

Cherwell District Council
Budget Planning Committee

7 October 2014

Budget Strategy 2015 to 2016 and Beyond

Report of Director of Resources

This report is public

Purpose of report

To inform the Budget Planning Committee of the service and financial planning process for 2015-16, the 2015-16 budget strategy and the budget guidelines for service managers to enable the production of the 2015-16 budget. This report is being presented to Executive on 6 October.

The report includes an update on: the most recent Medium Term Revenue Plan (MTRP); the Council Tax Reduction Scheme for 2015-16; and the Council's approach to Business Rates pooling for 2015-16.

1.0 Recommendations

Budget Planning Committee is recommended to note the contents of the report and to note the recommendations made to Executive on 6 October as follows:

- 1.1 Note the updated MTRP for the Council's revenue budget for 2015-16 to 2019-20.
- 1.2 Endorse the overall 2015-16 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 2015-16 (Appendices 1 and 2).
- 1.4 Agree to consult on the retention of the current Council Tax Reduction Scheme (CTRS) for 2015-16 and delegate authority to the Director of Resources in consultation with the lead member for Financial Management to make the final decision on the scheme.
- 1.5 Delegate authority to the Director of Resources in consultation with the lead member for Financial Management to make the final decision on Business Rates pooling for 2015-16.

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 priorities for service expenditure. The survey is statistically representative and produces robust information regarding residents' 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 revenue plan and the corporate plan, provides the context for budget setting and service planning.
- 2.4 The Council needs to set guidelines and a timetable for the preparation of draft estimates for 2015-16. 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 2014-15 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 2015-16.
- 2.7 The budget timetable is attached at Appendix 2.
- 2.8 Updates to this report will be brought before Executive and Council between December 2014 and February 2015.

3.0 Report Details

2015-16 Budget Strategy, Budget Guidelines and Timetable

- 3.1 The Council needs to set guidelines and a timetable for the preparation of draft estimates for 2015-16. These guidelines should support the objectives contained in the Business Plan, Service Plans and the Medium Term Financial Strategy.
- 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 public consultation, previous investment and strategic priorities.
- 3.3 The associated budget timetable is detailed in Appendix 2.

3.4 Council will be asked to agree the 2015-16 budget and corporate plan (and the service plans that underpin delivery) at their meeting in February 2015.

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 around 18 months ahead of the savings being required. The target to be achieved during 2014-15 is £0.5m – our public promise.

3.6 There are a number of medium term pressures facing the Council, which will require increasing efficiencies or a change in the Council's budget strategy to deliver a balanced budget. The restrictions on increases in council tax are expected to remain. It is therefore expected that future budgets will remain under significant 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.

	£m	£m	£m	£m	£m
Cumulative forecast	2015-16	2016-17	2017-18	2018-19	2019-20
Savings requirement	1.6	3.4	4.8	5.1	5.5

NB The position is cumulative and assumes no actions are taken to address each in year deficit.

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 2015-16 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 2013-14 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 in 2013-14 and 2014-15 as the number of discounts offered was reduced in order to mitigate the costs of remaining with the default scheme. It was agreed that for 2015-16 the position would be reviewed and authorities would determine their approach to take in Year 3.
- 3.13 The latest estimates show that the current scheme for 2015-16 would also be cost neutral after taking account of discounts.
- 3.14 Any change to the scheme would have implementation costs and could lead to a reduction in Council Tax collection rates. It is therefore proposed to consult both customers and major preceptors on the retention of the current scheme.

Business Rates Pooling

- 3.15 In 2013-14, Cherwell, West Oxfordshire and Oxfordshire County Council entered into a business rate pool for 2014-15. This was because the financial benefits of the arrangement outweighed the risks associated with them if all authorities in Oxfordshire participated.
- 3.16 Cherwell and West Oxfordshire are growth authorities so the amount of levy paid to the government is minimised resulting in a greater share kept locally than would otherwise be the case.
- 3.17 It also means that if there was a significant reduction in businesses across the District, then the safety net (which provides financial assistance in declining areas) would not be provided as early as would otherwise be the case.
- 3.18 The existing governance arrangements require pooled authorities to give one month's notice if they wish to withdraw from the pool.
- 3.19 It is recommended that in principle we show support for continuing within the pool and carry out more detailed work to confirm the financial benefits of doing so.

4.0 Conclusion and Reasons for Recommendations

- 4.1 It is recommended that:
- the contents of this report are noted

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 2015-16.

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

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 31A 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

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: Louise Tustian, Acting Corporate Performance Manager
01295 221786 louise.tustian@cherwellandsouthnorthants.gov.uk

Equality and Diversity

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

Comments checked by: Louise Tustian, Acting Corporate Performance Manager
01295 221786 louise.tustian@cherwellandsouthnorthants.gov.uk

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

Appendix No	Title
1	Proposed Budget Guidelines 2015-16
2	Budget Timetable 2015-16
Background Papers	
Report Author	Paul Sutton, Head of Finance and Procurement
Contact Information	01295 221634