

COUNCIL – 18 FEBRUARY 2014

BUSINESS STRATEGY AND SERVICE & RESOURCE PLANNING 2014/15 – 2017/18

Report by the Chief Finance Officer

Introduction

1. This report is the culmination of the service & resource planning process for 2014/15 to 2017/18. It sets out the Cabinet's proposed budget for 2014/15, medium term financial plan and capital programme, together with a number of statements/policies that the Council is required to approve for the 2014/15 financial year. The report also includes the new directorate business strategies, which set out how the medium term financial plan will be delivered.
2. The report is divided into four main sections which are outlined below:

Section 1 – Leader of the Council's overview
Section 2 – Budget Strategy and Capital Programme
Section 3 – Directorate Business Strategies
Section 4 – Chief Finance Officer's statutory report
3. The report provides an update on information received since the Cabinet meeting on 28 January 2014, including the final local government finance settlement and the council tax referendum limit (subject to House of Commons approval). The budget proposals set out in section 2 have been updated in the light of this information. Changes since the report to Cabinet in January are set out in section 2.3.1.

Section 1 – Leader of the Council's overview

4. The basis for the Cabinet's budget proposals within the context of the challenging financial position faced by the Council is set out in section 1. This section sets out the Cabinet's priorities, proposed council tax increases for 2014/15 and how consultation on the budget proposals has been taken into consideration.

Section 2 – Budget Strategy and Capital Programme

5. This section sets out the detailed 2014/15 budget and the 2014/15 – 2017/18 medium term financial plan and capital programme, together with the strategies which underpin these such as the financial strategy, treasury management strategy and asset management plans. It includes those matters that the Council must approve as part of the budget setting process, including the council tax requirement and council tax amount for a band D property.

Section 3 – Directorate Business Strategies

6. The new directorate business strategies for the period 2014/15 – 2017/18 are set out in section 3. This also includes a link to the current service & community impact assessments (SCIAs) completed for each of the savings proposals. SCIAs are living documents, and directorates update them to ensure they always reflect the current state of the proposal. Any changes to a proposal will have to be assessed for their potential impacts and the SCIA updated accordingly.

Section 4 – Chief Finance Officer’s statutory report

7. Under Section 25 of the Local Government Act 2003, the Chief Finance Officer is required to report on the robustness of the estimates made in determining the council tax requirement and on the adequacy of the proposed financial reserves. This assessment is set out in section 4 of the report.

Updated Financial Information

Final Local Government Finance Settlement

8. The final local government finance settlement was announced on 5 February 2014 for approval by the House of Commons on 12 February 2014. The final settlement confirms the figures set out in the provisional settlement announced on 18 December 2013.
9. The report on council tax referendum limit principles for 2014/15 proposes a threshold of 2% or more. This is slightly lower than the limit put forward in the 2013 Spending Round, which set the threshold at more than 2%. Legislation has been amended so that referendum calculations are now based on the level of Band D council tax and do not exclude levies. The Cabinet’s proposed council tax increase of 1.99% is lower than the threshold and would not require a referendum.

Business Rates

10. Final estimates of the County Council’s local share of business rates were expected by 31 January 2014; however the government extended the notification deadline by a week due to technical issues. The forecast provided by district councils for 2014/15 is £28.8m of business rates income plus £1.2m grant to compensate for the various business rate reductions announced in the 2013 Autumn Statement. In total this is £1.6m more than the previous forecast position and includes £0.4m part-year effect for the Energy from Waste plant at Ardley. In addition, the Council is expected to meet a share of the estimated deficit on business rates collection for 2013/14 of £0.2m.
11. The business rate pool between Cherwell District Council, West Oxfordshire District Council and the County Council has been confirmed. The pooling arrangement is expected to bring benefits to the area as a whole through reduced levies on business rates growth. The financial benefit for the County Council is expected to be small (less than £0.1m), receiving a 7.5% share of any levies retained as a result of pooling.

Specific grants

12. On the 31 January 2014 the government announced local authority allocations for Special Educational Needs (SEN) reform grant and adoption reform grant for 2014/15. The allocations for the County Council are £0.8m and £0.6m respectively. The one-off grant for SEN reform is being allocated to recognise the programmes of change underway in the areas of SEN. This grant income has been included with other un-ringfenced grants within strategic measures, with corresponding expenditure budgets in the Children, Education & Families directorate.

General Balances

13. The financial monitoring report to Cabinet on 25 February 2014 shows forecast balances of £17.4m at the end of 2013/14. This is £1.8m more than the forecast position in January due to a reduction in the estimated overspend by directorates together with an underspend on the strategic measures budget. As a result of this, balances for 2014/15 are currently forecast to be £1.7m more than the risk assessed level. However, as the impact of the recent floods is still to be established and with further poor conditions forecast for the remainder of the month, there could be further calls on balance and it is considered reasonable at this stage for balances to be higher than the risk assessed level.

Budget proposals

14. In the service & resource planning report to Cabinet in January it was noted that savings proposals exceeded pressures by £3.2m. Following the receipt of the outstanding information set out above, the excess savings together with the additional business rates income/compensation grant provide £4.0m available to allocate. The Cabinet's proposals are set out in section 2.3.1 of the report.

Financial and Legal Implications

15. This report is mostly concerned with finance and the implications are set out in the main body of the report.

Equality and Inclusion Implications

16. The Equality Act 2010 imposes a duty on local authorities that when making decisions of a strategic nature, decision makers must exercise 'due regard to the need to eliminate unlawful discrimination... advance equality of opportunity... and foster good relations.'
17. The current service and community impact assessments (SCIAs) on the budget proposals are included at section 3.7 of the report.

RECOMMENDATIONS

18. The Council is **RECOMMENDED** to:
- (a) approve the updated Financial Strategy as set out in section 2.1;
 - (b) (in respect of revenue) approve:
 - (1) a medium term plan for 2014/15 to 2017/18 as set out in section 2.2 (which incorporates changes to the existing medium term financial plan as set out in section 2.3);
 - (2) a budget for 2014/15 as set out in section 2.4;
 - (3) the planned level of balances and reserves as set out in section 2.7.2;
 - (4) the council tax and precept calculations for 2014/15 set out in section 2.5 and in particular:
 - (i) a precept of £277,733,607;
 - (ii) a council tax for band D equivalent properties of £1,208.41;
 - (5) the use of Dedicated Schools Grant (provisional allocation) for 2014/15 as set out in section 2.8;
 - (6) virement arrangements to operate within the approved budget for 2014/15 as set out in section 2.9;
 - (c) (in respect of treasury management) approve:
 - (1) the Treasury Management Strategy Statement for 2014/15 as set out in section 2.6;
 - (2) that any further changes required to the 2014/15 strategy be delegated to the Chief Finance Officer in consultation with the Leader of the Council and the Cabinet Member for Finance;
 - (3) the continued delegation of authority to withdraw or advance additional funds to/from external fund managers to the Treasury Management Strategy Team;
 - (4) the Treasury Management Policy Statement as set out at Appendix E of section 2.6;
 - (d) approve the Prudential Indicators as set out in Appendix A of section 2.6;
 - (e) approve the Minimum Revenue Provision Methodology Statement as set out in Appendix B of section 2.6;
 - (f) (in respect of capital) approve:
 - (1) the updated Asset Management Plan in section 2.10.1;
 - (2) the Transport Asset Management Plan in section 2.10.2;
 - (3) a Capital Programme for 2013/14 to 2017/18 as set out in section 2.11;

- (g) approve the directorate business strategies as set out in section 3.1 to 3.6.**

LORNA BAXTER
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Background papers: Nil

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