

Appendix 1

Draft Revenue 2013/14 Budget and Analysis

The Status of the Budget

- 1.1 This is the first draft of the budget and is currently subject to scrutiny of both revenue and capital together with amendments for new information relating to economic climate and confirmation of the impact of the local government settlement received on 19 December 2012.
- 1.2 The final version of the budget will be presented to the Executive on February 4 2013 before approval by Council on February 27 2013.

Budget Guidelines

- 1.3 The draft General Fund Revenue budget has been prepared in accordance with the guidelines agreed by the Executive at its meeting on 1 October 2012.

Economic Climate and National Context

- 1.4 In 2010 the Government's austerity measures meant Local Government (along with the Welfare System) received the most challenging funding settlement in decades, resulting in a 28% cut to the Council's controllable costs over the 4 years to 2014/15.
- 1.5 In order to protect front line services we have demonstrated a successful track record in delivering these savings by identifying efficiencies, adopting a more commercial approach to our major contracts and procurement to secure better value for money, taking advantage of new technologies and introducing new and innovative ways of delivering our services.
- 1.6 Efforts have also been made to reduce management and staffing costs through our commitment to joint working with South Northamptonshire Council. We now have the following shared teams:
 - Senior Management Team
 - PA Support Team
 - Building Control Team
 - Democratic Services and Elections
 - ICT
 - Finance and Procurement
 - Health and Safety
 - Corporate Performance
- 1.7 Further work is on-going to look at joint working opportunities for the remaining support services HR and Legal as well as the development of business cases to look at how we could work collaboratively on the delivery of front line services.
- 1.8 All of these initiatives have meant that we have been able to contain growth and inflation, reduce our costs and make real improvements to some areas whilst protecting frontline services.
- 1.9 The Local Government Resource Review has been ongoing for the last 12 months and the Council has been analysing the impact on the proposed changes on our finances, services and our residents. There are significant changes being introduced into local government finance such as the Business Rate Retention Scheme, Council Tax Support Scheme replacing Council Tax Benefit and Council Tax Reform with regard discounts and premiums for certain homes and categories of property which will impact on the Council's tax base.
- 1.10 From April 1 2013 the responsibility for the Council Tax Reduction Scheme will transfer to the Council but with a 10% cut in budget. For CDC this reduction is £744,495 and of this approximately 13.34% will be borne by the billing authorities [district and parish councils] which equates to £99,613 meaning the Council has to save this to be able to fund the scheme 'as is' in the first year alone. This reduction is proposed to be funded by changing discounts and

exemptions. There may also be additional pressures through the localisation of this scheme to council tax collection rates which may have an impact on any collection fund deficit or surplus. This will be considered in full in the final draft of the budget to be presented in February 2013.

- 1.11 The Government are also implementing the largest ever reform to the benefits system since 1940 in an effort to save £18bn from the welfare bill. The complex changes will affect the amount of housing benefit people can claim and put an overall cap on the amount of benefits families can receive each week to ensure people are better off in work. However, our analysis shows that there is a large correlation between those households likely to be impacted by welfare reform and those impacted by the Council Tax reduction scheme. The combined effect could push more people into poverty and homelessness and coming to the Council for help.
- 1.12 The 2011 Census data has started to be released this summer enabling us to update our demographic projections. The data shows;
- The population for Cherwell in 2011 was 141,900.
 - This is an increase of 5,700 (7%) from the 2001 mid-year estimate.
 - There were 56,700 households in Cherwell in 2011 (household spaces occupied by at least one usual resident).
 - Compared to England and Wales, Cherwell has a younger age profile with 18.8% of the population under 15, compared to 17.6%.
 - Cherwell has a higher proportion of 30 -50 year olds than England and Wales as a whole, 46.7% of its population falls within this interval.
 - 21.2% of the Cherwell population are over 60, compared to 22.4% in England and Wales.

2013/14 Provisional Settlement

- 1.13 On 19 December 2012, Rt. Hon. Eric Pickles, the Secretary of State for Communities and Local Government, made a statement to the House of Commons concerning the provisional local government finance settlement for 2013/14.
- 1.14 The Secretary of State announced that local authorities will face an average reduction in spending power of 1.7%; and that no local authority would experience a decrease of more than 8.8%. In a similar manner to the previous two years, the government's headlines focus on comparative figures concerning a local authority's "revenue spending power" – a definition which encompasses an individual authority's:
- Council Tax Requirement
 - Start-up funding assessment
 - Specific Grants
 - New Efficiency Support Grant
- 1.15 The Secretary of State also announced:
- Local Authorities will be able to use proceeds from the disposal of assets from 2012/13 to fund equal play claims
 - Local government will be exempt from the 1% reduction in funding announced in the Autumn Statement 2012 (this exemption was originally announced in the Autumn Statement by the Chancellor).
 - The publication of "*50 ways to save: examples of sensible savings in local government*"; which has the stated intention of offering 'practical tips and guidance' for councils on achieving savings; (*to be considered in Q3 Finance Report*)
<https://www.gov.uk/government/publications/50-ways-to-save-examples-of-sensible-savings-in-local-government>

- Confirmation of the previously announced council tax freeze grant offer: i.e. an amount equivalent to a 1% increase in funding for 2013/14 and 2014/15, for a 0% council tax increase in 2013/14; and up to a 2% increase being allowable before a referendum is required. (*current budget guidelines assume a 0% increase in 2013/14*)
- An allowable £5 increase in council tax (even if it is above the 2% threshold) for Shire Districts, Police and Crime Commissioners and fire and rescue authorities whose 2012/13 council tax was in the lower quartile of their category of authority
- Subject to consultation, the government propose that there will be no access for councillors to the Local Government Pension Scheme in England from April 2014. (*7 Councillors are currently enrolled in the pension scheme*)

- 1.16 The government will pay a revenue grant (Efficiency Support Grant) to local authorities in 2013/14 and 2014/15 who would otherwise have seen a reduction in 'revenue spending power' of more than 8.8% in 2013/14. The grant will be offered to these authorities, providing they sign up to conditions for 2013/14 e.g. joint working. This grant will not be offered for 2014/15 to an authority if it fails to deliver on the conditions agreed upon. The authorities that are eligible for the Efficiency Support Grant are Bolsover, Hyndburn, Great Yarmouth, Hastings, Pendle, Burnley and Barrow-in-Furness.
- 1.17 The 2013/14 provisional finance settlement sees the launch of the Business Rates Retention (BRR) scheme as the principle form of local government funding. In previous years, the provisional settlement announcement provided local authorities with their expected general revenue allocations for the following financial year. For 2013/14, the provisional settlement provides authorities with a combination of provisional grant allocations and their respective starting points within the BRR scheme.
- 1.18 Due to the introduction of BRR, there are a number of new terms and principles introduced into local government funding. An authority's Formula Funding can be compared against the 2012/13 Formula Grant Figure (after it is adjusted to take into account specific grant transfers), to determine the change in funding levels between years.
- 1.19 The Formula Funding amount for a local authority, plus any further specific grant transfers (such as council tax freeze grant) will provide a total funding amount; this is known as the Start-up Funding Assessment. The Start-up Funding Assessment for an authority is split between resources received Revenue Support Grant (RSG) and a Business Rates Retention (Baseline Need) amount. It is the Baseline Need amount that is funded through retained business rates and the RSG amount that will be guaranteed.
- 1.20 All factors being equal, if local authorities collect business rates in line with previous levels, after the required adjustments are made, the retained amount should be comparable with the Baseline Need amount. However, there will be winners and losers from the methodology used i.e. the government has made an assumption regarding the amount of business rates that authorities will be able to collect (this is known as the NDR Baseline). This assumption may be too high or too low for individual authorities, thereby causing authorities to gain or lose.
- 1.21 A key determinant of local government funding going forward will be actual business rates collected i.e. it is this figure that will determine if authorities receive funding comparable to the Baseline Need amount (and therefore the Start-up funding assessment), or a higher/lower amount. Local authorities therefore need to factor in local business rates income forecasts, alongside the provisional settlement figures, in order to estimate local resource levels for 2013/14 and beyond.
- 1.22 The 2013/14 formula funding figure for authorities uses the four block model approach (i.e. as in 2012/13). However, the 2013/14 figures have been updated for data and methodology changes. These changes include latest population statistics, latest council tax base and a change in definition for the sparsity indicators.

- 1.23 The provisional settlement shows a reduction in grant funding of 5.4% in 2013/14 which was in line with our forecast. However a further reduction of 14.94% in 2014/15 is higher than expected. An analysis of the settlement for Cherwell District Council is summarised below:

	£,000
2012-13 Formula Grant	7,622
2013-14 Formula Funding :Provisional settlement figure	7,210
Reduction	-412
% Reduction	-5.4%
Revenue Support Grant	5,015
Business Rates	3,336
Start Up Funding Assessment	8,351
Less:	
Council Tax Freeze Grant	-155
Council Tax Support Funding	-884
Homelessness Prevention	-102
	7,210
2014-15 Formula Funding	
Revenue Support Grant	3,836
Business Rates	3,438
Start Up Funding Assessment	7,274
Less:	
Council Tax Freeze Grant	-155
<i>Council Tax Support Funding</i>	-884
Homelessness Prevention (see 1.24)	-102
	6,133
	-1,077
	-14.94%

- 1.24 It should be noted the receipt of specific grant for Homelessness prevention has now been incorporated into the overall funding settlement for the Council. Consequently, all one-off funding from previous specific grant allocations (previously shown as income will be removed from service budgets. This has the effect of making the net cost of the service appear more expensive than previously.
- 1.25 The figures published for Cherwell using the spending power analysis show a much lower reduction than this of 0.11% as this focuses on all of the funding streams we receive rather than just the Government Grant element.

Spending power analysis	12-13 £,000	13-14 £,000	Reduction £,000	Reduction in spending power
Council Tax requirement (excluding parishes)	6,251	6,251		
Start up funding assessment (adjusted)	8,764	8,351		
CT Freeze grant	156	63		
Community right to challenge	9	9		
Community right to build	5	8		
New Homes Bonus	703	1,188		
Total	15,888	15,870	-18	-0.11%

- 1.26 A report on how the Council proposes to use the New Homes Bonus funds will be taken to the Executive in February 2013 for consideration.

- 1.27 The consultation figures also confirmed the baselines and levy rates required to finalise decision on business rate pooling. As a result if there was a business rate pool including all authorities in Oxfordshire, the overall levy rate it would pay would be 42.66%. This is above the threshold level of 40% below which it becomes worthwhile to form a pool (as the levies paid would be less). Thus it is clear that forming a pool of all authorities would make the Oxfordshire authorities worse off, so the request to form a pool in Oxfordshire will be withdrawn.
- 1.28 The deadline for written responses to the provisional settlement 2013/14 is 5pm on Tuesday 15 January 2013. The provisional figures are expected to be confirmed in late January/early February 2013 (within the final settlement announcement).

Medium Term Financial Forecasts

- 1.29 The national context, economic background and the outcome of the settlement will be considered in the development of the 2013/14 budget and refresh of the medium term financial forecast. At this stage the analysis shows that we are seeking further substantial budget reductions in 2014/15 onwards. The savings identified in draft 1 of the 2013/14 will provide a substantial contribution to this and a new 4 year medium term financial forecast will be included with the budget report in February 2013.

General Fund Revenue Budget

- 1.30 The draft General Fund Revenue budget is shown in Table 1. The revenue budget as presented has been left, quite deliberately, with a funding gap of £230,149. This type of gap is not unusual at this stage in the process and it can be covered by considering the actions listed in 1.38.

Table 1

SERVICE EXPENDITURE - Draft 1	Budget	Draft Budget 1	Variance from 12/13 Budget
	2012/13	2013/14	
Expenditure	£16,641,325	£16,044,475	-£596,850
Capital Charges Reversed	-£3,323,392	-£3,323,392	£0
Net Expenditure Services	£13,317,933	£12,721,083	-£596,850
Centrally Controlled Items	£1,341,299	£1,701,131	£359,832
Net Budget Requirement	£14,659,232	£14,422,214	-£237,018
Funding			
Investment Income	£439,810	£415,000	-£24,810
Government Grant	£7,621,722	£7,210,000	-£411,722
Council Tax Compensation Grant	£155,415	£155,415	£0
Collection Fund	£139,332	£139,332	£0
Council Tax -Single person discount review	£52,000	£0	-£52,000
Council Tax	£6,250,953	£6,272,318	£21,365
	£14,659,232	£14,192,065	-£467,167
Shortfall Draft 1	£0	£230,149	£230,149

- 1.31 The budget guidelines assumed a 0% increase in Council Tax for 2013/14 and the first draft of the budget continues to assume this. In the Autumn Statement on 5 December 2012, the Chancellor of the Exchequer confirmed his intention to support local authorities to help them freeze council tax in 2013/14 as well. If councils decide to freeze or reduce their council tax next year, they will receive an additional two year only funding, equivalent to raising their 2012/13 council tax by 1%. If Cherwell District Council was to freeze its council tax in 2013/14 it would receive an additional grant of c. £63,000 for 2013/14 and 2014/15 only. The receipt of this additional grant has not been incorporated within the projected resources of the Council in this first draft of the budget.

- 1.32 The changes regarding the council tax support scheme and implications on the Council tax base and funding will be built into the final draft of the budget. At present the increase in council tax is related to the growth in properties.
- 1.33 The capital charges as detailed in the table above are still at 2012/13 levels but will be updated for the final draft. This will not impact on the balancing of the budget as this represents an accounting entry and will not affect the bottom line.
- 1.34 This first draft of the 2012/13 revenue budget demonstrates that we have delivered in excess of the £800k public promise (£1m). In addition, we have also identified £217k worth of additional efficiencies which have also been built into this first draft. A detailed analysis of the efficiencies achieved will be prepared for the final version of this budget.
- 1.35 Table 2 provides a further breakdown :-

Table 2

Area	Building Block Detail	£800k Public Promise	Efficiencies	Joint Working	Total
Corporate	Joint Working - ICT phase 1 delivered	£ 218,000			£ 218,000
Corporate	Joint Working - other initiatives underway: finance, performance, democratic, monitoring officer included	£ 104,000			£ 104,000
Corporate	Joint Working Building Control	£ 24,000			£ 24,000
Various	Procurement Action Plan	£ 75,000			£ 75,000
Tourism	Museum – move to trust status	£ 35,500			£ 35,500
Environmental Services	Re tender and negotiation of New Recyclables Contract to take advantage of favourable market conditions.	£ 432,000			£ 432,000
Corporate	Change in planning fees regime - 15% increase in fees based on CLG guidance	£ 120,000			£ 120,000
All Directorates	2% efficiencies as per budget guidelines		£ 216,664		£ 216,664
All Directorates	Joint Working Assumption as per MTFS			£ 100,000	£ 100,000
Total		£ 1,008,500	£ 216,664	£ 100,000	£ 1,225,164

- 1.36 The efficiencies of £217k can be classified as :-

Budget Adjustments (no service impact)	75%
Procurement Efficiencies (no service impact)	8%
Contract Reductions (reduced inflation and efficiencies)	12%
Income (demand increases)	5%

- 1.37 The following table provides details of unavoidable growth items that have been built into the 2013/14 draft 1 budget. These items represent budget pressures which are often unavoidable and have to be incorporated into our base revenue budget, many of which are of a significant nature.

Table 3 – unavoidable growth

SERVICE AREA	DETAIL	Additional Costs
Corporate - Executive Matters	Contract inflation	£57,131
Corporate - Executive Matters	Mileage increase required based on usage	£5,980
Corporate - Executive Matters	Pay inflation 2% (budget guidelines)	£268,820
Corporate - Executive Matters	Pay - increments, NI, superannuation	£86,000
Corporate - Executive Matters	Increase in Capital Cost of Pension	£90,000
Environmental Services	Fuel	£40,000
		£547,931

The following table provides details of growth bids (not yet approved by members) that have been built into the 2013/14 budget draft 1 position.

Table 4 – growth bids

SERVICE AREA	DETAIL	GROWTH REQUEST
Corporate – Welfare Reform	Impact of Welfare Reform – admin subsidy and demand impacts	£150,000
Corporate - Executive Matters	Project Management (3 years only)	£125,000
Development	Planning - projects validation & registration	£64,212
Regeneration & Housing	Estates - Maintenance & Repair	£65,000
Regeneration & Housing	Housing Allocations -Abritas IT Development	£21,000
		£425,212

1.38 In order to balance the budget a further reduction in costs or increase in income of £230,149 is required. In view of the expected government grant reduction a programme of identifying further areas of 5/10% budget reductions or income generation has resulted in a comprehensive list of building blocks and general budget efficiencies. These reductions have been matched to the Council's priorities, recognise the requirements of the Corporate Plan and have focussed on minimising the impact on front line services. The following areas will be considered:

Table 5

AREAS FOR FURTHER REVIEW	IMPACT
Increase to Income budgets	Increase Income
Procurement Savings/Negotiation	Reduce Costs
Deletion of Vacant Posts	Reduce Costs
Additional efficiencies	Reduce Costs
Further joint working opportunities	Reduce Costs / Increase Income

1.39 The outcome of these reviews and their implication on the current budget shortfall will be presented to the Executive in February 2013. At this stage it is expected that we will achieve a

balanced budget for 2013/14 without the need to use any New Homes Bonus, business rate growth or general reserves.

- 1.40 In addition further work will continue on identifying additional budget reductions for future years and these will be detailed in the Medium Term Forecast which will be updated and presented as part of the final budget report.

Risk

- 1.41 As ever the Council needs to plan its budget amidst a high degree of uncertainty, which brings with it risks. As well as specific mitigating actions on individual issues, risks are also addressed as part of our corporate risk register, proactive budget monitoring, service planning process and consideration of risk in all key decisions and committee reports.
- 1.42 The final draft budget will include a specific service risk provision and a general provision which equates to 1% of projected net expenditure and is in line with our budget planning.
- 1.43 A full appraisal of risk will be included in the final budget report detailing mitigations and a sensitivity analysis will be included to calculate the specific risk provisions.

Reserves

- 1.44 In addition to the robust risk control measures it will be necessary for the Council to maintain a general fund general balance as the ultimate safeguard. The reserves will also be subject to review as part of finalising the 2013/14 budget and this report will be considered at the February Executive.