

# Public Document Pack

## Cherwell District Council

### Executive

Minutes of a meeting of the Executive held at Bodicote House, Bodicote, Banbury, OX15 4AA, on 3 October 2016 at 6.30 pm

Present: Councillor Barry Wood (Chairman), Leader of the Council  
Councillor G A Reynolds (Vice-Chairman), Deputy Leader of the Council

Councillor Ken Atack, Lead Member for Financial Management  
Councillor Colin Clarke, Lead Member for Planning  
Councillor John Donaldson, Lead Member for Housing  
Councillor Lynn Pratt, Lead Member for Estates and the Economy  
Councillor Nicholas Turner, Lead Member for Change Management, Joint Working and IT

Also Present: Councillor Sean Woodcock, Leader of the Labour Group

Apologies for absence: Councillor Tony Ilott, Lead Member for Public Protection  
Councillor Kieron Mallon, Lead Member for Banbury Futures  
Councillor D M Pickford, Lead Member for Clean and Green

Officers: Sue Smith, Chief Executive  
Scott Barnes, Director of Strategy and Commissioning  
Ian Davies, Director of Operational Delivery  
Kevin Lane, Head of Law and Governance / Monitoring Officer  
Paul Sutton, Chief Finance Officer / Section 151 Officer  
Adrian Colwell, Head of Strategic Planning and the Economy, for agenda item 7  
Ed Potter, Head of Environmental Services, for agenda item 9  
Andy Preston, Head of Development Management, for agenda item 8  
Chris Stratford, Head of Regeneration and Housing, for agenda item 17  
James Doble, Assistant Director Transformational Governance, for agenda item 10  
Natasha Clark, Interim Democratic and Elections Manager

## 57 **Declarations of Interest**

There were no declarations of interest.

58 **Petitions and Requests to Address the Meeting**

There were no petitions or requests to address the meeting.

59 **Urgent Business**

There were no items of urgent business.

60 **Minutes**

The minutes of the meeting held on 5 September 2016 were agreed as a correct record and signed by the Chairman.

61 **Chairman's Announcements**

There were no Chairman's announcements.

62 **Report on Refresh of Oxfordshire Local Enterprise Partnership (OxLEP) Strategic Economic Plan**

The Head of Strategic Planning and the Economy submitted a report to consider the 2016 refresh of the OxLEP Strategic Economic Plan.

**Resolved**

(1) That the refreshed Strategic Economic Plan be endorsed in principle.

**Reasons**

The SEP is an important strategy affecting the District. It will influence decisions made on infrastructure funding and local authorities are required to give it due consideration in preparing their Local Plans.

The refresh of the SEP is timely and has provided an opportunity to more closely align the SEP with the economic needs of Cherwell as set out in the adopted Cherwell Local Plan. A key issue is to secure the continuing level of economic activity we are seeing in Cherwell with major new investors at allocated employment sites alongside the planned housing growth at Banbury, Bicester and Upper Heyford.

The refreshed SEP has an important role to play in supporting the delivery of the economic objectives identified in the Cherwell Local Plan, to help fund the necessary infrastructure identified in the Cherwell Infrastructure Delivery Plan and maintain support the partnership provision of business support measures that already exists between OxLEP and the Cherwell District Council.

**Alternative options**

**Option 1: Reject the OxLEP SEP**

This is not proposed given the level of engagement to secure a refreshed SEP that is aligned with the Cherwell Local Plan.

**Option 2: Seek further amendments**

This is not recommended as all substantive issues have been addressed through the process of refreshing the SEP such that it is now aligned with the Cherwell Local Plan.

**Option 3: Endorse the OxLEP SEP in principle.**

This is recommended given the close alignment with the Cherwell Local Plan that has been secured. It is also clear that the SEP stands to support the ambition of the Cherwell Local Plan to growth the economy of the Cherwell District.

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**Heritage Partnership Agreement (HPA) - RAF Bicester**

The Head of Development Management submitted a report to seek the agreement of Executive to adopt the Heritage Partnership Agreement.

**Resolved**

(1) That the Heritage Partnership Agreement be adopted.

**Reasons**

Heritage Partnership Agreements to streamline the often time consuming and sometime expensive process of obtaining Listed Building Consent, especially when the listed buildings are part of a group of similar structures where it might reasonably be anticipated that similar works of repair, for example, would be required.

The aim of this HPA is to facilitate the work of restoring the original RAF buildings and it has been prepared in order to provide a blanket vision for the technical site and flying field. It will be used as the guide to all future building and structure repairs.

**Alternative options**

Option 1: Not to agree to adopt the HPA.

Lack of heritage guidance undermines the reputation of the Council as the Planning Authority for Cherwell District seeking high design and conservation standards. Without the HPA in place there is a risk of future unsympathetic alteration to the heritage asset.

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**Fly tipping and Environmental Enforcement**

The Head of Environmental Services submitted a report to update the Executive on fly tipping and make the Executive aware of the planned actions to reduce the number of fly tip instances.

In considering the report, Members discussed the possibility of using surveillance at fly tipping hot spot locations and agreed to ask officers to investigate this option.

### **Resolved**

- (1) That the rise in fly tipping recorded in 2015/16 following several years of small fluctuations be noted.
- (2) That the successes of the Environmental Enforcement Team in bringing action against fly tippers.
- (3) That the proposed actions, including the introduction of fixed penalty notices, for small fly tips be supported.
- (4) That officers be requested to investigate the option of surveillance of fly tipping hot spot locations and advise Members of the powers available to the council.

### **Reasons**

Fly tipping is not a major problem in the Cherwell area but it is irritating and unnecessary. Residents and businesses have a duty of care to dispose of their waste in a responsible manner.

Fly tipping rose in 2015/16 and actions are being put in place to reduce fly tipping. By raising awareness of the need to be responsible with waste and by introducing fixed penalty notices for fly tipping, the number of fly tips will be brought back under control.

Where locations are regularly subjected to fly tipping then an action plan can be developed to deal with this, which could include surveillance. However this is subject to various legal restrictions and Executive has therefore requested additional information on this.

### **Alternative options**

Option 1: To support the proposed changes

Option 2: To reject the proposed changes

Option 3: To ask officers to consider alternative improvements

### **Establishment of Joint Local Authority Owned Companies**

The Assistant Director - Transformational Governance submitted a report to begin the process of establishing joint local authority owned companies to deliver the savings identified in business cases for joint working and/or business transformation.

## **Resolved**

- (1) That the legal, financial and human resources work that is taking place with regard to the establishment of the companies be noted.
- (2) That the decision of the Joint Commissioning Committee to appoint a Joint Shareholder committee as a sub-committee of the Joint Commissioning Committee consisting of four councillors (2 CDC and 2 SNC) with the terms of reference as set out in the annex to the Minutes (as set out in the Minute Book) be noted.
- (3) That the Joint Commissioning Committee be given delegated powers to take all executive decisions with regard to any established and future shared service and all executive decisions relating to any joint local authority owned company established pursuant to a shared service business case, subject to a similar decision being taken by the SNC Cabinet.
- (4) That delegated authority be given to the Joint Commissioning Committee to approve the nomination of elected Members and officers to be appointed as Directors by joint local authority owned companies, subject to a similar decision being taken by the SNC Cabinet.
- (5) That officers be requested to establish and register joint local authority owned companies limited by shares comprising a principal Company to be wholly owned by the Councils in equal shares and a subsidiary trading company to be majority owned by the principal company with a minority interest owned by the Councils to enable the Revenues and Benefits Business Case and other future commercial opportunities to be achieved, subject to a similar decision being taken by the SNC Cabinet.
- (6) That delegated authority be given to the Chief Finance Officer in consultation with members of the Joint Shareholder Committee to take all measures necessary to enable the establishment of jointly owned companies, where business cases have been agreed, subject to a similar decision being taken by the SNC Cabinet.
- (7) That it be noted that the Joint Commissioning Committee have requested officers to prepare a detailed implementation plan including a draft business case, financial model, articles of association, shareholder agreement and communications plan for the creation of the companies to be considered by the Joint Commissioning Committee.

## **Reasons**

The recommendations set out in this report are recommended by the Joint Commissioning Committee, in line with the agreed recommendations of the Revenues and Benefits Business case and are necessary to ensure that the business case can be delivered and the associated savings achieved.

### **Alternative options**

Option 1: To agree the recommendations as set out in the report

Option 2: To amend the recommendations as set out in the report, this may require reconsideration by the Joint Commissioning Committee.

Option 3: To reject the recommendations as set out in the report. The councils' will reduce the potential to deliver the revenues and benefits business case savings unless a suitable employment vehicle is established.

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### **Council Tax Reduction Scheme 2017-2018**

The Chief Finance Officer submitted a report to provide Members with an update on the current Council Tax Reduction Scheme (CTRS) and the changes to discounts, including the impact on collection rates, and to provide Members with options to consider for a Council Tax Reduction Scheme for 2017-2018 and to seek approval to consult on the approved option.

#### **Resolved**

- (1) That the report and any financial implications for the Council be noted.
- (2) That the recommendation made by Budget Planning Committee to consult on Option 1 – no change to the current Council Tax Reduction Scheme or Council Tax discounts for 2017-2018 and to change only the detail of the scheme to update the Pensioner Regulations as prescribed by DCLG and to uprate the Working Age Regulations amounts in line with Housing Benefit be approved.

#### **Reasons**

From April 2013 Council Tax Benefit was abolished and replaced with a local Council Tax Reduction Scheme.

Members are now required to agree for consultation purposes a Council Tax Reduction Scheme for the 2017-2018 financial year.

### **Alternative options**

Option 1: To not recommend any of the options for a scheme for -2017-2018. This would have financial implications for the Council and those residents affected by Welfare Reform.

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### **Efficiency Plan - 2017/18 to 2021/22**

The Chief Finance Officer submitted a report to provide Executive with details of the Council's Efficiency Plan 2017/18 to 2021/22 for approval.

In introducing the report the Lead Member for Finance advised Executive that the Chairman of the Overview and Scrutiny had agreed to waive call in of this

item due to the need to submit the plan to the Government by 14 October 2016.

### **Resolved**

- (1) That the Efficiency Plan 2017/18 to 2021/22 (annex to the Minutes as set out in the Minute Book) be approved.
- (2) That the decision be confirmed as urgent given the timescale reported for submission of the plan and it be noted that the Chairman of the Overview and Scrutiny Committee had agreed to waive call in.

### **Reasons**

The Government grant settlement in December 2016 was for four years, rather than the usual one. With this certainty over a significant variable element of funding, came a requirement to produce an efficiency plan. The efficiency plan must be provided by 14 October 2016 in order to accept the offer of the four year settlement.

### **Alternative options**

Option 1: To not approve the report but this would mean that the Council is unable to accept the four year grant settlement.

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### **Budget Guidelines 2017/18**

The Chief Finance Officer submitted a report to set out the Budget Process for 2017/18, approve the 2017/18 Budget Strategy and agree the budget guidelines for issue to service managers. The report also presented the most recent Medium Term Revenue Plan (MTRP).

### **Resolved**

- (1) That the updated Medium Term Revenue Plan (MTRP) for the Council's revenue budget for 2017/18 to 2021/22 be noted.
- (2) That the overall 2017/18 budget strategy and service and financial planning process be endorsed.
- (3) That, following due consideration, the proposed budget guidelines and timetable for 2017/18 (annexes to the Minutes as set out in the Minute Book) be agreed.

### **Reasons**

The Council needs to set guidelines and a timetable for the preparation of draft estimates for 2017/18. These guidelines should support the objectives contained in the Business Plan, Service Plans and the Medium Term Financial Strategy.

### **Alternative options**

Option 1: To disagree with the recommendations. This is rejected as it will unnecessarily delay the formulation of the detailed budget for 2016/17.

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### **Amendment to Membership of Shareholder Committee**

Executive was requested to appoint a third member to the Shareholder Committee following the resignation of the Lead Member for Housing from the Committee.

#### **Resolved**

(1) That Councillor Turner be appointed to the Shareholder Committee.

#### **Reasons**

Following the resignation of one member of the Shareholder Committee it is necessary to make a new appointment as the Committee was established as a three member sub-committee of Executive

### **Alternative options**

Not to appoint a member to the Shareholder Committee, however this would mean that the Committee could not carry out its functions as it should comprise three members

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### **Exclusion of the Press and Public**

#### **Resolved**

That under Section 100A of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business on the ground that, if the public and press were present, it would be likely that exempt information falling under the provisions of Schedule 12A, Part 1, Paragraph 3 would be disclosed to them, and that in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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### **Budget Guidelines 2017/18 - Exempt Appendix**

#### **Resolved**

(1) That the exempt appendix be noted.

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### **Contract Award - Temporary Accommodation**

The Chief Finance Officer and Head of Regeneration & Housing Services submitted an exempt report to seek approval for the contract award to



commission 10 units of self-contained accommodation to provide emergency accommodation to meet the Council's statutory duties to the Homeless for a contract period of up to 5 years.

### **Resolved**

- (1) That the award of a contract to Punch Taverns to provide 10 units of self-contained accommodation to provide emergency accommodation to meet the Council's statutory duties to the Homeless commencing in 2016 and available to continue to operate until 2021 be approved.

### **Reasons**

A full OJEU Compliant procurement exercise has been undertaken

This new contract enables the Council to maintain its performance in providing temporary accommodation at the best price available. The increased number of rooms will provide the council with additional flexibility to meet its needs.

### **Alternative options**

Not to accept to proceed with this tender. This would result in Cherwell losing any agreement for first priority to secure 6 units currently secured at the Musketeer Motel. This will also mean when officers need additional emergency accommodation to meet the Council's statutory duties, it may not meet the government requirements for temporary placements and it would be procured at additional costs per night to the council.

The meeting ended at 7.20 pm

Chairman:

Date:

# Cherwell District Council

## Executive

3 October 2016

<p style="text-align: center;"><b>Establishment of Joint Local Authority Owned Companies</b></p>
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### Report of Assistant Director - Transformational Governance

This report is public

#### Purpose of report

To begin the process of establishing joint local authority owned companies to deliver the savings identified in business cases for joint working and/or business transformation.

#### 1.0 Recommendations

The meeting is recommended to agree the following recommendations from the Joint Commissioning Committee:

- 1.1 To note the legal, financial and human resources work that is taking place with regard to the establishment of the companies.
- 1.2 To note the decision of the Joint Commissioning Committee to appoint a Joint Shareholder committee as a sub-committee of the Joint Commissioning Committee consisting of four councillors (2 CDC and 2 SNC) with the terms of reference as set out in section 3 of this report.
- 1.3 To agree that the Joint Commissioning Committee be given delegated powers to take all executive decisions with regard to any established and future shared service and all executive decisions relating to any joint local authority owned company established pursuant to a shared service business case, subject to a similar decision being taken by the SNC Cabinet.
- 1.4 To agree that delegated authority be given to the Joint Commissioning Committee to approve the nomination of elected Members and officers to be appointed as Directors by joint local authority owned companies, subject to a similar decision being taken by the SNC Cabinet.
- 1.5 To agree that officers be requested to establish and register joint local authority owned companies limited by shares comprising a principal Company to be wholly owned by the Councils in equal shares and a subsidiary trading company to be

majority owned by the principal company with a minority interest owned by the Councils to enable the Revenues and Benefits Business Case and other future commercial opportunities to be achieved, , subject to a similar decision being taken by the SNC Cabinet.

- 1.6 To agree that delegated authority be given to the Chief Finance Officer in consultation with members of the Joint Shareholder Committee to take all measures necessary to enable the establishment of jointly owned companies, where business cases have been agreed, subject to a similar decision being taken by the SNC Cabinet.
- 1.7 To note that the Joint Commissioning Committee have requested officers to prepare a detailed implementation plan including a draft business case, financial model, articles of association, shareholder agreement and communications plan for the creation of the companies to be considered by the Joint Commissioning Committee.

## **2.0 Introduction**

- 2.1 The Revenues and Benefits Business Case was considered and approved by the Joint Commissioning Committee in May 2016 and Cabinet and Executive in June 2016. The business case set out the proposal to establish a Joint Revenues and Benefits Service across Cherwell District Council (CDC) and South Northamptonshire Council (SNC). The new joint team would be established and fully resourced in time for the insourcing of the current CDC capita contract in May 2017.
- 2.2 On implementation the new joint service would deliver the current revenues and benefits functions for CDC and SNC (including managing the Capita contract at CDC). The capacity of the service would then need to be increased in preparation for the insourcing of the current CDC Capita contract.
- 2.3 The proposal represents an opportunity for both Councils to deliver significant revenue savings of approximately £260,000 from 2017/18 onwards.
- 2.4 In addition to the financial savings, the business case provides an opportunity to maintain and improve performance, harmonise ICT and processes and integrate first point of contact delivery with the proposed Joint Customer Service team. The business case provides an opportunity for the Councils to create a service that is aligned to the Councils 'Confederation approach' and is capable of being delivered through an alternative delivery vehicle.
- 2.5 It was agreed in the business case that the additional staff that would need to be recruited to enable the joint service to deliver the CDC insourced service would be appointed by a wholly council owned company as part of the confederation model ahead of the implementation of this business case.
- 2.6 Following the insourcing of the Capita contract in May 2017, the remainder of the Revenues and Benefits service would transfer into this company structure (subject to separate decision and appropriate consultation with staff and trade unions).

- 2.7 This report represents the first steps in the formation of the jointly owned companies. There will also need to be a retained commissioning function within the Councils and this will be the subject of a future report.

### **3.0 Report Details**

#### **Powers**

- 3.1 The Localism Act 2011 introduced a new General Power of Competence. Under the provision, a local authority has the power to do anything that individuals generally of full legal capacity may do. However, if a local authority is undertaking commercial trading activity it must do this through a company. In using these powers a local authority must also take heed of Section 96 of the Local Government Act 2003, which provides that in exercising the power to trade, a local authority shall have regard to Guidance issued by the Secretary of State.

#### **Legal, Financial and Human Resources Work**

- 3.2 Since the agreement of the Revenues and Benefits Business case officers have begun to consider the legal, tax, pensions and human resources considerations with regard to establishing a wholly owned company to deliver revenues and benefits working with Trowers and Hamlins and KPMG. Early discussions have focused on the need to ensure that the entities are able to provide a suitable vehicle for any other services the council wishes to deliver in this way and also to allow the entity to trade in the future. Early advice has indicated that in order to trade and ring fence risk a principal Teckal company should be created which would employ the staff and deliver services back to the council and a subsidiary company should be created which would ring fence the risk of any trading also allow the Councils to provide consultancy/advisory services to public sector customers through the principal company and the councils seconding staff to the trading subsidiary.

#### **Council Interface with Company**

- 3.3 It is important that the Councils have an effective interface with Council owned/influenced companies. Companies operate in real time as opposed to being based on local government decision making cycles and if they are to be agile and to maximise return need to be able to have swift resolution on matters which they require a shareholder decision.
- 3.4 Best practice is to establish a shareholder committee (an executive function under Local Government Act 2000, which can be operated by a Joint Committee), which is effectively a sub-committee of the Joint Commissioning Committee, therefore precluding only those members who are on the sub-committee from being nominated to Director Posts. It is suggested that the sub-committee should consist of four councillors, with the following terms of reference to be reconsidered at the first meeting:

The role of the Joint Shareholder Committee shall not be operational and shall be the means by which the Councils shall:

- be the body for approving council nominated non-executive directors, and approving best practice policies in relation to such appointments, considering any reserved shareholder matters within the company articles;

- be responsible for agreeing and approving the framework within which the councils interfaces with Council owned/influenced companies;
- exercise strategic functions flowing from the Councils' ownership of shares.

3.5 Day to day functions and liaison flowing from the Councils ownership of shares shall be delegated to the Chief Finance Officer (or in his absence the Monitoring Officer), where necessary consulting members of the Joint Shareholder Committee.

3.6 The Council responsibilities with regard to Council owned/influenced companies are wider than simply that of shareholder. The following roles have been identified in respect of each Council:

<b>Role</b>	<b>Description</b>	<b>Responsibility allocation</b>
Shareholder and Investor	To safeguard the Council's investments and maximise the return to the Council and community and any other shareholder function.	Chief Finance Officer with Monitoring Officer as their Deputy
Service Commissioning	To commission services provision from the companies on behalf of the council and to ensure the effective management of these arrangements.	Director of Strategy and Commissioning
Supplier of Goods and Services	To be responsible for the provision of goods and services that Council owned/influenced companies purchase from the council.	Officer to be nominated by Chief Executive
Nominator of non-executive directors	To ensure that those nominated by the council have the requisite skills and knowledge required by the company and to ensure that nominees are supported and protected in their role.	Head of Paid Service (or appointed Deputy if they are a non-executive director), with nominations approved by Shareholder Committee
Broker	To intervene and assist where necessary in ensuring a positive relationship between the Council and Council owned/influenced companies	Chief Executive (or appointed Deputy if they are a non-executive director), with nominations approved by Shareholder Committee

### **Establishing the Companies**

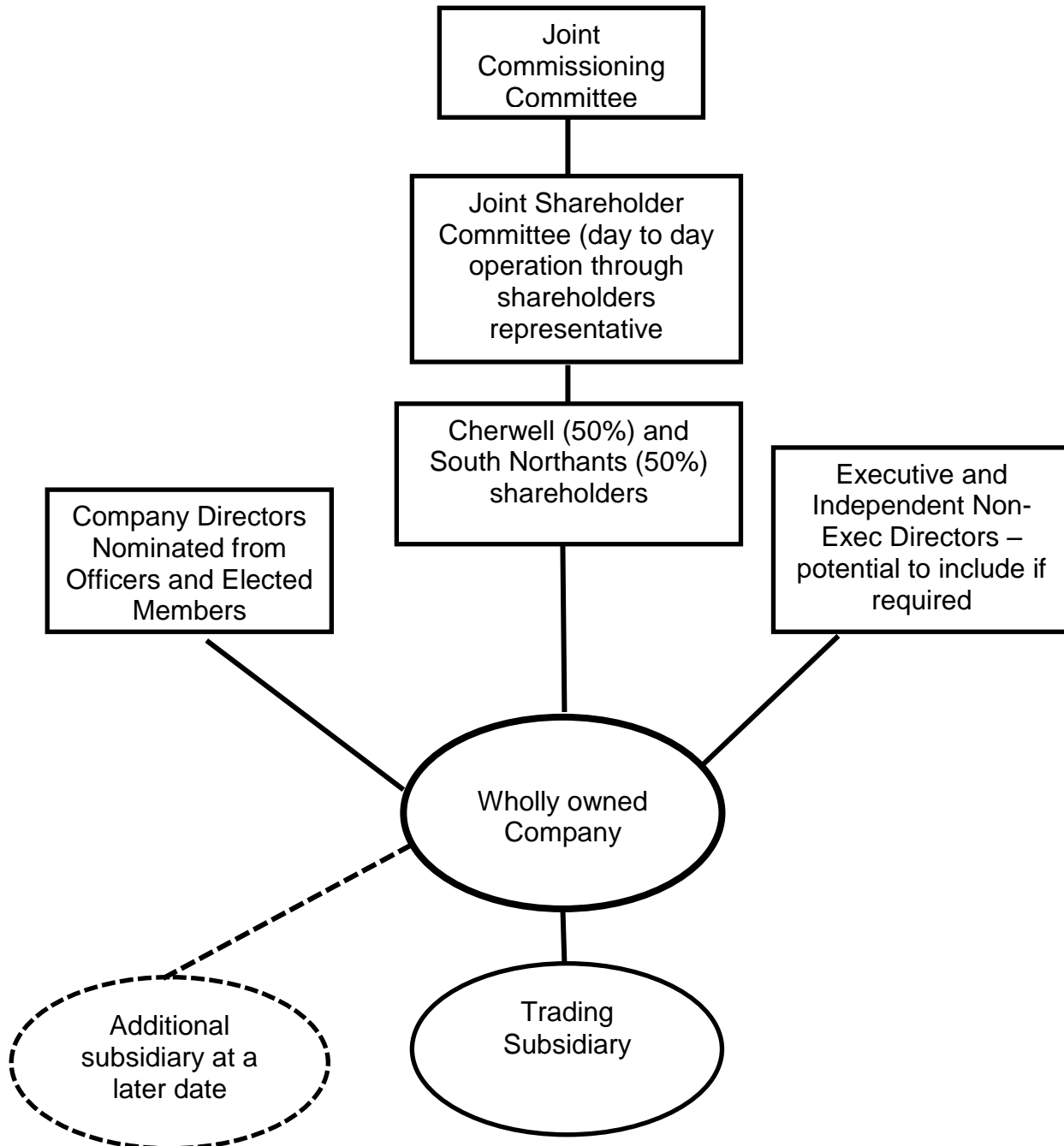
3.7 In order to meet the required 'go live' date for the new companies, triggered by the end of the CDC Capita contract in May 2017 it is necessary to ensure that the company structures are established, it is preferable that this is done early in the process whilst detailed work continues. The company structures will effectively sit dormant whilst this takes place.

3.8 It is proposed that the company structure will be delivered through a Company Limited by Shares (CLS). Under the 2011 Localism Act Councils have greater

freedom, but trading/commercial activity must be undertaken through a company structure.

- 3.9 A CLS is a recognised legal entity under the 2011 Localism Act (unlike, say a LLP). The CLS will be in the form of a group structure, initially with a principal company and a trading subsidiary with flexibility to add additional subsidiaries at a later date. As 100% joint owner of the principal company the Councils will have ultimate control over the companies.
- 3.10 The Joint Commissioning Committee, through the Joint Shareholder Committee will be the strategic supervisory body with ultimate responsibility for ensuring governance of the Company and compliance with the Business Plan. This role will be without prejudice to the Committee's normal decision making powers and the role of the Overview and Scrutiny Committee (CDC) and Scrutiny Committee (SNC) as set out in the Councils' constitutions.
- 3.11 The Directors of the Companies will be a mix of Officers and Elected Members and will be nominated based on their suitability and assessment against a person specification including their knowledge of the role, previous experience and knowledge of revenues and benefits. It is recommended that the Lead Members/ portfolio holders for finance and the Chief Finance Officer are not nominated as they will both have a responsibility to the Councils in relation to lending to the principal Company.
- 3.12 The Companies and the councils will provide appropriate indemnity insurance and training for each of the Directors and the cost of this is included within the Companies' running costs.
- 3.13 When a company is registered with Companies House it must have articles of association. These are the rules about running the company that shareholders and 'officers' (directors or company secretary) have to agree to. For example, rules about how decisions that affect the company must be made and the role of shareholders in those decisions.
- 3.14 Most companies use standard ('model') articles. If the recommendations in this report are approved then our legal advisors Trowers and Hamlin will assist in preparing these for each company. Once confirmed the Chief Finance Officer will approve these on the Councils' behalf under delegated authority and put the necessary appointments in place.
- 3.15 The Companies will engage the services of specialists to provide legal, accountancy, audit and tax advice to assist the Directors. It is envisaged that these services will be procured directly by the Companies and whilst there may be some contracts awarded to suppliers who already deal with the Council there will be recognition of working with local suppliers.
- 3.16 The role of Company Secretary can be undertaken by one of the nominated Directors or carried out by either a legal or accountancy representative.
- 3.17 Below is a proposed structure, which will be reflected in the constitutional documents (Memorandum and Articles of Association) illustrating:

- The Councils' shared 100% ownership of the company
- Accountability firstly to the Joint Commissioning Committee
- Company Directors for both companies (Elected Members and Officers)
- Principal Company
- Trading Subsidiary Company
- Other Subsidiaries which can be established as needed at a later date



**Commissioning of plans**

- 3.18 Ahead of setting up a company the Councils must prepare a business case in support of the proposed exercise of that power; and approve that business case. The business case means a comprehensive statement as to:
- the objectives of the business
  - the investment and other resources required to achieve those objectives
  - any risks the business might face and how significant those risks are, and
  - the expected financial results of the business, together with any other relevant outcomes that the business is expected to achieve.
- 3.19 Similarly detailed financial modeling for the companies is also required to enable a decision to be taken on the financial plan and for this to be built into the 2017-18 budget process. It is recommended that these plans are commissioned.
- 3.20 In order to manage the relationship between the Council and the joint local authority owned companies, it is best practice to have a shareholder agreement in place both between the Council and the principal company and also between the principal company and the Council with the subsidiary trading company. The agreements will cover the framework within which the Council interfaces with the companies, including elements such as the frequency of meetings, an open book approach to accounts etc. It is recommended that a shareholder agreement is commissioned.
- 3.21 To enable the company to employ staff it is necessary for the companies to have their own remuneration and pension policies and staff handbook. Work has commenced on developing these.

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

- 4.1 The recommendations set out in this report are recommended by the Joint Commissioning Committee, in line with the agreed recommendations of the Revenues and Benefits Business case and are necessary to ensure that the business case can be delivered and the associated savings achieved.

## **5.0 Consultation**

This report has been considered and endorsed by the Joint Commissioning Committee.

Consultation has taken place on the original Revenues and Benefits Business case with staff, trade unions and elected members. The transfer of staff into the company structure will be subject to separate decision and appropriate consultation with staff and trade unions.

## **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 agree the recommendations as set out in the report

Option 2: To amend the recommendations as set out in the report, this may require reconsideration by the Joint Commissioning Committee.

Option 3: To reject the recommendations as set out in the report. The councils' will reduce the potential to deliver the revenues and benefits business case savings unless a suitable employment vehicle is established.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 On-going work on with Trowers and Hamlin and KPMG is funded through transformation budgets. The cost of registering the required companies and domain names is around £60, which can be met through existing budgets. The detailed financial modelling for the company and draft business case will be subject to separate member approval when these are available and the creation of budgets for these companies will form part of the 2017-18 budget setting exercise.

Comments checked by: Paul Sutton, Chief Finance Officer - 0300 003 0106  
[paul.sutton@cherwellandsouthnorthants.gov.uk](mailto:paul.sutton@cherwellandsouthnorthants.gov.uk)

### **Legal Implications**

- 7.2 The proposals set out in this report are in accordance with the legal framework and will be subject to external legal advice from Trowers and Hamlins.

Comments checked by: Kevin Lane, Head of Law and Governance – 0300 0030107  
[kevin.lane@cherwellandsouthnorthants.gov.uk](mailto:kevin.lane@cherwellandsouthnorthants.gov.uk)

### **Risk Implications**

- 7.3 Risk will be considered fully as part of the legal and financial work being undertaken.

Comments checked by: Ed Bailey Corporate Performance Manager - 01295 221605 [edward.bailey@cherwellandsouthnorthants.gov.uk](mailto:edward.bailey@cherwellandsouthnorthants.gov.uk)

## **8.0 Decision Information**

### **Key Decision**

**Financial Threshold Met: No**

**Community Impact Threshold Met: No**

### **Wards Affected**

All

### Links to Corporate Plan and Policy Framework

None directly

### Lead Councillor

Councillor Nicholas Turner, Lead member for Joint Working, Change Management and IT

### Document Information

Appendix No	Title
None	
Background Papers	
None	
Report Author	James Doble, Assistant Director - Transformational Governance
Contact Information	01295 221587 <a href="mailto:james.doble@cherwellandsouthnorthants.gov.uk">james.doble@cherwellandsouthnorthants.gov.uk</a>

**Cherwell District Council**

**Efficiency Plan – 2017/18 to 2021/22**

**1.0 Introduction**

- 1.1 This Efficiency Plan has been prepared to support the Councils request for a Multi-Year Settlement as set out in the Final Settlement 2016/17 proposals.
- 1.2 The Council welcomes the opportunity of a 4 year settlement. The certainty of funding will improve the quality of the Medium Term Revenue Planning and enable a greater confidence when taking decision on proposals, which through investment deliver improved financial sustainability.
- 1.3 The Council has recognised for some time that it will need to be self-sustainable in the future and that it would not be able to achieve this on its own. The Council has therefore been managed, since 2011, by a Joint Chief Executive and Joint Management Team with South Northamptonshire Council.
- 1.4 This Council recognises the funding challenges that are presented in the sector but has clear plans for achieving self-sustainability. The plans are set out below under four key themes:
- Efficiencies and Pressures
  - Partnership and Joint Working
  - Maximising income through Growth
  - Commercialisation

**2.0 Background and Local Context**

- 2.1 The Council is a District that has already embraced the concept of self-sustainability and recognises that working alone will not deliver this in the medium-term. The Council's Business Plan is attached at the hyperlink below and sets out our vision and aspirations for the district and the communities that we serve.

[CDC Business Plan 2015/16.pdf](#)

- 2.2 A key component of the Business Plan is the relationship the Council has developed with South Northamptonshire. The partnership has delivered in excess of £3m pa of efficiency savings. The initial top-down process resulted in a Joint Chief Executive and Management Team and has been followed by the delivery of a number of joint "back office" services such as Finance, Legal, HR and ICT. The process continues and all front and back office services are "in-scope" for joining

provided that there is a business case for doing so. The business cases followed the strategy set out by the Council in December 2014 the report is attached below:

[Approach to Joint Working Appendix - Confederation Business Case](#)

2.3 Whilst the relationship is delivering short-term sustainability it is recognised that this will not be enough in the medium to longer term. The Council has recognised the need for transformational change, which is more fundamental than just sharing services but is considered jointly with South Northamptonshire to ensure it has a greater impact. The Council’s transformation prospectus is attached below and sets out our plans for overhauling the business and becoming more commercially focussed.



Transformation Prospectus 2016-2020

2.4 The Councils Medium Term Revenue Plan sets out the high level funding gaps, which incorporates the joint working already being undertaken, it also incorporates the 4 year settlement proposals. This sees a large step up in gap due to the proposed changes in New Homes Bonus. The funding gaps are summarised below along with an attachment of the full plan:

	2016-17	2017-18	2018-19	2019-20	2020-21	2021/22
	£000	£000	£000	£000	£000	£000
<b>Initial Gap</b>	<b>0</b>	<b>638</b>	<b>2,038</b>	<b>2,978</b>	<b>3,871</b>	<b>4,498</b>

[Medium Term Revenue Plan](#)

2.3 The lack of a medium term settlement has inevitably meant that much of the Councils focus has been on balancing the following year’s budget by identifying and delivering efficiencies instead of calculating and presenting accurate forward forecasts, which can be used to inform business planning. The medium term settlement will mean we can plan proactively and not reactively.

2.4 The MTRP assumptions and forecasts have been reviewed under the four key themes set out above and these form the main part of the Efficiency Plan. They identify the potential for closing the funding gaps, any additional costs and highlight how practical it is for them to be delivered.

**3.0 Efficiency Plan**

**Efficiencies and Pressures**

3.1 The driving of efficiencies has been a fundamental part of the Council retaining front facing service levels whilst reducing the cost of the service. The Council has pledged and delivered £500k pa in savings as part of its budget for the last 5 years. These are already incorporated in the MTRP forecasts.

3.2 The Council has jointly with South Northamptonshire developed its approach to commissioning and procurement. This has helped in delivering significant additional savings (£276k pa) through a recently awarded a leisure service contract.

- 3.3 As important as identifying and delivering savings are a robust MTRP relies on identifying and managing pressures. The Council has identified particular pressures within its Waste and Recycling service from both the growth in residential development, which will result in the need for additional rounds (vehicle and crew costs and the ending of recycle disposal contracts, which currently generate income but could result in an additional burden of up to £500k.
- 3.4 The efficiencies and pressures that are not included in the MTRP are set out in the table below.

	2016-17	2017-18	2018-19	2019-20	2020-21	2021/22
	£000	£000	£000	£000	£000	£000
<b>Initial Gap</b>	0	638	2,038	2,978	3,871	4,498
<b>Efficiencies &amp; Pressures</b>	0	0	300	300	450	450
<b>Amended Gap</b>	0	638	2,338	3,278	4,321	4,948

### **Partnership and Joint Working**

- 3.5 The Council has long understood the need to work in partnership with others to deliver more efficient, effective and economic services. It has a mature joint working arrangement with South Northamptonshire, which it continues to develop.
- 3.6 Since setting the MTRP three new business cases for joint services have been approved. They include Revenues and Benefits where an external contract will be insourced and the service managed through a Joint Teckal Company designed to attract new partners.
- 3.7 The Council has also approved the setting up of a Joint Asset Management service as well as Joint Community and Leisure services. There are three remaining service areas, which currently have business cases under preparation Housing, Planning Policy and Development Management.
- 3.8 The additional savings that could be delivered are set out below:

	2016-17	2017-18	2018-19	2019-20	2020-21	2021/22
	£000	£000	£000	£000	£000	£000
<b>Initial Gap</b>	0	638	2,038	2,978	3,871	4,498
<b>Efficiencies &amp; Pressures</b>	0	0	300	300	450	450
<b>Partnership &amp; Joint Working</b>	0	(178)	(352)	(419)	(419)	(419)
<b>Amended Gap</b>	0	460	1,986	2,859	3,902	4,529

### Maximising Income through Growth

- 3.9 The Council recognised very early that a key to self-sustainability would be to maximise the returns from growth funding streams such as Business Rates and New Homes Bonus along with the positive impact on taxbase and income through Council Tax.
- 3.10 The Council set up a separate Joint Business Support Unit with South Northamptonshire with the main objectives to maximise the returns through these income streams. Through closer working with the Valuation Office Agency and Businesses and Developers the Council has seen significant increases in funding.

- 3.11 The relationships have also resulted in more confidence in forecasting growth identifying future residential and commercial sites in planning and the points at which they are likely to result in delivery.
- 3.12 There are a number of risks to these funding streams: the consultations on New Homes Bonus and 100% Business Rates Retention, the decision to leave the European Union and the level of volatility of Business Rates all impact on the confidence in which we can forecast growth.
- 3.13 There has though been a significant increase in both actual and planning pipeline Business Rates and New Homes Bonus this has been factored into the table below:

	2016-17	2017-18	2018-19	2019-20	2020-21	2021/22
	£000	£000	£000	£000	£000	£000
<b>Initial Gap</b>	0	638	2,038	2,978	3,871	4,498
<b>Efficiencies &amp; Pressures</b>	0	0	300	300	450	450
<b>Partnership &amp; Joint Working</b>	0	(178)	(352)	(419)	(419)	(419)
<b>Growth Income</b>	0	(425)	(1,510)	(1,988)	(2,569)	(3,231)
<b>Amended Gap</b>	0	35	476	871	1,333	1,298

### Commercialisation

- 3.13 The table shows that the Council cannot achieve self-sustainability through just its traditional operations. The reliance on generating growth presents significant risks as set out above and it is important that the Council finds new funding streams and ways of generating income to retain the appropriate level of service for our customers.
- 3.14 The Council has already started to deliver commercially, by setting up companies to deliver self-build housing in Bicester to generate investment returns for the Council, which at the same time give local people an opportunity to purchase plots to build their own homes.
- 3.15 The Council is exploring a number of other ventures, which involve both local government and commercial partnerships. The progress isn't to the point that they can be included in the MTRP but they are of a scale that will, if delivered, close the remaining gaps set out above.

### Other Factors

- 3.16 There are a number of other factors, which have a high level impact on the MTRP. The Council continues to set aside 50% of its New Homes Bonus for Parishes and Communities. This has been used to support a number of local projects and the rollout of rural superfast broadband.
- 3.17 The Council's reserves are proportionate to its risks and could be used to support short-term gaps in funding. Its earmarked reserves are balanced to both deliver investment as well as smoothing funding in volatile areas.
- 3.18 The Flexible Use of Capital Receipts is a welcome addition for the Council. There are a number of schemes that the Council is proposing to deliver, which would

qualify particularly those joint service business cases that are outlined above. There are no specific plans to use the flexibilities at this time though.

#### **4.0 Conclusions**

- 4.1 The Council is operating in an extremely volatile financial environment and will have to continue to be flexible and adaptable in its approach to business and financial planning. The Councils current plans do deliver financial sustainability for the period of the current spending review and beyond.
- 4.2 The offer of the 4 year settlement is very welcome and will be critical to establishing self-sustainability.

Signed on behalf of Cherwell District Council:

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Sue Smith  
Chief Executive

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Councillor Barry Wood  
Leader of the Council

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Paul Sutton  
Chief Finance Officer

## **GUIDELINES FOR THE PREPARATION OF THE 2016/17 BUDGET**

### **Principles**

- Protect Frontline Services
- Focus attention on corporate and service priorities and improving performance
- Maximise joint working potential and commercialisation income
- Maximise procurement opportunities and contract negotiations

These budget guidelines have been developed within a consistent corporate framework to ensure:

- implementation of agreed savings and efficiency proposals
- resources are allocated to Council priorities
- inappropriate competition between services for resource allocations is minimised
- a transparent method for charging a fair cost between internal Council services.

The guidelines are designed to positively encourage managers and elected members to do the following:

- bring forward ideas and options to make more effective use of existing resources, clearly identifying how the ideas may develop over a 3-year period, including any requirements for pump priming money.
- link the budget setting process to Service Plans and the requirement for the identification of options, which will produce efficiency savings.
- focus attention on corporate and service priorities and improving performance.

### **Budget Deliverables**

1. Prepare and submit draft revenue estimates for 2017/18 and the next 4 years (5 year forecast) which fully reflect the service priority and consultation event findings and match the current duration of the MTRP.
2. Prepare and submit a draft 5 year capital programme. All schemes to carry a full project appraisal including strategic objective, priority, value for money assessment, and details of any revenue impacts. In particular the phasing of expenditure over the life of the project, so as to minimize slippage. All capital project appraisals will be validated by the Budget Planning Committee. All schemes previously approved to start in 2017/18 and onwards will be carried through for consideration.
3. The 2016/17 projected outturn at September 2016, adjusted to take account of the full year effect of savings identified in setting the 2017/18 budget, and one off items will be assumed to be the “**base budget**”.



## Budget Timetable

The revenue and capital budget is agreed by full Council before 11 March each year. The 2017/18 budget will be considered at Council in February 2017.

## Revenue Budget Guidelines

### Income

In building income budgets it is essential that a realistic assessment of income achievement is undertaken. Budget holders should use their knowledge of past trends and current market conditions in assessing income levels for the future and the scope for increases in fees and charges.

It is important to look at not only financial information but also non-financial information such as activity data on customer usage and trends to help build realistic income estimates.

Variations to the existing approved budget for income must be clearly identified and explained.

Variations in fees and charges need to be considered taking into account the Council's priorities and objective to ensure that proposals are consistent with these priorities and objectives.

### Growth

- It is the aspiration that the net impact of all growth items should be **ZERO**.
- Growth arising from changes in legislation / regulation or service planning will **ONLY** be allowed if it is fully funded by transferring resources within the same service or from within the same Directorate. Any such transfer either within the same service or the same Directorate can only come from demonstrably lower priority services. A growth proforma should be completed detailing full requirements.

**Financial assumptions** - should be used in estimating changes in expenditure and income over the medium term.

- Provide for general inflation in 2017/18 on all expenditure (excl payroll) and fees and charges as per forecasts in our MTRP model and will be used in the budget module as below:

Year	CPI %	Budget %
2017/18	1.0%	1.5%
2018/19	2.0%	2.5%
2019/20	2.4%	2.9%
2020/21	2.4%	2.9%
2021/22	2.4%	2.9%

Current CPI at July 2016 is 0.6%

- Payroll – payroll inflation is included at the following levels:

Year	%
2017/18	2.0%
2018/19	2.0%
2019/20	2.0%
2020/21	2.0%
2021/22	2.0%

- Interest rates should be forecasted as below:

Year	Bank of England forecast	Arlingcl ose forecast
2017/18	0.25%	0.25%
2018/19	0.10%	0.25%
2019/20	0.10%	0.25%
2020/21	0.25%	0.50%
2021/22	0.50%	0.75%

***All financial indices above are subject to further review in the budget process and may be subject to change.***

### **Budget Process: Base Budget Review and Savings**

The budget for 2017/18 will be based on the same methodology as for 2016/17. Directorates will not be asked to take their base budget and prepare a range of savings options of up to 20%, this year the process will be based on a Base Budget Review (BBR).

The BBR will still use historical data, but will not have the presumption that the service **NEEDS** the same resources and budgets.

The following factors will be used to produce a 3-year Directorate budget:

- Trend Analysis – variance review of the last three years expenditure / income to identify any that should be captured in the budget.
- In Year Monitoring – what does the current budget monitoring identify in terms of variances that should be captured in the budget;
- Challenge – Finance staff will work with budget holders using the the above tools to provide support and challenge to ensure budgets are based upon need.

### **Efficiencies from Joint Working**

In the last 10 years the Council has successfully generated efficiency savings from across the organisation to limit the impact on front line services and set a year on year balanced budget.

Government cuts and service pressures are expected to continue well into the medium term and in millions not thousands. This cannot be sustained through a continuation of driving traditional efficiency savings. The Council must adopt new ways of delivering more collaborative and commercial services if it to

continue to be sustainable in the medium term and delivering high quality services.

The Council has signed up to a Confederation Model, which gives the maximum flexibility and the best organisational structures for delivering services as a group of Councils. We can trade within rules that mean we can contract with companies without procurement costs (Teckal) and decide together which companies to put into these arrangements.

We plan to do this incrementally but we must ensure that there are sufficient solutions and savings being generated to balance the budget in the short and medium term. Matching these elements will be crucial to future financial sustainability.

### **Commercialisation**

The Confederation Approach will drive a more commercial perspective to existing services where appropriate but there must also be a drive to new and innovative ways of generating income. The Transformation Workstreams are already in place and a number of workstream savings have been included in the budget for 2016/17.

With interest rates at historically low levels, with possible cuts to come, the Council needs to explore options for better use of cash held. Options currently being considered include a commercial local housing company. Such commercial opportunities will produce a return significantly higher than market interest rates.

### **Capital programme Guidelines**

- Capital resources are reducing over the life of the MTRP. The development of 5-year rolling capital programme and resources should be drawn up within the context of the following objectives:
  1. The generation of additional reserves and balances, with appropriate contingencies.
  2. Opportunities to invest to save.
  3. Maintaining Council assets and the Council's infrastructure to agreed standards.
- A capital project appraisal is required for each bid and this will be validated by the Budget Planning Committee who will make recommendations for schemes to be included in the 2017/18 capital programme. All schemes previously approved to start in 2017/18 and onwards will be carried through for consideration.

### **Procurement**

When setting both the 2017/18 budget and future years, regard should be given to the Corporate Procurement Strategy and the Council's Contract Procedure rules. In particular, budgets and projections should be based on Corporate and agreed framework contracts. Further advice and guidance can be obtained from the Council's Procurement Team.

### **Risk**

The budget process is fundamental to the Council's financial management regime and Members need to be assured that all pertinent issues are properly considered when making key decisions on the Council's future finances.

In drawing up revenue budget proposals, risk assessments should be undertaken to test the robustness of proposals and to identify key factors which may impact on the proposals put forward. Where appropriate action plans should be put in place to manage/mitigate the risks identified – this may include a risk provision within the budget which can be calculated by your service accountant.

With a £11m Revenue Budget covering all the Council's services and activities, the potential for an issue to be missed or not considered properly will always be there. The budget process is designed to minimise this risk and throughout the process there are frequent meetings with Joint Management Team and Cabinet to progress and any changes and developments.