

**WEST OXFORDSHIRE DISTRICT COUNCIL**  
**ECONOMIC AND SOCIAL OVERVIEW & SCRUTINY COMMITTEE**  
**THURSDAY 20 NOVEMBER 2014**

**ENVIRONMENT OVERVIEW & SCRUTINY COMMITTEE**  
**THURSDAY 27 NOVEMBER 2014**

**FINANCE AND MANAGEMENT OVERVIEW & SCRUTINY COMMITTEE**  
**WEDNESDAY 3 DECEMBER 2014**

**CABINET – WEDNESDAY 10 DECEMBER 2014**

**2015/2016 BUDGET**

**REPORT OF THE STRATEGIC DIRECTOR**

**(Contact: Frank Wilson, Tel: (01993) 861291)**

Please note that the detailed Budget papers relating to this report have been circulated under separate cover, to avoid duplication and unnecessary additional printing and postage. Members are requested to bring this information to the meeting.

(The Cabinet decision will be a resolution. Each overview and scrutiny committee is asked to make recommendations to Cabinet for consideration later in the Budget Process)

**1. PURPOSE**

To consider the initial draft base budgets for 2015/16, draft fees and charges for 2015/16 and the latest Capital Programme for 2014/15 revised and future years. The Cabinet is required to consult overview and scrutiny committees on its budget proposals in accordance with the Council's Constitution.

**2. RECOMMENDATIONS**

It is recommended that Cabinet and Overview and Scrutiny Committees consider:

- (a) The initial draft base budget for 2015/16 totalling £9,889,800 as summarised in Appendix A;
- (b) Draft fees and charges for 2015/16 with detailed budget pages at Appendix B; and
- (c) The latest Capital Programme for 2014/15 revised and future years at Appendix C.

**3. BACKGROUND**

- 3.1. The Council approved Budget Parameters to be used in the 2015/16 Budget Process at its meeting on 22 October 2014. This included:
  - (i) Inflation on pay budgets of 2% for all staff;
  - (ii) Expenditure on utilities inflated in line with contractual changes;
  - (iii) Expenditure on external budgets in line with contractual commitments - where no contractual commitments occur no inflation allowance given; and
  - (iv) Fees and charges increase - target of 2.5% where discretionary and market will bear.

- 3.2. In accordance with the previously agreed timetable for the budget process, the Cabinet will consider initial proposals after consultation with Overview and Scrutiny Committees. Following this consultation, the Cabinet will make initial recommendations to Council on 21st January 2015 whilst final budget matters for 2015/16 will be resolved by Council on 25th February 2015.
- 3.3. Detailed revenue budget pages have been circulated separately. The narrative within the budget pages is subject to further review and will be updated to reflect significant changes in services or explanations of specific costs. A summary of the initial base revenue budget for 2015/16 is attached at Appendix A.

### **Original Budget 2015/2016**

- 3.4. The complete budget position is still to be finalised. As we enter the third year of the Business Rate Retention Scheme, the Council is working with all the Oxfordshire authorities to determine the optimum pooling option across the County and it is proposing to continue the existing pooling arrangement with Cherwell District Council and the County Council. However, this is likely to require a change in the governance arrangement within the Pool to fully reflect the distribution of growth across all the authorities assuming each respective Council undertakes to take the benefit of business rate growth as well as the risk of unforeseen decline in business rates. The draft budget has not factored any growth for the Pooling distribution at this stage as work is still on-going.
- 3.5. The Revenue Support Grant (RSG) figures are due to be confirmed in mid-December, although the figures shown are not expected to change significantly.
- 3.6. The initial base revenue budget for 2015/16 (Net Operating Expenditure) is £9,889,800 this compares with £10,025,700 for 2014/15 and is a decrease of £135,900 or 1.3%. This is primarily due to the removal of £473,000 from the base budget for 2015/16 and 2016/17 for the adjustment for the pension contribution (£1.363m paid upfront in 2014/15 covering the three years of the current actuarial valuation) and the release of the contingency budget offset by growth identified below and an increase in capital financing for recurring items in the capital programme.
- 3.7. The Medium Term Financial Strategy (MTFS) is currently being updated and will initially be presented to Finance and Management Overview and Scrutiny on 3rd December 2014 prior to consideration by Cabinet and Council. The estimated target budget for the MTFS in 2015/16 is £9,845,748 (after adjusting for pension changes). This means the draft budget set out in 3.6 is currently £44,052 above target.
- 3.8. As previously mentioned the draft budget includes an inflationary allowance of 2% for pay. Although still on-going, current national pay negotiations indicate there will be a combined 2014/15 and 2015/16 settlement which would reduce the level of inflation required for 2015/16 and bring the difference in line with MTFS target.
- 3.9. The draft budget also incorporates unavoidable growth of £295,700 largely as a consequence of decisions made by Oxfordshire County Council. The budget has not been fully finalised and there may be further adjustments in terms of potential growth and some further service efficiency savings may also be quantified over the coming months. However, the growth items identified are as follows:
- OCC phased reduction of the waste service financial arrangements £46,500
  - OCC highway maintenance grass cutting reduced funding £27,000

• OCC swimming arrangements loss of funding	£66,100
• OCC Trade Waste service increased tipping charges	£92,800
• Trade Waste cost to hire vehicles for service	£29,300
• Fraud investigation government grant funding cut	<u>£34,000</u>
Total Growth	<u>£295,700</u>

3.10. Whilst the MTFs has a target of £200,000 for efficiency savings, the draft budget has identified £224,200 for 2015/16 to date. These are summarised as follows:

• Legal and Property - Shared Services Restructure	£40,300
• Housing – Shared Services Restructure	£77,200
• Senior Management Restructure – phased savings	£56,600
• Chief Executives Administration – Supplies and services saving	£10,100
• Visitor Information Centres – Reduced staffing budget	£10,000
• Public Conveniences - Service review	£15,000
• External audit fees	<u>£15,000</u>
Total Efficiency Savings	<u>£224,200</u>

3.11. In addition some changes to development services income budgets are made to better reflect current service demand as shown below:-

• Planning – Development Control fees and charges	£100,000
• Building Control – Rationalise fees income, reduce income budget	(£25,000)

3.12. In previous years the level of grants awarded to voluntary bodies has been under some level of scrutiny with planned reductions to the overall budget. Given the positive position of the revenue budget this year the reduction has once more been postponed and the £27,000 anticipated saving reversed.

3.13. Overview and Scrutiny Committees are being asked to support these draft budgets before presentation to Cabinet on 10 December 2014.

3.14. Draft fees and charges for 2015/16 (and detailed revenue budget pages) can be found in Appendix B. These are the required fees and charges to support the budgeted income being proposed for 2015/16. They are generally based on 2.5% uplift for inflation in accordance with Budget Parameters previously set, although some fees and charges are still under review at the moment. There will be some charges which will remain the same or which have been increased by a different percentage to reflect market forces. Also some charges will have been rounded for ease of administration.

3.15. Also identified in the medium term financial strategy is a budget for funding capital items from the Revenue budget. The budget has increased from £400,000 in 2014/15 to £800,000 for 2015/16. This sum is reflected within the overall budget figures for revenue and the capital programme and seeks to make such expenditure sustainable in the longer term as capital balances are depleted.

3.16. Any other items of additional growth will be presented as part of the January budget report to include the draft central government finance settlement for next year.

- 3.17. The summary position of the budget and the impact on use of general fund balances is discussed below within paragraph 5.1.

### **Investment Interest**

- 3.18. The continuing low interest rates and a volatile investment market are still a constraint on significant growth to this budget. However, the Council put in place during 2013/14 £10m of longer term investments with Housing Associations with fixed returns of £357,500.
- 3.19. The Council also invest £12m in a range of funds which has a diverse portfolio of short term bonds, longer term bonds and equities. The 2014/15 budget has estimated an overall return of 1% for these funds. It is proposed to increase this forecast to 1.6% for 2015/16 a return of £192,000.
- 3.20. The In-house team invest sums up to £15m but the average over the year is usually around £12m. The in-house team are restricted in how long they can invest as they are managing the cash flow requirements of the Council such as precept payments and general weekly outgoings. In terms of estimating a return for the in-house team an average balance of £12m has been assumed. This produces an overall return of £100,500 at 0.84% based upon a spread of largely short term durations.
- 3.21. The total position for Investment Interest is an estimated portfolio of £34m achieving £650,000 return at 1.9%. The Council's investment strategy will be formally reviewed in the New Year and there may be further refinement to these assumptions later in the budget process.

### **Capital Programme**

- 3.22. The latest Capital Programme is attached at Appendix C.

## **4. ALTERNATIVES/OPTIONS**

Budgets presented here are draft for further consideration and consultation. The Cabinet is free to seek amendments or ask that further work is carried out. Overview and scrutiny committees can recommend such actions to Cabinet

## **5. FINANCIAL IMPLICATIONS**

- 5.1. The draft budget presented has assumed no increase in Council Tax although this falls to be determined later in the budget process but it is assumed that a tax freeze will occur once more with associated government compensation grant. The draft budget shows a repayment to general fund balances of £473,000 in respect of pension fund contributions and a further increase to balances of £45,545. On a comparative basis the analysis above highlighted the draft budget is approximately £44,000 above the target in the draft Medium Term Financial Strategy.
- 5.2. The draft budget has calculated it will pass on grant to parishes of £148, 188, (although this figure has not been completely finalised at this point) to compensate the impact of the Council Tax Support Scheme. This is a reduction from £160,690 awarded in 2014/15 in line with the Council's reduced Revenue Support Grant. However the changes agreed to the Council Tax Support scheme from April 2014 will effectively increase the tax base of parishes to compensate for this loss.
- 5.3. Following consideration by Overview and Scrutiny Committees, the Cabinet will receive a further report at its meeting on 14 January 2015. In addition to the results of the consultation with overview and scrutiny committees, this report will address the financing

of the Council's revenue budget and capital programme and any further growth bids should they be forthcoming and incorporating any further efficiency savings identified. This will follow confirmation of next year's local government finance settlement and any amendments to projections for interest income. Final Budget and Council Tax decisions will be made at the Council meeting on 25 February 2015.

## **6. RISKS**

A full risk analysis will be incorporated into the final budget setting report to Cabinet and Council in February 2014. At this stage the key risks to the budget are related to any further unavoidable growth demands and deliverability of the savings targets set out in the financial strategy.

## **7. REASONS**

The Council's Constitution requires the Cabinet to consult with overview and scrutiny committees before making recommendations to the Council on the Budget.

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### Background Papers:

None