

# **Cherwell District Council**

## **Executive**

**2 February 2015**

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| <p><b>Draft Budget and Business Plan</b><br/><b>2015-16</b></p> |
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### **Report of the Head of Finance & Procurement and Head of Transformation**

This report is public

#### **Purpose of report**

The Council is required to produce a balanced budget for 2015-16 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 report also details the proposed strategic priorities, the underpinning key objectives, and deliverables for 2015-16 which have now been converted into a proposed business plan for the Council. The proposed business plan sits alongside the draft budget so as to demonstrate that the Council adopts a strategic approach to managing all of its resources by aligning the development and delivery of the Council's priorities and key deliverables to the proposed budget.

The first draft budget was reported to the Executive meeting on 1 December 2014, along with the draft strategic priorities and key deliverables for the Council for 2015/16.

Both the draft budget and strategic priorities/key deliverables have since been considered and discussed at Overview and Scrutiny meetings with no amendments.

The budget information has now been updated to reflect changes since then and subject to any further changes Members of The Executive may wish to include tonight, this final draft will be used to prepare an integrated final budget and business plan (detailing the strategic priorities and annual deliverables for 2015/16) to be proposed to Full Council on 23 February 2015.

#### **1.0 Recommendations**

The meeting is recommended to:

- 1.1 consider and approve the draft budget in the context of the Council's service objectives and strategic priorities.
- 1.2 approve the balanced budget.

- 1.3 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 agree the proposed 2015-16 capital programme (detailed in Appendix 3).
- 1.5 note the latest MTFs financial forecast is currently being refreshed and will be reported back to The Executive once this exercise has been completed.
- 1.6 recommend, subject to any further changes Members of The Executive may wish to include tonight, the updated draft revenue budget for adoption by Full Council on 23 February 2015 (as a key decision).
- 1.7 delegate authority to the Head of Finance and Procurement, in consultation with the 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 The Executive to Full Council following the announcement of the final settlement figures, and as a result of any financial implications arising from recommendation 1.6.
- 1.8 recommend the draft 5 year business strategy, 2015-16 council objectives, 2015-16 performance pledges and 2015-16 business plan to Full Council for adoption (detailed in Appendices 4, 5, 6 and 7).
- 1.9 note the findings of the Equality Impact Assessment that has been undertaken in relation to both the proposed Business Plan and Budget for 2015/16 (detailed in Appendix 8).

## **2.0 Introduction**

- 2.1 This report sets out the draft revenue budget for 2015-16 for the Council which will form the basis of the council tax setting report which is due to go to Full Council on the 23 February 2015. The report covers the information and work undertaken since Draft 1 of the budget was considered by Executive and Budget Planning Committee in December 2014 and January 2015.
- 2.2 The report also looks at the impact of the local government settlement which was announced on 3 December 2014. 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 6 October 2014. 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 involved in assessing the proposed capital programme.
- 2.5 The draft business plan which details the proposed strategic priorities and key deliverables of the Council for 2015/16 was considered by the Overview and Scrutiny Committee on 13<sup>th</sup> January 2015. The Committee did not wish to recommend any further changes for consideration by The Executive before the business plan is recommended to Full Council for adoption.

### 3.0 Report Details

#### Draft Revenue Budget

3.1 The draft budget presented in December 2014 presented a funding gap of £186,000. 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** sets out the draft General Fund Revenue Budget.

| Revenue Budget 2015-16                               | Approved Budget 2014-15<br>£ | Draft Budget 2015-16<br>£ | Movement<br>£    |
|--|------------------------------|---------------------------|------------------|
| <b>Community and Environment</b>                     |                              |                           |                  |
| Community Services                                   | 3,527,110                    | 5,496,078                 | 1,968,968        |
| Environmental Services                               | 4,904,252                    | 4,640,014                 | (264,238)        |
| <b>Community &amp; Environment Directorate Total</b> | <b>8,431,362</b>             | <b>10,136,092</b>         | <b>1,704,730</b> |
| <b>Development</b>                                   |                              |                           |                  |
| Strategic Planning and the Economy                   | 567,447                      | 607,655                   | 40,208           |
| Public Protection / Development Management           | 852,162                      | 552,307                   | (299,855)        |
| Regeneration and Housing                             | 1,471,847                    | 1,874,418                 | 402,571          |
| <b>Development Directorate Total</b>                 | <b>2,891,456</b>             | <b>3,034,380</b>          | <b>142,924</b>   |
| <b>Resources</b>                                     |                              |                           |                  |
| Transformation                                       | 2,782,384                    | 2,475,174                 | (307,210)        |
| Finance and Procurement                              | 318,489                      | 813,018                   | 494,529          |
| Law and Governance                                   | 1,089,403                    | 940,879                   | (148,524)        |
| <b>Resources Directorate Total</b>                   | <b>4,190,276</b>             | <b>4,229,071</b>          | <b>38,795</b>    |
| <b>Bicester Renovation Programme</b>                 | <b>122,820</b>               | <b>387,531</b>            | <b>264,711</b>   |
| <b>Chief Executive</b>                               | <b>176,840</b>               | <b>180,793</b>            | <b>3,953</b>     |
| Centrally Controlled Items                           | 1,919,054                    | 1,214,994                 | (704,060)        |
| Credit for Capital Charges                           | (3,341,264)                  | (3,999,650)               | (658,386)        |
| <b>Net Budget Requirement</b>                        | <b>14,390,544</b>            | <b>15,183,211</b>         | <b>792,667</b>   |
| <b>FUNDING</b>                                       |                              |                           |                  |
| Business Rates Baseline                              | (3,401,000)                  | (3,466,000)               | (65,000)         |
| Revenue Support Grant                                | (3,863,879)                  | (2,628,514)               | 1,235,366        |
| <b>Formula grant equivalent</b>                      | <b>(7,264,879)</b>           | <b>(6,094,514)</b>        | <b>1,170,366</b> |
| Transfer to Parish Councils for CTRS                 | 349,000                      | 349,000                   | 0                |
| Transfer Homelessness Grant                          | 99,878                       | 101,000                   | 1,122            |
| Investment income                                    | (49,190)                     | 0                         | 49,190           |
| Council Tax Compensation Grant                       | 0                            | (63,000)                  | (63,000)         |
| Collection Fund                                      | (232,640)                    | (100,000)                 | 132,640          |
| New Homes Bonus                                      | (1,013,000)                  | (1,272,304)               | (259,304)        |
| <b>Business Rates</b>                                |                              |                           |                  |
| S31 Grant  | 0                            | (1,136,000)               | (1,136,000)      |
| Growth above baseline                                | (400,000)                    | (600,000)                 | (200,000)        |
| Pooling  | 0                            | (450,000)                 | (450,000)        |
|  | (8,510,832)                  | (9,265,818)               | (754,986)        |
| Council Tax Income                                   | (5,879,712)                  | (5,923,393)               | (43,681)         |
| Contribution to reserves                             | 0                            | 0                         | 0                |
| <b>TOTAL INCOME</b>                                  | <b>(14,390,544)</b>          | <b>(15,189,211)</b>       | <b>(798,667)</b> |
| <b>(Surplus) / Deficit</b>                           | <b>0</b>                     | <b>(6,000)</b>            | <b>(6,000)</b>   |
| <b>Tax Base</b>                                      | 47,609                       | 47,963                    |                  |
| <b>Band D Council Tax</b>                            | £123.50                      | £123.50                   | 0                |
| <b>% increase in Council Tax</b>                     | 0%                           | 0%                        |                  |

- 3.2 The finalisation of support allocations 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.
- 3.3 In order to balance the budget and secure the £186,000 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>Balanced Budget</b>                              | <b>2015-16<br/>£'000</b> |
|---|--------------------------|
| <b>BUDGET GAP (Draft 1 Executive December 2014)</b> | <b>186</b>               |
| Fuel savings  | (45)                     |
| Car parks (excess charge notices & season tickets)  | 88                       |
| Increased recycling credits                         | (69)                     |
| Increased rental income corporate properties        | (20)                     |
| Planning income including pre-application           | (277)                    |
| Capita contract                                     | (49)                     |
| Legal savings (shared 3 way working)                | (109)                    |
| Increased search fee income                         | (22)                     |
| Revenue cost of capital bids                        | 135                      |
| Investment growth bids                              | 139                      |
| Reduction in Housing Benefit Admin Grant            | 95                       |
| Corporate Fraud Team (shared savings)               | (68)                     |
| <b>Budget changes Expenditure</b>                   | <b>(208)</b>             |
| Section 31 Grant (provisional settlement)           | (83)                     |
| Business rates baseline (provisional settlement)    | 27                       |
| Council tax base (January Executive report)         | 74                       |
| New Homes Bonus (provisional settlement)            | (2)                      |
| <b>Budget changes Funding</b>                       | <b>16</b>                |
| <b>DEFICIT / (SURPLUS)</b>                          | <b>(6)</b>               |

- 3.4 The above actions have succeeded in balancing the budget. Appendix 2 details a 'high level walk' from the 2014-15 net budget to the proposed 2015-16 net budget highlighting cost pressures and reductions.

### **Proposed Council Tax 2015-16**

- 3.5 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 2015-16.
- 3.6 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 £59,271. 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

- 3.7 On the 18 December 2014, Local Government Minister Kris Hopkins MP made a written statement on the provisional local government finance settlement for 2015-16. This statement is still provisional and the final settlement is likely to be announced towards end of January 2015.
- 3.8 Last year's settlement included a forecast for 2015-16 but the provisional figure from this year's settlement is 3.2% higher than originally expected. This is due to technical changes in the funding methodology.

|          | 2014-15<br>Settlement<br>£000 | 2015-16<br>Forecast<br>£000 | 2015-16<br>Provisional<br>£000 |
|----------|-------------------------------|-----------------------------|--------------------------------|
| Funding  | 3,864                         | 2,629                       | 2,712                          |
| % change |                               | -32.0%                      | -29.8%                         |

### Treasury Management Strategy 2015-16

- 3.9 The Council's investment income budget for 2015-16 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 2015.

### Business Rates Pooling and Growth

- 3.10 Last year, the decision was taken to form a 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. The pool anticipates generating £600,000 for Cherwell, 75% of this amount £450,000 has been built into the draft budget for 2015-16. This estimate is deliberately prudent at this stage given the turbulence and uncertainty still associated with the scheme.
- 3.11 The draft budget also includes £600,000 business rates growth above the baseline and £1,053,000 of Section 31 grant. These income assumptions were built into the draft budget presented to the Executive on 1 December. They have remained unchanged for the final budget being presented to the Executive.

### 2015-16 Capital Programme

- 3.12 The Budget Planning Committee reviewed all the capital bids during November and made recommendations to the Executive at its meeting of 19 January 2015. The new capital schemes for 2015-16 supported by Budget Planning Committee total £5.281 million as set out at **Appendix 2**. Budget Planning Committee made the following comments for the remainder of the proposed capital bids:

- Bid 7 – The Hill Community Centre (roof and boiler repairs £225,000). To support a revised capital ceiling of £400,000 to replace / refurbish the community centre. This be considered a priority given the current state of the building with the revised amount of £400,000 to be included in the capital programme
- Bids 11 and 18 – requested additional information on the CCTV bids for Thorpe Lane Depot and Bodicote House. These bids have not been included in the capital programme.
- Bids 10, 12, 13, 14 and 17 – all relate to Bodicote House and will be considered as part of the Asset Management Plan which reports the Asset Management Board. These bids therefore have not been included in the capital programme
- Bid 15 – car parks condition survey works will be considered by the Banbury Development Board. Again this has not been included in the capital programme.

### **The Future – Medium Term Financial Strategy 2016-17 to 2020-21**

- 3.13 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 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.
- 3.14 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 2015-16 budget book and will be presented to the Executive once complete.

### **Five Year Business Strategy, 2015-16 Business Plan, performance pledges and service plans**

- 3.15 **Appendix 4** 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.
- 3.16 **Appendix 5** sets out the council's objectives for 2015-16 and **Appendix 6** the council's draft performance pledges. The draft business plan in **Appendix 7** contains references to the draft pledges and objectives. It forms the basis of the council's performance management framework and sets out how progress will be reported monitored.
- 3.17 After the budget, five year strategy and business plan have been considered and agreed they will be published as formal documents and will be available from March 2015.

### **Public consultation**

- 3.18 The Council has informed the development of its business strategy, annual business 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.

- 3.19 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. We didn't receive any comments or feedback from members of the public.

### **Equality Impact assessment**

- 3.20 An equality impact assessment of the 2015-16 budget and business plan has been carried out and is attached at **Appendix 8**.

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

- 4.1 The above narrative alongside the appendices represents the draft budget and Council business plan for approval by the Executive. If both are agreed, they will be taken onto Council on the 23 February and will be considered alongside the setting of the 2015-16 Council Tax.

## **5.0 Consultation**

- 5.1 This report has been considered by Councillor Ken Attack, Lead Member for Financial Management.
- 5.2 The Executive has considered the budget and draft strategic business priorities and key deliverables for the Council for 2015/16 through different reports from October through to December 2014.
- 5.3 The Budget Planning Committee has considered the budget through its meetings during October to January.
- 5.4 The Executive recommended that the Overview and Scrutiny Committee consider the draft strategic priorities and key deliverables for the Council for 2015/16 to ensure a whole Council approach to developing a strategic business plan for the Council.
- 5.5 Overview and Scrutiny Committee considered the draft business plan during its meeting in January and did not wish to make any recommendations to change the strategic priorities or key deliverables for 2015/16. This feedback has been considered and taken into account by Councillor's Mallon and Attack.
- 5.6 The Council has consulted on its budget and strategic business priorities via the annual satisfaction survey and using the Citizen's panel to look at budget issues. The Executive has used the results of these consultations to develop the Council's 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 2015-16 revenue and capital budget, along with the proposed council business plan, which details the strategic priorities and key deliverables for 2015-16. These will be presented to Full Council on the 23 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:
- 6.3 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 2015-16 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  
01295 221731 [nicola.jackson@cherwellandsouthnorthants.gov.uk](mailto:nicola.jackson@cherwellandsouthnorthants.gov.uk)

### 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:  
Kevin Lane, Head of Law and Governance, 0300 0030107  
[kevin.lane@cherwellandsouthnorthants.gov.uk](mailto:kevin.lane@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 key objectives

Councillor Ken Atack – Lead Member for Financial Management  
Councillor Kieron Mallon – Lead member for Banbury Developments, Communications and Performance.

## Document Information

| Appendix No         | Title   |
|---------------------|---|
| Appendix 1          | Budget Guidelines   |
| Appendix 2          | Revenue Budget "high level walk" 2014-15- to 205-16   |
| Appendix 3          | New Capital Bids 2015-16  |
| Appendix 4          | Five Year Business Strategy   |
| Appendix 5          | 2015-16 Council Objectives  |
| Appendix 6          | 2015-16 Performance Pledges   |
| Appendix 7          | 2015-16 Business Plan   |
| Appendix 8          | Business Plan and Budget Equality Impact Assessment   |
| Background Papers   |   |
| None                |   |
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