

**Cherwell District Council**  
**Budget Planning Committee**

**21 January 2014**

<b>2014-15 Base Budgets, including Capital Bids</b>
---

**Report of Interim Head of Finance and Procurement**

This report is public.

**Purpose of report**

To provide members with the latest position for the 2014-15 General Fund Budget.

**1.0 Recommendations**

The meeting is recommended to:

- 1.1 Consider the contents of this report.

**2.0 Introduction**

- 2.1 This report sets out the draft revenue budget for 2014-15 for the Council which will go the Executive on 3 February 2014. The report covers the information and work undertaken since Draft 1 of the budget was considered by Executive and Budget Planning Committee in December.
- 2.2 The report looks at the impact of the local government settlement which was announced on 18 December. It sets out the steps which have been undertaken to produce a balanced budget and notes the current position on capital bids (which is a separate item on the agenda).
- 2.3 Following consideration by the Budget Planning Committee, the report will be developed and forwarded to the Executive prior to being submitted to Full Council on 24 February 2014.

**3.0 Report Details**

**Local Government Finance Settlement**

- 3.1 On the 18 December 2013, Local Government Minister Brandon Lewis MP made a written statement on the provisional local government finance settlement for 2014-15. This also contained provisional figures for 2015-16. This statement is still provisional and the final settlement will be announced towards the end of January 2014.

- 3.2 The local government settlement followed on from the Chancellor of the Exchequer's Autumn Statement which was announced on the 5 December. Whilst this is a much broader document covering the governments wider expenditure plans, parts of this also have had an impact on local government and where this is known this is also set out in this report.
- 3.3 The provisional local government finance settlement announced on the 18 December sets out the financial plans for 2014-15 and a provisional position for 2015-16. The settlement continues to be set within the government's stated aim of reducing the deficit and includes previous announcements of local government funding from the 2013 budget.
- 3.4 The local government minister announced that local authorities will face an overall reduction in spending power of 2.9% with no authority experiencing a decrease of more than 6.9%. However, as in previous years, the government focusses on comparative figures concerning a local authority's "revenue spending power" which also incorporates a council's New Homes Bonus, several specific grants and the new efficiency support grant.
- 3.5 The settlement sets out some key national issues as follows:
- The 2% cap on the Business Rate Multiplier has been applied for 2014-15, with a grant of £108m created to compensate authorities for the lost income through the Business Rates Retention scheme. This is related to the announcement in the Autumn Statement limiting the increases in business rates but is to be fully funded by the government.
  - Council Tax Freeze Grant for 2013-14 is now included within the Settlement Funding Assessment for 2014-15 and 2015-16 (previously planned for 2015-16). This will no longer be shown as a separate grant but will be subsumed into the overall revenue support grant.
  - Council Tax Freeze Grant funding for 2014-15 and 2015-16 will be built into the Spending Review baseline.
  - Council Tax threshold principles will be announced in the New Year with an indication of any referendum thresholds. This is likely to be when the final settlement is announced at the end of January
  - The New Homes Bonus top-slice has been reduced by £100m for 2014-15 and 2015-16 (this is not new money, but will mean that RSG increases and the New Homes Bonus adjustment grant will fall by the same amount).
  - The planned £50m top-slice for capitalisation in 2014-15 has been reduced to zero. However, £22m has currently been set aside to fund Efficiency Support Grant and funding for rural areas.
- 3.6 The Autumn Statement of the 5 December which preceded the local government announcement also contained some issues for local government. These include:
- Changes around business rates. Specifically that the 3.2% increase for 2014-15 for business rates will be reduced to 2% and that the doubling of the Small Business Rates Relief will be extended to April 2015. The impact of these is to be fully funded.
  - There will be a national council tax discount of 50% for family annexes from April 2014. Again, this will be fully funded from central government
  - The New Homes Bonus will now not be top sliced outside of London. Originally £400 million nationally was due to be top sliced from New Homes

Bonus to fund the LEPs. There will now be a £70 million top slice which will affect London but there will be no top slicing for this purpose elsewhere. This will impact from 2015-16.

- The government will increase Discretionary Housing Payments by £40 million in both 2014-15 and 2015-16.

3.7 At a national level, the settlement provided few unexpected announcements as most of the impact had been announced previously either within the Autumn Statement or within the 2013 budget and Spending Review. The local government finance settlement does, however, put some detail on the finances for the council in terms of being able to firm up a number of the assumptions which had previously been made.

### Local position

3.8 Overall the funding position is broadly similar to that which has been forecast. The key change is shown below.

	2013-14 adjusted £000	2014-15 £000	2015-16 £000
Settlement Funding Assessment	8,414	7,265	6,124
% reduction		-13.7%	-15.7%

3.9 This compares to our forecasts as follows:

	13-14 adjusted £000	2014-15 £000	2015-16 £000
Funding	8,414	7,265	6,124
Forecast		7,324	5,871
Grant for NDR (to be confirmed)		43	53
Variance (£)		-16	306

3.10 At the Autumn Statement, the government announced that the NDR baseline would be increased by 2% rather than the agreed inflation of 3.2% but that the cost of this would be recompensed to local authorities. The grant adjustment set out above assumes this is the case but confirmation has not yet been received as to the actual amounts. The reduction in spending power for Cherwell is -2.6% (compared to the national picture in paragraph 3.4).

3.11 In terms of government grant, the above shows a small deficit in 2014-15 but in 2015-16 the amount of grant is greater than had been anticipated.

### New Homes Bonus

3.12 The New Homes Bonus allocations were announced for each authority for 2014-15. For Cherwell District Council this totalled £2,026,312 for the 4 year period. The amount for year 4 only was £686,156 which was greater than anticipated (which was £400,000). This reflects for 2014-15 a total of 375 additions to the housing stock and a further 225 empty homes brought back into use. This has generated an additional budget funding of approximately £143,000 for the 2014-15 budget (50% of the additional sum).

## Other issues

- 3.13 There has been no announcement on referendum for any council tax increases, although there are strong indications it will not be more generous than in 2013-14 when the limit was set at a 2% increase. This will be announced with the final settlement in January. There has also been no indication of any capping of Parish or Town Councils although this may also be announced in January.
- 3.14 The government has not required the pass porting of the parish council funding for the council tax reduction scheme. However, it has indicated that it will be strongly encouraging authorities to do this, although it is not a requirement.

## Summary

- 3.15 The settlement contains no major surprises although some further detail remains outstanding. For Cherwell, there are some additional pressures in 2014-15 but the position looks more favourable in 2015-16 compared to our current forecasts.

## 2014-15 Draft General Fund Revenue Budget

- 3.16 Summarised below is the draft General Fund Revenue Budget being considered by Executive on 3 February 2014.

Table 1: General Fund Revenue Budget	Budget	Draft Budget 2	Variance from 13/14 Budget
	2013-14	2014-15	
<b>Net Expenditure</b>	£15,365,552	£15,812,753	<b>£447,201</b>
Capital Charges Reversed	-£3,323,392	-£3,341,264	<b>£17,872</b>
<b>Net Expenditure Services</b>	<b>£12,042,160</b>	<b>£12,471,489</b>	<b>£429,329</b>
<b>Centrally Controlled Items</b>	£1,831,956	£1,919,054	<b>£87,098</b>
<b>Net Budget Requirement</b>	<b>£13,874,116</b>	<b>£14,390,543</b>	<b>£516,427</b>
<b>Funding</b>			
Investment Income	£150,581	£72,000	<b>£78,581</b>
Government Grant	£7,210,000	£6,398,000	<b>-£812,000</b>
Council Tax Compensation Grant <small>(now in above)</small>	£155,415	£0	<b>-£155,415</b>
Collection Fund	£100,000	£209,830	<b>£109,830</b>
New Homes Bonus	£0	£1,013,000	<b>£1,013,000</b>
Retained Business Rates	£0	£400,000	<b>£400,000</b>
Council Tax	£5,763,992	£5,879,712	<b>£115,720</b>
Council Tax Support Grant	£494,128	£418,000	<b>-£76,128</b>
<b>Proposed Budget</b>	<b>£13,874,116</b>	<b>£14,390,543</b>	<b>£516,426</b>
<b>Shortfall / surplus</b>		<b>£0</b>	<b>£0</b>
<b>% Change</b>			<b>3.7%</b>
<b>Council Tax</b>			
Number band D equivalents	46,672	47,609	
2014-15 Cost of Band D equivalent	£123.50	£123.50	
2013-14 Cost of Band D equivalent	£123.50	£123.50	
	<b>£5,763,992</b>	<b>£5,879,712</b>	

- 3.17 The finalisation of support allocations, capital charges and internal recharges may result in the service total being re-allocated across the three service areas but the bottom line totals and budget requirement will not change.
- 3.18 Members will recall that the first draft of the 2014-15 revenue budget was agreed by Executive at its meeting on 3 December 2013. At that point, which was prior to the settlement outlined above, there was a budget gap (deficit) of £320,000. Subsequent to that report, further work has been undertaken to produce a balanced budget.
- 3.19 In order to balance the budget and secure the £320,000 deficit from Draft Budget 1, further reductions in costs and increases in income were taken into account. The main drivers for this are summarised in Table 2 below and these adjustments have resulted in a balanced budget.

<b>Table 2: BUDGET MOVEMENT DRAFT 1 TO FINAL (Main Drivers)</b>	
<b>Draft 1 Shortfall</b>	<b>£320,000</b>
Additional new homes bonus funding	-£143,000
Critical review of expenditure	-£69,000
Building blocks – category 2	-£33,000
Review of income	-£75,000
<b>Final Draft</b>	<b>£0</b>

- 3.20 The above actions have succeeded in balancing the budget. The Table 3 below sets out a 'high level walk' from the 2013-14 net budget to the proposed 2014-15 net budget highlighting cost pressures and reductions.

<b>Table 3: High Level Budget Walk 2013-14 to 2014-15</b>	<b>£m</b>
<b>Opening Net Budget</b>	<b>13.9</b>
Building Blocks	-0.2
Efficiencies	-0.3
New Joint Working	-0.1
Inflation	0.2
Unavoidable Growth	0.7
Growth	0.1
Investment Income Decrease	0.1
New Homes bonus	-1.0
Retained business rates	-0.4
Government Grant Reductions	1.0
Other	0.4
<b>Draft Base Budget 2013-14</b>	<b>14.4</b>

- 3.21 These movements are further analysed in the tables below

### **Unavoidable Growth**

<b>Table 4: Unavoidable Growth</b>	
Reduction in sale of glass and textiles from recycling contract	£148,000
Reduced landfill diversion credit	£40,000
Cost of new waste transfer arrangements	£50,000
Increase in the cost of pensions (see below)	£378,000
Benefits administration subsidy grant reduction	£103,000
	<b>£719,000</b>

## Pensions actuarial valuation

- 3.22 Every three years the Oxfordshire County Council pension fund is subject to an 'actuarial valuation' which reviews the current pension fund to ensure its assets can meet the future liabilities. The actuarial valuation for the 3 year period starting 1 April 2014 shows an increasing deficit which causes an additional cost pressure in 2014-15 of £364,000. This is due to the decreasing number of active pension members contributing to the scheme. This pressure was in excess of the amount assumed within the budget and has created a cost pressure in future years. This is funded within the budget by use of investment income.

## Growth

<b>Table 5: Growth</b>	
Project management – Development Control	£75,000
Estates maintenance & repair	£20,000
Private Sector Housing team	£38,000
	<b>£133,000</b>

## Budget Reductions

- 3.23 We have made £307,000 in efficiencies which can be classified as budget adjustments (with no service impact) and fee income (demand increases).
- 3.24 A summary of the building blocks identified from each service is listed below.

<b>Table 6: Building blocks</b>	
Community Services – CCTV savings, increased income for summer activities, delete spare mileage budgets	£20,000
Community & Environmental Services Administration – delete vacant post and spare hours	£34,000
Finance & Procurement – contract renegotiation and reduction in bank charges	£46,000
Law & Governance – land searches income budget	£25,000
Transformation – cease to fund data analysis service	£5,000
Strategic Planning – increase planning income	£100,000
Regeneration & Housing – licence fees and grant fees	£3,000
	<b>£233,000</b>

## Council Tax

- 3.25 The above budget assumes a zero increase in Council Tax. At present the Government has not issued its referendum threshold. This is expected in late January / early February. As a result, the Council Tax freeze grant for 2014-15 has not been incorporated into these plans. If confirmed, this will be treated as windfall income.

## Capital

- 3.26 Budget Planning Committee reviewed all the proposed capital bids during November. The recommended capital bids were then considered by Executive in December and an approved list was put forward (this is attached at Appendix 1). Following this, Executive asked Budget Planning Committee to consider further any

of the ICT bids not accepted at its December meeting. These are covered in a separate report on the agenda.

## 4.0 Conclusion and Reasons for Recommendations

- 4.1 This report is for members' consideration. The final budget will be presented to the Executive on 3 February 2014 with a recommendation to Council on 24 February 2013 to adopt the 2014-15 budget (as a key decision) and set council tax accordingly.

## 5.0 Consultation

No consultation

## 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.

As this is a report for information and consideration no alternative options have been considered.

## 7.0 Implications

### Financial and Resource Implications

- 7.1 The financial implications are contained in this report.  
Comments checked by: Nicola Jackson, Corporate Finance Manager  
01295 221731 nicola.jackson@cherwellandsouthnorthants.gov.uk

### Legal Implications

- 7.2 There are no direct legal implications arising out of this report.  
Comments checked by: Kevin Lane, Head of Law and Governance  
0300 0030107 kevin.lane@cherwellandsouthnorthants.gov.uk

## Document Information

Appendix No	Title
Appendix 1	Capital bids considered by Executive in December 2013.
<b>Background Papers</b>	
None	
<b>Report Author</b>	Tim Madden, Interim Head of Finance & Procurement
<b>Contact Information</b>	01295 221634