

Executive

2013/14 Budget Strategy, Service & Financial Planning Process and 2013/14 Budget Guidelines including Local Government Resources Review (LGRR) Update

1 October 2012

Report of Head of Finance and Procurement

PURPOSE OF REPORT

To inform the Executive of the service and financial planning process for 2013/14, approve 2013/14 budget strategy and to agree budget guidelines for issue to service managers to enable the production of the 2013/14 budget and update the current position of our LGRR project.

This report is public

Recommendations

The Executive is recommended to:

- (1) Note the updated MTFS forecast for the Council's revenue budget for 2013/14 to 2016/17.
- (2) To endorse the overall 2012/13 budget strategy and service and financial planning process set out in the report.
- (3) Consider and agree the proposed budget guidelines and timetable for 2013/14 budget process. (Appendix 1 and 2)
- (4) Note the current position in relation to council tax support localisation detailed in Para 2.12.
- (5) Note the current position in relation to business rates localisation detailed in Para 2.17.

Executive Summary

- 1.1 The service and financial planning process is underpinned by a robust evidence base that is used to inform decision making. This evidence base includes a social and demographic profile of the district (Living in Cherwell and local profiles on the Oxfordshire Local Information System) and a corporate consultation programme.
- 1.2 The consultation programme is comprised of an annual customer satisfaction survey and a budget survey to understand people's priorities for

service expenditure. Both pieces of research are statistically representative and produce robust information regarding resident's budget priorities and satisfaction with the different services the Council provides. The information, refreshed annually, provides a sense of trend and captures new issues that need to be taken into account when service and financial planning.

- 1.3 The results of the public consultation are used to develop a prioritisation framework which, alongside the corporate strategy, medium term financial forecast and the corporate plan, provides the context for budget setting and service planning. The consultation exercise is due to conclude at the end of September 2012 and the outcomes will be reported to the November Executive along with the prioritisation framework for 2013/14.
- 1.4 The Council needs to set guidelines and a timetable for the preparation of draft estimates for 2013/14. These guidelines should support the objectives contained in the Corporate Plan, Service Plans and enable an update to the Medium Term Financial Strategy.
- 1.5 In the context of the current challenging economic climate the council alongside local residents and businesses are experiencing the effects of the economic downturn and preparing for the impact of the local government resources review and forthcoming changes to the welfare system. We have made a public promise to reduce expenditure by £0.8m in 2012/13 and as such it is important we continue to plan for a period of prudent budgeting.
- 1.6 The Executive are already well advanced in planning to meet this promise. However additional savings will be required to meet the national challenge of public spending reductions. Executive and JMT are preparing options for these further savings.
- 1.7 The attached guidelines in Appendix 1 proposed for the coming year provide a framework to identify areas of potential cost reductions across the organisation informed by our public consultation, previous investment, value for money reviews and our strategic priorities.
- 1.8 The budget timetable can be seen in Appendix 2.
- 1.9 Updates to this report will be brought before Executive and Council between December 2012 and February 2013.
- 1.10 In September 2012 the Executive received an update report on the Local Government Resource Review (LGRR) including the introduction of localised Council Tax Support to replace Council Tax Benefit and changes to the way in which business rates are collected and distributed. Para 2.12 onwards provides members with updated information on progress since the last report.

Background Information

Medium Term Financial Strategy

- 2.1 We continually update our medium financial strategy and model scenarios with the Executive members and Joint Management Team to test our planning rigorously. The last public forecast can be seen along with assumptions in the Budget Report to Full Council in February 2012 which reported a cumulative budget deficit over the life time of the MTFs of £5.2m.

- 2.2 All known cost pressures are built into the model and assumptions are made for unknown pressures. This modelling leads directly to a target for cost reduction 18 months or so before the savings are required. The target to be achieved during 2012/13 is £0.8m – our public promise.
- 2.3 With regard to the medium term, there are a number of pressures not least the LGRR and welfare reform changes facing the Council, which, amongst other things, requires increasing efficiencies and restrictions on council tax increases. Against this backdrop the expectation is that, future year's budgets will come under increasing pressure with a growing emphasis on prioritisation, efficiency, innovation and collaboration in service delivery. The Council may therefore face difficult decisions in later years in order to sustain a balanced budget over the medium term.
- 2.4 As part of the development of the MTFS and budget, analysis is undertaken of the key financial assumptions on which the budget will be based. The key areas covered included:
- Economic factors, such as inflation
 - Treasury Management, including interest rates
 - Demographic pressures on spending
 - Asset Management, including a review of the Council's portfolio
 - Other spending pressures opportunities (revenue and capital)
- 2.5 Using the assumptions presented at the Horizon Scanning Workshop help with the Executive and JMT in September 2012, the cumulative summary now shows a shortfall of £7.8m over the 4 year period and is summarised below:

Cumulative forecast	13/14	14/15	15/16	16/17
	£m	£m	£m	£m
Savings requirements	1.1	1.4	2.3	3.0
Cumulative				7.8
Periodic	1.1	0.3	0.9	0.7
Total reduction required				3.0

- 2.6 Utilising this updated forecast and considering the Council's priorities the 2013/14 budget strategy and guidelines are prepared.
- 2.7 The Medium term Financial Strategy I currently being refreshed to take account of the LGRR and the strategy along with a forecast refresh will be reported as part of the budget reporting framework.

2013/14 Budget Strategy, Budget Guidelines and Timetable

- 2.8 The Council needs to set guidelines and a timetable for the preparation of draft estimates for 2013/14. These guidelines should support the objectives contained in the Corporate Plan, Service Plans and the Medium Term Financial Strategy which is currently being refreshed and will be presented for approval in December 2012.
- 2.9 The attached guidelines in Appendix 1 proposed for the coming year provide a framework to identify areas of potential cost reductions across the organisation informed by our public consultation, previous investment, value for money reviews and our strategic priorities.

- 2.10 The associated budget timetable is detailed in Appendix 2.
- 2.11 Council will be asked to agree the 2013/14 budget and corporate plan (and the service plans that underpin delivery) at their meeting in February 2013.

Local Government Resources Review Update

- 2.12 In September 2012 the Executive received an update report on the Local Government Resource Review (LGRR) including the introduction of localised Council Tax Support to replace Council Tax Benefit and changes to the way in which business rates are collected and distributed. This summary provides members with updated information on progress since the last report.

Council Tax Localisation

- 2.13 Given the timescales involved Cherwell District Council has agreed with other major preceptors in Oxfordshire that for year 1 of the new scheme the status quo should be maintained and that there will, in effect, be no change to the current support which is in place. Proposals to offset the budget reduction will be prepared as part of the 13/14 budget process.
- 2.14 A public consultation started on Thursday 23rd August 2012 and will end on Wednesday 3rd October. The results from the consultation process will be presented to the Executive in November 2012.
- 2.15 The table below outlines the proposed timetable for Council Tax Reduction Scheme:

23 rd August 2012	Consultation began
3 rd October 2012	End of consultation
9 th October 2012	Response to Tax Base consultation
November 2012	Report to members on results of consultation and recommendation for 2013/14 scheme
November 2012 – Jan 2013	Implementation – including system changes, updating processes, documentation and plans for annual billing process and communications.

- 2.16 A technical consultation document has been published on the impact of this change on the Council Tax Base. Responses are required by 9th October 2012 and work on a response from Cherwell District Council is in progress – this will be discussed with the Lead Member for Financial Management and submitted by the deadline.

Business Rates Localisation

- 2.17 The proposals focus on the distribution of business rate income rather than changes to the system of business rates. Businesses will see no difference in the way in which they pay or the way in which the tax is set.

- 2.18 Each authority will receive in 2013/14 a level of funding from the Government but these figures have not yet been confirmed and are not likely to be known until late November/December 2012.
- 2.19 Of the Business Rates collected by each authority the first 50% will go to the Government. Up to 50% may go to District council (subject to the levy on disproportionate benefit) as the business Rates baseline. There will be a system of top-ups and tariffs.
- 2.20 The Council confirmed its intention to consider pooling in a response to the DCLG in September on the basis that if we were to pool the levy rate that we have at 87% would be substantially reduced to circa 25-40% which would mean more funding for the local area. However with this additional reward come additional risks. At this stage all council's with the exception of Oxford City have agreed to consider making a formal application to pool by the 19th October 202 deadline.
- 2.21 We are in regular discussion with the three district councils and the County to develop the financial models, understand what additional financial benefits a pooling arrangement could deliver, what the risks are, agree the principles of the proposed pool and how any additional funds should be shared.
- 2.22 The outcome of this modelling will be reported to members with a recommendation on whether to formally submit an application to pool by the deadline of 19th October 2012. It is important to note that if any member of the pool should withdraw when the financial position and level of funding is confirmed in November/December then the pool will collapse.
- 2.23 A technical consultation paper has been released which requires a response by 24th September 2012 and the outputs will feed into proposals for local government funding for 2013/14. The response was approved for submission by the Leader of the Council and Lead Member for Financial Management.

Implications

Financial:	These are contained in the body of the report. There are no direct costs or other direct financial implications arising from this report.
Legal:	None directly from this report however a local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular, local authorities are required by section 32 of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves. Comments checked by Kevin Lane, Head of Law and Governance, kevin.lane@cherwellandsouthnorthants.gov.uk
Risk Management:	The Council is required to set both revenue and capital budgets. Failure to integrate the preparation of these budgets with service priorities and planning will compromise the Council's ability to deliver on its strategic objectives.

Comments checked by Denise Taylor, Corporate Accountant, 01295 221982.

Equality and Diversity

Impact assessments will be carried out in advance of formulation of budget proposals.

Comments checked by Caroline French, Equalities and Diversity Officer, 01295 221586.

Wards Affected

All

Corporate Plan Themes

All

Executive Lead Member

Councillor Ken Atack
Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Proposed Budget Guidelines 2013/14
Appendix 2	Budget Timetable
Background Papers	
None	
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