

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

**6 October 2015**

<b>Budget Strategy 2015 to 2016 and Beyond</b>
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**Report of Head of Finance and Procurement**

This report is public

**Purpose of report**

To inform the Budget Planning Committee of the service and financial planning process for 2016/17, the 2016/17 budget strategy and the budget guidelines for service managers to enable the production of the 2016/17 budget. This report is being presented to Executive on 5 October.

The report includes an update on: the most recent Medium Term Revenue Plan (MTRP) and the Council Tax Reduction Scheme for 2016/17.

**1.0 Recommendations**

Budget Planning Committee is recommended to note the contents of the report and to note the recommendations made to Executive on 5 October as follows:

- 1.1 Note the updated MTRP for the Council's revenue budget for 2016/17 to 2020-21.
- 1.2 Endorse the overall 2016/17 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 2016/17 (Appendices 1 and 2).
- 1.4 Endorse the decision to consult on the retention of the current Council Tax Reduction Scheme (CTRS) for 2016/17 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.

## **2.0 Introduction**

- 2.1 The budget 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 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 Council services. 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 2016/17. 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 extreme pressure on both its expenditure and income streams. We have made a public promise to reduce expenditure by £0.5m in 2016/17 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 2016/17. The budget timetable is attached at Appendix 2.
- 2.7 This Committee meets regularly and considers the budget in detail and will make Budget and Business Planning recommendations to the Executive in February 2016.

## **3.0 Report Details**

### **2016/17 Budget Strategy, Budget Guidelines and Timetable**

- 3.1 The Council needs to set guidelines and a timetable for the preparation of draft estimates for 2016/17. 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.

### **Medium Term Financial Strategy**

- 3.4 The medium term financial strategy and revenue plan are updated and presented to the Budget Planning Committee at each meeting during the budget process. The Committee considered different scenarios and test our planning process rigorously. Known cost pressures are built into the model and assumptions are made for unknown pressures. The model results in a target for cost reduction around 18 months ahead of the savings being required.
- 3.5 The latest medium term revenue plan projections were reported to Budget Planning Committee on 8<sup>th</sup> September are set out below:  
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	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000
<b>EXPENDITURE</b>						
Approved base budget	15,233	15,233	15,842	16,489	17,143	17,804
<b>Unavoidable pressures</b>						
Contract Inflation		64	66	68	70	72
Demand led increases		50	50	50	50	50
Pay inflation		245	250	255	260	265
Pay increments		175	175	175	175	175
Superannuation		69	100	100	100	100
NNDR Pressures		6	6	6	6	6
<b>TOTAL EXPENDITURE</b>	<b>15,233</b>	<b>15,842</b>	<b>16,489</b>	<b>17,143</b>	<b>17,804</b>	<b>18,472</b>
<b>FUNDING</b>						
Business Rates Baseline	(3,466)	(3,587)	(3,684)	(3,783)	(3,783)	(3,886)
Revenue Support Grant	(2,629)	(986)	0	0	0	0
<b>Formula grant equivalent</b>	<b>(6,095)</b>	<b>(4,573)</b>	<b>(3,684)</b>	<b>(3,783)</b>	<b>(3,783)</b>	<b>(3,886)</b>
Transfer to Parish Councils (CTRS)	349	349	349	349	349	349
Transfer Homelessness Grant	101	101	101	101	101	101
Business Rates (Growth, Pooling & S31 )	(2,185)	(2,185)	(2,185)	(2,185)	(2,185)	(2,185)
Council Tax Compensation Grant	(63)	0	0	0	0	0
Collection Fund	(233)	(100)	(100)	(100)	(100)	(100)
New Homes Bonus	(1,272)	(1,589)	(1,687)	(1,872)	(1,870)	(1,870)
	(9,398)	(7,997)	(7,206)	(7,490)	(7,488)	(7,591)
Council Tax income	(5,959)	(6,078)	(6,200)	(6,324)	(6,324)	(6,450)
Contribution to Reserves	124					
<b>TOTAL INCOME</b>	<b>(15,233)</b>	<b>(14,075)</b>	<b>(13,406)</b>	<b>(13,814)</b>	<b>(13,812)</b>	<b>(14,041)</b>
<b>FUNDING SURPLUS</b>	<b>0</b>	<b>1,767</b>	<b>3,083</b>	<b>3,329</b>	<b>3,991</b>	<b>4,431</b>

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

- 3.6 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 2016/17 but give an indication of the challenges currently being faced by the Council, as outlined below:

#### Unavoidable and Demand led pressures

Pressures are identified at the start of the budget process and will be reported this Committee in October and November.

#### Budget reductions

Similar to pressures budget reductions will be identified at the start of the process and will be reported this Committee in October and November.

#### Budget strategy changes

The Executive will consider its Business Planning process at the same time as the budget. Any strategy changes will be identified at the start of the process so that they can be costed and incorporated into Budget Reductions or Pressures.

#### New Homes Bonus updates

There is still some concern as to how long the New Homes Bonus Scheme will continue. This will come into real focus if/when RSG is finally exhausted nationally;

The Council continues to try and maximise its return through NHB. The business support unit is currently running a project to ensure all new and previously empty properties are in the Council Tax system so that they qualify for NHB when the CTB 1 forms are finalised in October. At this point we will know final allocations for 2016/17.

- 3.7 The key message is that future budgets will remain under significant pressure, with a growing emphasis on, collaboration, commissioning and commercialisation to deliver services more efficiently. The Council has recognised the need to think differently about how it delivers its services and has plans through the transformation workstreams to deliver these. As business cases are developed and approved they will be incorporated into the MTRP.

### **Council Tax Reduction Scheme**

- 3.8 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).
- 3.9 For Cherwell, the impact was broadly cost neutral in 2013/14 to 2015/16 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 2016/17 the position would be reviewed and authorities would determine their approach to take in Year 3.
- 3.10 The latest estimates show that the current scheme for 2016/17 would also be cost neutral after taking account of discounts.
- 3.11 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.

## **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

## **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 2016/17.

## **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: George Hill, Corporate Finance Manager  
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### **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.

Comments checked by: Kevin Lane, Head of Law and Governance  
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### **Risk management**

- 7.3 The Council is required to set both revenue and capital budgets. Failure to adopt a budget strategy and MTF5 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  
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### **Equality and Diversity**

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

Comments checked by: Jo Pitman, Head of Transformation  
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## **8.0 Decision Information**

### **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 2016/17
2	Budget Timetable 2016/17
<b>Background Papers</b>	
None	
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