on reserves is shown in **Appendix 10**.

3.43 The additional £3.053m could be funded up-front from reserves, and the amount repaid into reserves over the following two years.

Five Year Business Strategy, 2017/18 Business Plan, Performance Pledges and Cycle of Growth

3.44 Appendix 7 sets out the corporate business plan, including the performance pledges for 2017/18 arising from the Council's five year strategy. These inform the development of the annual budget and direct operational business plans for all services. This plan was considered and supported by the Overview and Scrutiny Committee on 10 January 2017.

3.45 The five year Business Strategy, the Medium-term Financial Strategy, the Annual Business Plan, individual service business plans and ultimately the appraisal targets of all individual employees demonstrate that the council has a clear and robust "golden thread" between resource availability and delivery of the council's agreed strategic priorities. This is, in times of austerity, fundamental and will help us to provide effective leadership to all of our residents and businesses. It will also demonstrate that we are adopting a more mature and commercially aware approach to running our council.

3.46 The four strategic priorities of the five year strategic business strategy remain:

- District of Opportunity
- Safe, Green, Clean
- A Thriving Community
- Sound Budgets and Customer Focused Council

Cycle of Growth

3.47 With a strong focus on the strategic priority of growth, we have now developed a suite of three new joint corporate strategies for Cherwell District Council and South Northamptonshire Council to sit alongside the respective strategic business plans. Those three corporate strategies are:

- Operational excellence strategy
- Commissioning strategy
- Commercial development and innovation strategy

They are attached as **Appendix 8**.

A key element of the operational excellence strategy is the introduction of a set of joint corporate values to add to the new organisational culture. They are values that we expect to be demonstrated by everyone within the council and from our new partners and suppliers.

Individually and collectively the three new corporate strategies represent the councils' cycle of growth, and will lead us towards financial independence, growth and sustainability. They will operate in tandem with one another to ensure the outcomes required in the strategic business plans and medium term revenue plans are achieved.

Operational excellence will be enhanced by our attitude to commercial awareness. Commercial success will be underpinned by the delivery of operational excellence. And they will be bound together by our approach to commissioning services.

Ultimately, the financial growth achieved through the successful delivery of these three strategies will enable further investment to improve the quality of life of our residents and economic growth of both areas.

The proposed joint corporate values, using the acronym of "P.R.I.D.E" have been subject to consultation with JMT, the Manager's Forum and Unison.

Strategic budget issues to evaluate for robustness

Inflationary Pressures

3.48 The approved budget guidelines recommended the inclusion of 1.5% inflation to be incorporated within expenditure budgets, other than payroll which has been estimated at 2%. 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.

- 3.49 The Localism Act requires the Council to approve a statement of pay policy by 31 March each year. The Act prescribes the mandatory components of this document and these are contained in the statement of policy contained at **Appendix 8**. 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

- 3.50 The revenue budget includes all revenue effects of capital schemes. Assumptions of new capital receipts in 2017/18 are based on realistic estimates received from the relevant officers in the Council.

Treatment of demand-led pressures and efficiencies

- 3.51 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

- 3.52 The Council has a record of maintaining good financial and budgetary discipline in the face of in-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.
- 3.53 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

- 3.54 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

- 3.55 Although this report has the 2017/18 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.
- 3.56 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.

- 3.57 The Medium Term Revenue Plan, covering the years 2017/18 to 2021/22 is attached at **Appendix 1** and will be developed by the Budget Planning Committee throughout the coming year. Although managerial action will be required during the 2017/18 budget year to deal with the likely budget deficit from 2018/19 onwards there are currently no plans which will affect the 2017/18 budget itself.
- 3.58 The preparation of the Medium Term Revenue Plan has been made easier and more important by the four year financial settlement announced by the Government in December 2015.

Specific Service Budget Risk Considerations

- 3.59 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 which 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.
- 3.60 The income from car parking will be closely monitored, as it is demand led and we need to see if the impact of fee changes.
- 3.61 Planning fee income increased in the last two years prior to 2016/17. Income has dropped in the current year and the 2017/18 budget has been adjusted to reflect this. As this area of income is volatile and may fluctuate, the sums included will be closely monitored during the year.
- 3.62 Rental income from the Council's property portfolio is again subject to market forces and best estimates from officers concerned have been used to reflect current occupancy levels. This area will be monitored closely.
- 3.63 The homelessness budget is demand-led and therefore difficult to accurately estimate. It will be closely monitored as there is increasing pressure on this service at present.

Treasury Strategy 2017/18

- 3.64 The Treasury Management Strategy is the cornerstone of proper treasury management, and is central to the operation, management reporting and performance assessment.
- 3.65 The proposed strategy for 2017/18 is attached in **Appendix 7** and is based upon the views of the Chief Finance Officer 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).
- 3.66 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.

3.67 The strategy detailed in **Appendix 7** covers:

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

3.68 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.

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

3.70 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.

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

Minimum Revenue Provision (MRP) Policy

3.72 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 includes the Council's Minimum Revenue Provision Statement.

3.73 This MRP Statement is being submitted before the start of the 2017/18 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 at that time.

Key Issues for Consideration and Options

3.74 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.

3.75 It is considered that these requirements are in fact met and that the budget is sufficiently robust to be recommended for approval.

3.76 The production of the Treasury Management and Investment Strategy is a requirement of the CIPFA Code of Practice for Treasury Management.

3.77 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”.

- 3.78 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.
- 3.79 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 2017/18 Council Tax.

5.0 Consultation

- 5.1 The Executive has considered and recommended the budget, strategic business plan and cycle of growth strategies (including the proposed corporate values) at the meeting held on 6 February 2017.
- 5.2 The Budget Planning Committee has considered the budget through its meetings during October to January.
- 5.3 The Overview and Scrutiny Committee considered the proposed strategic priorities, key objectives and key outcomes for 2017/18 at its meeting on 10 January 2017 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.
- 5.4 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.
- 5.5 The draft budget has also been on the Council’s consultation portal. The proposed joint corporate values, forming part of the operational excellence strategy have been the subject of consultation with the Managers’ Forum and Unison.

6.0 Alternative Options and Reasons for Rejection

- 6.1 This report presents a final analysis of the Council’s draft 2017/18 revenue and capital budget. This will be presented to Council on the 20 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 2017/18 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:

George Hill, Corporate Finance Manager, 01295 221731

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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. The decision of the Council to set an annual budget and a level of Council Tax must be made by a recorded vote.

Comments checked by:

Kevin Lane, Head of Law and Governance

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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:

Ed Bailey, Corporate Performance Manager, 01295 221605

edward.bailey@cherwellandsouthnorthants.gov.uk

Equality and Diversity

- 7.4 The proposed budget, business plan and cycle of growth strategies have all been subject to equality impact assessments with no recommendations for action.

Comments checked by:

Caroline French, Business Transformation Project Officer, 01295 221586

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8.0 Decision Information

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillors

Councillor Barry Wood – Leader of the Council

Councillor Ken Atack – Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	MTRP 2016/17 to 2021/22
Appendix 2	Capital Bids 2017/18
Appendix 3	Capital Programme 2016/17 to 2021/22
Appendix 4	Collection Fund Estimates
Appendix 5	Proposed Reserves 2017/18
Appendix 6	Treasury Strategy 2017/18
Appendix 7	Business Plan and Pledges 2017/18
Appendix 8	Cycle of Growth Strategies: <ul style="list-style-type: none">i. Operational Excellenceii. Commercial Development and Innovationiii. Commissioning.
Appendix 9	Pay Policy
Appendix 10	Arrangements for the Appointment of External Audit – Council Report 17/10/16
Appendix 11	Rural Rate Relief Policy
Appendix 12	Policy on Rate Relief for Local Newspapers
Appendix 13	Discretionary Rate Relief Policy
Background Papers	
None	
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