

## **Cherwell District Council**

### **Executive**

**7 October 2013**

## **Budget Strategy 2014 to 2015 and Beyond**

### **Report of Director of Resources**

This report is public

#### **Purpose of report**

To inform the Executive of the service and financial planning process for 2014-15, to approve 2014-15 budget strategy and to agree budget guidelines for issue to service managers to enable the production of the 2014-15 budget.

To present the most recent medium term financial forecasts.

To consider the Council Tax Reduction Scheme for 2014-15.

To agree the Council's approach to Business Rates pooling for 2014-15.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 Note the updated MTFs forecast for the Council's revenue budget for 2014-15 to 2018/19.
- 1.2 To endorse the overall 2014-15 budget strategy and service and financial planning process set out in the report.
- 1.3 Consider and agree the proposed budget guidelines and timetable for 2014-15 budget process (Appendices 1 and 2).
- 1.4 It is recommended that the current Council Tax Reduction Scheme (CTRS) remains as it is for 2014-15 as set out in Para 3.11 to 3.14.
- 1.5 Show support in principle for continuing to work on business rate pooling and carry out more detailed work to ascertain whether we form a pool with the County or not for 2014-15 as set out in paragraphs 3.15 to 3.22 and delegate authority to the Director of Resources in consultation with the lead member for Financial Management to make the final decision.

## **2.0 Introduction**

- 2.1 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 based on the 2011 Census, local ward profiles and a corporate consultation programme.
- 2.2 The consultation programme is comprised of an annual customer satisfaction survey and a budget survey to understand people's priorities for service expenditure. The survey is statistically representative and produces 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.
- 2.3 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 took place over the summer and results have fed into the Executive and Joint Management Team (JMT) decision making processes.
- 2.4 The Council needs to set guidelines and a timetable for the preparation of draft estimates for 2014-15. These guidelines should support the objectives contained in the Council's Business Plan, Service Plans and enable an update to the Medium Term Financial Strategy.
- 2.5 In the context of the current challenging economic climate, the council (alongside local residents and businesses) is experiencing the effects of the economic downturn. We have made a public promise to reduce expenditure by £0.5m in 2013-14 and as such it is important we continue to plan for a period of prudent budgeting.
- 2.6 The attached guidelines in Appendix 1 proposed for the coming year provide a framework to deliver a balanced budget for 2014-15.
- 2.7 The budget timetable can be seen in Appendix 2.
- 2.8 Updates to this report will be brought before Executive and Council between December 2013 and February 2014.

## **3.0 Report Details**

### **2014-15 Budget Strategy, Budget Guidelines and Timetable**

- 3.1 The Council needs to set guidelines and a timetable for the preparation of draft estimates for 2014-15. These guidelines should support the objectives contained in the Business Plan, Service Plans and the Medium Term Financial Strategy which is currently being refreshed and will be presented for approval in December 2013.
- 3.2 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.

- 3.2 The associated budget timetable is detailed in Appendix 2.
- 3.4 Council will be asked to agree the 2014-15 budget and corporate plan (and the service plans that underpin delivery) at their meeting in February 2013.

### **Medium Term Financial Strategy**

- 3.5 We update our medium financial strategy and model scenarios with the Executive members and Joint Management Team to test our planning rigorously. 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 2013-14 is £0.5m – our public promise.
- 3.6 With regard to the medium term, there are a number of pressures facing the Council, which will require increasing efficiencies in order to deliver a balanced budget whilst there are also 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. One of the most significant pressures facing the council over the medium term is the further reductions to the government's Revenue Support Grant. It is anticipated that this will severely diminish over the medium term and the Council must respond to this likely reduction.
- 3.7 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).
- 3.8 The latest medium term revenue projections are summarised below.

	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cumulative forecast	2014-15	2015-16	2016-17	2017-18	2018-19
Savings requirement	0.2	2.0	3.4	4.6	4.8

- 3.9 The financial forecasting process is dynamic and changes on a regular basis given emerging priorities, changes in demand for services, changes in external factors and therefore these figures are subject to further change prior to finalisation of the budget for 2014-15 but give an indication of the challenges currently being faced by the Council.
- 3.10 There are emerging potential pressures on the recycling income budget. In addition, the council is looking at an Asset Management Plan to be able to maximise the return on its assets.

## **Council Tax Reduction Scheme**

- 3.11 In the current financial year the decision was taken across Oxfordshire to replicate the previous Council tax benefit scheme through the new Council Tax Reduction Scheme (CTRS).
- 3.12 For Cherwell, the impact was broadly cost neutral as the number of discounts offered was reduced in order to mitigate the costs of remaining with the default scheme. It was always agreed that for 2014-15 the position would be reviewed and authorities would determine their approach to take in Year 2.
- 3.13 The latest figures suggest that the scheme in the current year will have a net cost to Cherwell of £2,000.
- 3.14 The latest set of figures prepared (11/09/13) show that as a result of some Government Grant being withdrawn from next year the 'stay as we are' option could cost approximately £26,000 and it is therefore recommended that the current CTRS remains as it is for 2014-15. This means that there will not be a consistent scheme across Oxfordshire.

## **Business Rates Pooling**

- 3.15 Oxfordshire authorities are not in a business rate pool for 2013-14 as the financial benefits of such an arrangement were outweighed by the risks associated with them if all authorities in Oxfordshire participated.
- 3.16 Thought has been given to formulating a business rates pool with just those authorities in Oxfordshire that are growing so that the amount of levy paid to the government is minimised and a greater share is kept locally than would otherwise be the case.
- 3.17 The benefit to this would be that the area would get to keep more funds raised locally (because the levy paid to the government would be lower) but it also means that if there was a significant reduction in businesses across the District the safety net (which provides financial assistance in declining areas) would not be provided as early as would otherwise be the case.
- 3.18 Initial work has been carried out to estimate the financial benefit and this shows that it could be financially beneficial. However, more recent will be input into the model before a final recommendations made.
- 3.19 Arrangements will need to be confirmed with DCLG by 31 October 2013.
- 3.20 However, there would be a further opportunity to withdraw up to 28 days after the release of the draft settlement information in December.
- 3.21 As part of this further discussion would need to take place on the governance arrangements and in particular on the shares of the financial gains coming from this arrangement.
- 3.22 It is recommended that in principle we show support for continuing to work up this approach and carry out more detailed work to ascertain whether we form a pool with the County or not for 2014-15.

## **4.0 Conclusion and Reasons for Recommendations**

4.1 It is recommended that:

- the contents of this report are noted
- the Council Tax Reduction scheme remains the same as the current scheme
- authority is delegated to the Director of Resources in consultation with the Lead Member for Financial Management to determine if the Council should enter into a business rates pool for 2014-15

## **5.0 Consultation**

Cllr Ken Atack – Lead member  
for Financial Management

Cllr Atack is content with the report and  
supportive of the recommendations contained  
within it.

## **6.0 Alternative Options and Reasons for Rejection**

6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To disagree with the recommendations set out above. This is rejected as it will unnecessarily delay the formulation of the detailed budget for 2014-15.

## **7.0 Implications**

### **Financial and Resource Implications**

7.1 These are contained in the body of the report. There are no direct costs or other direct financial implications arising from this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager  
01295 221731 [nicola.jackson@cherwellandsouthnorthants.gov.uk](mailto:nicola.jackson@cherwellandsouthnorthants.gov.uk)

### **Legal Implications**

7.2 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.

The Council Tax Reduction Scheme was the subject of legal advice before it was introduced for 2013-14.

Any NNDR pooling arrangement would be the subject of a formal legal agreement and relevant advice would be given or externally procured in order to ensure the protection of the Council's financial interests.

Comments checked by: Kevin Lane, Head of Law and Governance  
0300 0030107 [kevin.lane@cherwellsouthnorthants.gov.uk](mailto:kevin.lane@cherwellsouthnorthants.gov.uk)

### **Risk management**

- 7.3 The Council is required to set both revenue and capital budgets. Failure to adopt a budget strategy and MTFs increases the risks of the Council being unable to balance its budget, deliver service priorities and its savings targets over the medium term. 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: Claire Taylor, Corporate Performance Manager  
0300 0030113 [claire.taylor@cherwellandsouthnorthants.gov.uk](mailto:claire.taylor@cherwellandsouthnorthants.gov.uk)

### **Equality and Diversity**

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

Comments checked by: Claire Taylor, Corporate Performance Manager  
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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**

All

### **Lead Councillor**

Councillor Ken Atack – Lead Member for Financial Management

### **Document Information**

<b>Appendix No</b>	<b>Title</b>
1	Proposed Budget Guidelines 2014-15
2	Budget Timetable
<b>Background Papers</b>	
Report to Full Council, February 2013 – 2013-14 Budget and Council Tax	
<b>Report Author</b>	Tim Madden, Interim Head of Finance & Procurement Nicola Jackson, Corporate Finance Manager
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