

Cherwell District Council

Executive

3 February 2014

Draft Budget and Business Plan 2014-15

Report of Interim Head of Finance & Procurement

This report is public

Purpose of report

The Council is required to produce a balanced budget for 2014-15 as the basis for calculating its level of Council Tax. It has to base that budget on its plans for service delivery during the year, recognising any changes in service demand that may arise in future years.

The first draft was reported to the Executive meeting on 2 December 2013. The information has now been updated to reflect changes since then and, subject to any further changes. Members may wish to include tonight, this final draft will be used to prepare a final budget proposal to be presented to full Council on 24 February 2014.

1.0 Recommendations

The meeting is recommended:

- 1.1 To consider and approve the draft budget in the context of the Council's service objectives and strategic priorities.
- 1.2 To approve the balanced budget.
- 1.3 To recommend to full council a Council tax freeze or amend the proposals contained within this report to recommend a different level of Council Tax.
- 1.4 To agree the proposed 2014-15 capital programme (Appendix 2).
- 1.5 To agree using 2013-14 retained business rates of £75,000 to pump prime the business rates support team as set out in paragraph 3.18.
- 1.6 To endorse the draft 5 year strategy, 2014-15 business plan and public pledges (Appendices 3, 4 and 5) be endorsed and to delegate authority to the Director of Resources in consultation with the Leader of the Council and the Lead Member for Performance and Customers to make any minor amendments to the plan or pledges as required before final publication in March 2014.

- 1.7 To note the 2014-15 Business Plan and Budget Equality Impact Assessment (Appendix 6).
- 1.8 To note the latest MTFs financial forecast is currently being refreshed and will be reported back to the Executive once this exercise has been completed.
- 1.9 To request officers to produce the formal 2014-15 budget book on the basis of the attached report and associated appendices.
- 1.10 To recommend, subject to any further changes Members may wish to include tonight, the updated budget for adoption by the Council on 24 February 2014.
- 1.11 To delegate authority to the Head of Finance and Procurement, in consultation with Director of Resources and the Lead Member Financial Management to amend the contributions to or from general fund balances to allow the Council Tax increase to remain at the level recommended by Executive to full Council following the announcement of the final settlement figures and as a result of any financial implications arising from recommendation 1.10.

2.0 Introduction

- 2.1 This report sets out the draft revenue budget for 2014-15 for the Council which will form the basis of the council tax setting report which is due to go to Council on the 24 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 also 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 the capital programme.
- 2.3 Throughout the autumn officers have been preparing the budget in line with the guidelines for preparation considered by the Executive at its meeting of the 7 October 2013. A copy of the guidelines is repeated at Appendix 1 for ease of reference. This has set out the framework within which the budget has been developed.
- 2.4 The budget has been subject to consideration by the Budget Planning Committee which has also been heavily involved in assessing the proposed capital programme. The initial recommendations of that committee were presented to Executive at its meeting of 2 December and subsequent recommendations from its consideration of further ICT capital bids at its meeting of 21 January.

3.0 Report Details

Draft Revenue Budget

- 3.1 The draft budget presented in December 2013 presented a funding gap of £320,083. The budget presented in this report follows further work across a number of areas identified in the previous report in order to arrive at a balanced budget

position. Table 1 below sets out the draft General Fund Revenue Budget for consideration by the Executive.

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

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.

- 3.2 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.

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

- 3.3 The above actions have succeeded in balancing the budget. 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.

Table 3: High Level Budget Walk 2013-14 to 2014-15	£m
Opening Net Budget	13.9
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
Draft Base Budget 2013-14	14.4

- 3.4 These movements are further analysed in the tables below

Unavoidable Growth

Table 4: Unavoidable Growth	
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)	£364,000
Benefits administration subsidy grant reduction	£103,000
	£705,000

Growth

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

Pensions actuarial valuation

- 3.5 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.

Budget Reductions

- 3.6 There have been £307,000 in efficiencies achieved which can be classified as cost reductions of £192,000 which have no service impact and fee income (demand increases) which totals £115,000.
- 3.7 A summary of the £0.2 million building blocks identified from each service is listed below.

Table 6: Building blocks	
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 renegotiations 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
	£233,000

Proposed Council Tax 2014-15

- 3.8 The level of council tax being proposed is £123.50 pa at Band D and this is in line with Council commitment of a zero increase. Should the proposal of a zero % increase be adopted the Council will also receive £63,000 in an additional Compensation Freeze grant for 2014-15 and 2015-16. Although this will be a separate grant in 2014-15, for 2015-16 it will be subsumed into the general government grant for the Council and will lose its separate identity.
- 3.9 The above budget assumes a zero increase in Council Tax. At present the Government has not issued its referendum threshold. This is expected in mid-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.
- 3.10 If the Executive were minded to change the Council Tax increase within this report they should be aware that a 1% increase would equate to an increase in income of £58,797. However, if this was implemented then the Council would forego the compensation grant of £63,000. The difference in the figures is as a result of the calculation of the CLG grant not taking into account the reduction in the tax base due to the council tax reduction scheme.

Local Government Finance Settlement

- 3.11 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 is likely to be announced towards early / mid February 2014.

- 3.12 Overall the impact upon the Cherwell District Council 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%

The grant figure of £7.265 million differs from that shown in Table 1 as it includes all government funding including elements that are within services (e.g. the homelessness grant).

- 3.13 This compares to our forecasts as follows:

	2013-14 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

- 3.14 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 average reduction 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.
- 3.15 Overall, the above shows a small additional deficit in 2014-15 but in 2015-16 the amount of grant is greater than had been anticipated. The impact of this has been incorporated into the 2014-15 budget but the 2015-16 position will need to be reviewed when the medium term forecast is updated.

Treasury Management Strategy 2014-15

- 3.16 The Council's investment income budget for 2014-15 has been compiled on the basis of close tracking of actual and likely interest rates and with the help of external advice. The emphasis has been on the least risky places to invest the Council's money and this, along with the continued low interest rates on offer and the agreed use of capital receipts has led to a continuing of low levels of investment income built into the budget. In budgetary terms this is prudent and places the Council at less risk of exposure in-year. A revised Treasury Management Strategy is being prepared and will be recommended to Full Council in February 2014.

Business Rates Pooling

- 3.17 At its meeting of the Executive of 7 October 2013, Executive agreed “that support in principle be shown for continuing to work on business rate pooling and agreement be given to carry out more detailed work to ascertain whether Cherwell District Council forms a pool with the County or not for 2014-15 and authority be delegated to the Director of Resources in consultation with the Lead Member for Financial Management to make the final decision.” Following further work and discussion, the decision was taken to join the pool with Oxfordshire County Council and West Oxfordshire District Council. The detail of the figures is still being calculated however there will be a significant benefit to Cherwell as a result of these arrangements.

Business Rates Support

- 3.18 Following the localisation of business rates, there are significant incentives to attracting businesses into the area and thereby generating additional income streams. In order to maximise the opportunities of this, it is proposed to set up a Business Rates Support team across both Cherwell Council and South Northants Council. The cost of this is expected to be £75,000 per authority on an on-going basis. It is anticipated that this will become self-funding through additional income generated. However, there will be an initial need for the team to be set up in the first year which will require pump priming funds. It is proposed to pump prime the team for the first year using 2013-14 retained business rates for this purpose initially.

2014-15 Capital Programme

- 3.19 The proposed new capital schemes for 2014-15 total £3.864 million as set out at Appendix 2. The Budget Planning Committee reviewed all the proposed capital bids during November and made recommendations to the Executive at its meeting of 2 December 2013. Following a recommendation by Executive, the Budget Planning Committee then further considered the ICT bids at its meeting of 21 January and agreed the following ICT bids:

- Citrix - Expansion to Support Agile Working (£20,228)
- Electronic Document and Records Management Pilot – SharePoint (jointly with SNC) - £35,000
- Aerial Imagery (£10,000)
- Microsoft Hyper – V (£14,000)
- VMware virtual centre site recovery software (£35,000)

These have been included within Appendix 2.

The Future – Medium Term Financial Strategy 2015-16 to 2019-20

- 3.20 The coming years will present even further challenges which in the main will relate to the continued cuts to the level of government grants received, local government reform and welfare reform. The Council’s has a strong track record and commitment to delivering efficiencies and this will continue in order to manage the challenges facing the authority in the future.

- 3.21 The forward planning together with the joint working with South Northamptonshire Council (and any others we choose to collaborate with) strengthens our position to meet the forecast challenges of future years. The Council will update its MTFS forecast to be included in the 2014-15 budget book and will be presented to the Executive once complete.

Five Year Business Strategy, 14/15 Business Plan, performance pledges and service plans

- 3.22 Appendix 3 sets out the high level priorities for the Council's five year strategy. These inform the council's annual business plan and budget which in turn inform operational service plans.
- 3.23 Appendix 4 sets out the council's objectives for 2014-15 and Appendix 5 the council's draft performance pledges. The business plan and performance pledges form the basis of the council's performance management framework and progress will be reported quarterly.
- 3.24 After the budget, five year strategy and plan have been agreed they will be published as formal documents and will be available from March 2014.

Public consultation

- 3.25 The Council has informed its business strategy, annual plan and budget by undertaking public consultation including using the Citizen's panel to undertake budget focus groups in the north and south of the district and a customer satisfaction survey.
- 3.26 In addition the draft budget has been available on the Council's consultation portal for comment and the council's scrutiny committee has also reviewed the documents. The Lead Member for Performance and Customers will give a verbal update with feedback from the scrutiny process.

Impact assessment

- 3.27 An impact assessment of the 2014-15 budget and business plan has been carried out and is attached at Appendix 6.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The above narrative alongside the appendices represents the draft budget for approval by the Executive. If agreed, this will be taken onto Council on 24 February and will be considered alongside the setting of the 2014-15 Council Tax.

5.0 Consultation

- 5.1 This report has been considered by Councillor Ken Atack, Lead Member for Financial Management.

The Executive has considered the budget through different reports from October through to December.

The Budget Planning Committee has considered the budget through its meetings during October to January.

The Council has consulted on its budget and priorities via the annual satisfaction survey and using the Citizen's panel to look at budget issues. Executive have used the results of these consultations to develop the content of the business plan. The draft budget has also been on the Council's consultation portal.

6.0 Alternative Options and Reasons for Rejection

6.1 This report presents a final analysis of the Council's draft 2014-15 revenue and capital budget. This will be presented to Council on the 24 February to support the setting of the Council Tax.

6.2 It is a legal requirement to set a balanced budget and the recommendations as set out represent what is believed to be the best way of achieving this. Alternative options are:

To reject the current proposals and to make alternative recommendations or ask officers for further information.

7.0 Implications

Financial and Resource Implications

7.1 The financial effects of the revenue budget are identified in the report. The new capital schemes are detailed in Appendix 2. Any decisions made in relation to on-going expenditure or income in the budget for 2014/15 will have repercussions in future years when current forecasts indicate the financial environment is likely to become increasingly difficult. The Council has a statutory duty to set a balanced budget and could incur the intervention of the Secretary of State if it failed to do so.

Comments checked by: Nicola Jackson, Corporate Finance Manager
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Legal Implications

7.2. The Council is legally required to set a balanced budget which the recommendations will achieve if approved by Executive and Council. Due consideration of external responses to consultation is also required and has taken place as part of the budget process.

Comments checked by:
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8.0 Decision Information

Key Decision **Yes**

Financial Threshold Met: **Yes**

Community Impact Threshold Met: **Yes**

Wards Affected

All Wards will be affected by the budget

Links to Corporate Plan and Policy Framework

Enhancing the Council Performance

Lead Councillor

Councillor Ken Atack, Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Budget Guidelines
Appendix 2	New Capital Bids 2014-15
Appendix 3	Five Year Business Strategy
Appendix 4	2014-15 Business Plan
Appendix 5	Public Pledges
Appendix 6	Business Plan and Budget Equality Impact Assessment
Background Papers	
None	
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