

# **Budget Planning Committee**

## **Medium Term Financial Scene Setting**

**4 June 2013**

### **Report of the Head of Finance and Procurement**

#### **PURPOSE OF REPORT**

This report provides members of the Budget Planning Committee with a summary update on the Council's revenue position for 2014/15. The report will be accompanied by a PowerPoint presentation on the Council's finances.

This report is public

#### **Recommendations**

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The Budget Planning Committee is recommended to note the contents of this report and advise officers of any further information they require.

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#### **Scene Setting**

- 1.1 As this is the first meeting of this new committee the Head of Finance and Procurement will present a short PowerPoint presentation setting the scene and making members aware of the financial context for the medium term financial strategy.

#### **2014/15**

- 1.2 The current economic climate presents unprecedented challenges in meeting the Council's spending priorities without placing an undue burden on local taxpayers.
- 1.3 The revenue and capital budgets 2013/14 were approved by Council on 25 February 2013. For Cherwell District Council, the local Government Finance Settlement for 2013/14 was £7.210m - a reduction of 5.4%. According to the settlement there will be a further 14.94% reduction in government funding for 2014/15 to £6.133m.

#### **Impact on General Fund balances**

- 1.4 The Council's has a strong track record and commitment to delivering efficiencies resulting in a 41% reduction in net expenditure of services since 2007/08 when the net revenue budget stood at £23.5m compared to £13.9m in 2013/14. Compared to 2012/13, the revenue has reduced by £0.8m which represents a 6% reduction. This together with the continued joint working with South Northamptonshire Council strengthens the position to meet the forecast challenges of future years.

- 1.5 The current summary of the Council's Medium Term Financial Strategy (MTFS) is set out below which shows that the cumulative savings requirement for 2014/15 to 2017/18 is £9.7m.

| <b>MTFS<br/>Cumulative Summary</b>    | <b>2014-15</b> | <b>2015-16</b> | <b>2016-17</b> | <b>2017-18</b> |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | <b>£M</b>      | <b>£M</b>      | <b>£M</b>      | <b>£M</b>      |
| Net Expenditure                       | 13.9           | 13.8           | 14.0           | 14.2           |
| Gov't Grant                           | -6.1           | -5.5           | -5.0           | -4.5           |
| Council Tax                           | -6.0           | -5.8           | -5.9           | -5.9           |
| Investment Income                     | -0.3           | -0.3           | -0.3           | -0.3           |
| Collection fund                       | -0.1           | -0.1           | -0.1           | -0.1           |
| Use of Reserves                       | 0.0            | 0.0            | 0.0            | 0.0            |
| <b>Cumulative Savings requirement</b> | <b>1.4</b>     | <b>2.0</b>     | <b>2.7</b>     | <b>3.5</b>     |
| CPI                                   | 2.00%          | 2.00%          | 2.00%          | 2.00%          |
| Payroll Inflation                     | 1.25%          | 2.00%          | 2.00%          | 2.00%          |
| Interest Rate FC                      | 1.00%          | 1.50%          | 2.00%          | 3.00%          |
| Council Tax Increase                  | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| Gov't Funding Reduction               | -14.94%        | -10.00%        | -10.00%        | -5.00%         |
| NHB                                   | 0.00%          | 0.00%          | 0.00%          | 0.00%          |
| Business Rate Growth                  | 0.00%          | 0.00%          | 0.00%          | 0.00%          |

### **Additional sources of funding**

- 1.6 New Homes Bonus replaced the Housing and Planning Delivery grant as the mechanism for rewarding local authorities that were being successful in delivering growth in house numbers. New Homes Bonus grant provides additional funding equivalent to the extra Council Tax being received from new properties, for a period of six years.
- 1.7 The new grant provides additional funding equivalent to the extra Council Tax being received from new properties, for a period of six years. Cherwell has received a cumulative total of £1,142,381 during the first 2 years of allocation (first year allocation £439,186 and second year £703,195) and a proposal for its use was considered in February 2013.
- 1.8 Using the taxbase figures at October 2012, the Council expects to receive a further £1,340,156 in 2013/14 (£703,195 related to the first 2 years and the 2013/14 allocation £636,961)
- 1.9 Although the Government has committed to this grant until 2015, the position beyond 2013/14 is that it is no longer additional funds but is being funded from formula grant funding. It will therefore have a redistributive effect, rather than being seen as additional funding.
- 1.10 The Council's strategy to reduce reliance on investment income means that only £150,000 has been used in the 2013/14 revenue budget. Forecasts show that we

will achieve closer to £500,000 in 2013/14 so the £350,000 will be treated as windfall and can be used to replenish capital and revenue reserves as per the purpose of the strategy.

- 1.11 The 2013/14 budget assumes a £100,000 Collection Fund surplus and this is included in the funding. The surplus is currently projected to be higher but at this stage any surplus income in excess of £100,000 will be treated as windfall and will be used to offset any negative impact on collection rates as a result of the change from council tax benefit to a council tax reduction scheme.
- 1.12 Business Rate Growth – the council is likely to generate growth above its set baseline and based on the localisation scheme could retain some of this locally. At this stage we have not built in any assistance from this growth and it has been treated as windfall income in 2013/14.

### **Latest Intelligence and updated modeling tool**

- 1.13 Chancellor George Osborne has announced the next Spending Review, which is expected to outline further cuts, will take place on 26 June. It will cover government expenditure and funding from April 2015 onwards.
- 1.14 The next meeting of this committee will consider the outcomes of the Spending Review and the implications on the Council's finances. The current MTFS model is being updated and will be presented to the committee in September 2013. As a result of LGRR the model now needs to include assumptions on New Homes Bonus, NNDR growth as well as grant funding.

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**24/05/2013**