

# **Cherwell District Council**

## **Budget Planning Committee**

**6 December 2022**

### **Budget Proposals 2023/24 – 2027/28**

#### **Report of Assistant Director of Finance (S151 Officer)**

This report is public

#### **Purpose of report**

This report sets out the capital bids, revenue savings proposals and budget pressures for Cherwell District Council for the period 2023/24 to 2027/28. Feedback on the savings proposals will be taken into account as part of the overall response to the budget engagement. Feedback from the Committee on the revenue pressures and capital bids will be provided to the Executive to consider in finalising its budget proposals for Council.

#### **1.0 Recommendations**

The meeting is recommended to:

- 1.1 Agree feedback on the capital bids, revenue savings proposals and budget pressures to provide to the Executive to consider in finalising its 2023/24 budget proposal.

#### **2.0 Introduction**

- 2.1 Cherwell District Council's (CDC's) Medium Term Financial Strategy (MTFS) agreed at Council in February 2022 identified a significant funding gap between its spending plans and forecast available resources of £5.5m in 2023/24. Therefore, CDC has been aware that it would be required to identify significant savings proposals for 2023/24.
- 2.2 The Cost-of-Living Crisis, continuing effects of Covid-19 and the associated financial impacts and uncertainty this has caused have made planning for the 2023/24 budget and updated Medium Term Financial Strategy (MTFS) very challenging. At the time of publishing this report, details of Government funding at individual local authority level for 2023/24 have not been announced and there are no indications of the levels of funding that the Government will provide individual local authorities beyond 2023/24.
- 2.3 The Autumn Statement on 17 November 2022, indicated that sector wide funding levels in the Spending Review for 2022/23 – 2024/25, as published in 2021, would be maintained, but did not provide the necessary detail for individual local authority

allocations. The Spending Review did indicate that Core Spending Power for local government would increase over this period; this includes assumed increases in income from council tax. The Autumn Statement committed to 1% real terms increases across the public sector over a subsequent three-year review. It is anticipated that the Government will announce individual local authority allocations for 2023/24 in December 2022 as part of the Provisional Local Government Finance Settlement. It is not clear whether any announcements will be made about later years.

- 2.3 In February 2023, as part of their proposed budget for 2023/24, the Executive will consider feedback from Budget Planning Committee on the budget proposals; it will also consider feedback from the public on the budget engagement taking place. In determining which of the budget proposals will be included in the proposed budget for 2023/24, the Executive will also consider the outcome of the Provisional Local Government Finance Settlement and other resources available through Council Tax and Business Rates.

## **3.0 Report Details**

### **Funding Assumptions**

- 3.1 The Spending Review for 2022/23 – 2024/25 was announced on 27 October 2021. The Spending Review confirmed the headline Local Government-wide allocations for three years but no local authority specific allocations have been announced beyond 2022/23. The Chancellor announced the Autumn Statement on 17 November 2022. Whilst no local authority specific allocations were announced for 2023/24, this did reconfirm that the final two years of the Spending Review headline allocations. A number of new business rates reliefs have been announced but it has been confirmed that local authorities will be compensated for these in full.
- 3.2 The provisional Local Government Finance Settlement for 2023/24 which sets out the specific levels of funding for councils. This is not expected to be published until late December 2022. In order to assist local authorities with their planning, the Government intends to publish a Position Statement on the finance settlement in early December 2022. The expectation is that this will include an update on the measures the Government expects to retain in 2024/25.

### **Government Grants**

- 3.4 There have been no further announcements about the future of New Homes Bonus (NHB) at the time of writing this report and how any replacement scheme may operate. Therefore, the Council is continuing to plan on the basis that NHB will continue to be phased out. As no announcements have been made, CDC is assuming it will receive £1.6m in 2023/24 in line with the previous approach to distribution.
- 3.5 In 2022/23 CDC received another one-off Lower Tier Services Grant of £1.0m to ensure that it did not suffer a reduction in Spending Power. There were no announcements as part of the Spending Review on whether this grant would continue.

As there have been no specific announcements or consultations in the lead up to the budget and business planning process, the Council has assumed that the Government will provide a “roll over settlement” in the same way as has happened in previous years. This means that the Council is assuming it will receive 1 year’s funding for both New Homes Bonus and Lower Tier Services Grant in each of the next two years. CDC specific allocations will not be received until the Provisional Local Government Finance Settlement is announced (expected late December 2022).

### **Business Rates**

- 3.6 CDC has been extremely successful in supporting the local economy to grow since the introduction of the Business Rates Retention Scheme in 2013/14. This meant that the amount of business rates the council could retain has grown significantly since the scheme was introduced. The government has been planning to review the Business Rates Retention Scheme to redistribute resources across local government. This would result in CDC retaining significantly less income than we have in previous years. The government has delayed the reset on a number of occasions, and it is now not expected to be introduced until April 2025 at the earliest.
- 3.7 The MTFs approved in February 2022 assumed that the Business Rates reset would take place in April 2023 and that the business rates related income CDC would be able to retain in 2023/24 would reduce to £4.6m. This is made up of the estimated Business Rates baseline for 2023/24 of £3.8m, and retained business rates growth above the baseline £0.8m. The Government has indicated the introduction of the Business Rates reset is now not expected to take place before April 2025. Therefore, the new MTFs forecast of income CDC will retain from business rates in 2023/24 is £13.3m (£3.8m baseline and £9.5m business rates growth related). This is not only an improvement on the February 2022 MTFs but an expected improvement of £1.8m in business rates related income compared to 2022/23.
- 3.8 The reset of business rates now expected in 2025/26 would reduce the amount of business rates related income retained by CDC by £9.5m.

### **Council Tax**

- 3.9 Due to the continuing economic impact of Covid-19 and the Cost-of-Living crisis, the Council revised its forecasts of Council Tax income down within the MTFs in February 2022. It is currently assumed that Council Tax related income will increase by £0.5m compared to forecasts made in February 2022.
- 3.10 As in previous years, the current assumptions are that the Government will place a referendum limit of a £5 increase on Band D Council Tax. The Autumn Statement announced an increase in the referendum limit to 3%. The Council expects confirmation that the referendum limit will also continue to be a minimum of a £5 increase in Band D Council Tax as part of the Provisional Local Government Finance Settlement. An additional £5 increase has been assumed in each year of the MTFs.

### **Collection Funds**

- 3.11 CDC currently anticipates that it will have a surplus on the Council Tax collection fund for 2022/23 of £0.3m, and a surplus on the 2022/23 Business Rates collection fund of £3.0m, after taking account of compensatory Government grants.

### **Corporate Updates**

- 3.12 The Council has considered a number of items that have been reviewed as part of a corporate assessment that do not form part of the budget consultation as they are unavoidable, or policy decisions have already been taken. These include:
- setting aside a corporate figure for inflation
  - interest rates
  - areas where policy decisions have been taken
  - ongoing implications of Covid-19
- 3.13 Inflation is at unprecedented levels for recent times and the Council is not immune to its impact. In order to address cost pressures relating to inflation, officers have reviewed and reflected inflationary increases within contracts. This has resulted in £3.5m of allowance for inflation in 2023/24. This figure also includes assumptions relating to pay inflation and inflation on our fees and charges (where applicable).
- 3.14 Increasing interest rates have also put pressure on the Council's borrowing costs. To mitigate this, in July 2022 Officers, in consultation with the Council's treasury advisors and the Portfolio Holder for Resources, took out Public Works Loan Board loans ranging from 5 to 10 years. This will allow the Council to refinance its essentially variable rate short-term borrowing from other Local Authorities when they come due over the next 12 months. This has reduced the Council's exposure to interest rate refinancing risk.
- 3.15 However, the pressure from the interest rates available in July compared to the rates assumed in the Feb 2022 MTFS remains. This amounts to a pressure of £1.6m in 2023/24 which is partly offset by an improvement in the forecast interest receivable on the Council's treasury investments (from holding the borrowed cash until the short-term loans come due) and variable rate loans to third parties of (£0.352). Had the Council not taken out loans to be able to refinance short term loans when it did then the refinancing costs, based on the latest interest rate forecasts from our treasury advisors, could have been c£5.4m in 2024/25, £1.5m more than the Council is currently committed to paying per year. Therefore, even though there is a net cost of £1.25m in 23/24 for borrowing in July 2022 to refinance loans coming due up to the end of November 2023, the council will have saved approximately £1.5m per year for five years compared to waiting.
- 3.16 The Council has taken a number of decisions such as increasing the fees for Garden Waste and renewing the Debt and Money Advice Contract which will result in savings in 2023/24. As decisions have already been taken these do not need to be consulted on.
- 3.17 In February 2022 the decision was taken to end the formal strategic partnership between Cherwell District Council and Oxfordshire County Council. The process of decoupling the two authorities has been carried out at pace throughout 2022/23 with all decisions taken by 31 August 2022. Operating with joint management structures and joint teams had resulted in the sharing of costs between both authorities. In order that residents were not impacted by this decision and to ensure critical services were maintained Cherwell has acted quickly to introduce new dedicated

arrangements which provides the strategic leadership, focus and direction to support the district through the ongoing challenges all organisations are currently facing.

- 3.18 CDC has had to recruit into posts that were previously carried out jointly, but this has enabled a more focused approach to our service delivery and thus future activity, for example climate change. Cherwell DC has now approved an Annual Delivery Plan that sets out the key strategic priorities for our residents and communities following our separation from the partnership. The loss of savings from the joint working relationship are estimated to be £880k in 2023/24.
- 3.19 The Council is reviewing all of its buildings to maximise their potential, reduce costs and increase revenue through maximising the space used, including Castle Quay. The MTFS has been updated to reflect the spaces owned and used by the Council and the income they generate. This is against a backdrop of the Council undertaking work to maximise their potential benefit to the Council, residents, businesses and partners which will be reflected in future budget updates.

### **Budget Pressures**

- 3.20 In addition to the current uncertainty around future government funding CDC has also identified a number of additional budget pressures that it is anticipating will need to be funded in 2023/24 and beyond. A large proportion of these relate to losses of income due to the ongoing impact of Covid, the rising cost of utilities, and decoupling. Pressures identified and proposed to be funded in the period 2023/24 – 2027/28 are set out in Table 1. Details are set out in Appendix 1.

*Table 1: Budget Pressures*

Directorate	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Ongoing Impact £m
Communities	0.989	0.046	0.001	0.171	0.001	1.208
Resources	0.487	(0.031)	0.000	0.000	0.000	0.456
Chief Executive	0.725	(0.251)	0.000	0.000	0.000	0.474
<b>Total Pressures</b>	<b>2.201</b>	<b>(0.236)</b>	<b>0.001</b>	<b>0.171</b>	<b>0.001</b>	<b>2.138</b>

### **Financial Impact of Reduced Funding and Budget Pressures**

- 3.21 After considering the changes in funding, pressures and inflation assumptions, in order to set a balanced budget, new savings of £0.500m have been identified 2023/24 as shown in Table 2 below. A one-off contribution from reserves of £1.094m is also required in 2023/24. As set out in paragraph 3.22, CDC is consulting on the new savings for 2023/24 shown in Table 3 and detailed in Appendix 2.

Table 2: Medium Term Financial Strategy

	2023/24	2024/25	2025/26	2026/27	2027/28	Ongoing Impact
	£m	£m	£m	£m	£m	£m
<b>Feb 2022 Funding Gap/(Surplus)</b>	5.497	(0.377)	2.101	0.666	-	7.887
Corporate Updates	(6.356)	5.561	9.864	0.203	(0.062)	9.210
<b>Funding Gap/(Surplus) before new pressures and savings</b>	<b>(0.859)</b>	<b>5.184</b>	<b>11.965</b>	<b>0.869</b>	<b>(0.062)</b>	<b>17.097</b>
New Pressures	2.201	(0.236)	0.001	0.171	0.001	2.138
New Savings	(0.500)	(0.128)	(0.105)	(0.025)	0.000	(0.758)
New Capital Impact	0.252	0.030	0.038	0.036	0.120	0.476
Use of Reserves	(1.094)	1.094	0.000	0.000	0.000	0.000
<b>Funding Gap/(Surplus)</b>	<b>0.000</b>	<b>5.944</b>	<b>11.899</b>	<b>1.051</b>	<b>0.059</b>	<b>18.953</b>

### Savings Proposals

3.22 New savings proposals totalling £0.500m in 2023/24 rising to £0.758m by 2027/28 have been identified and are being consulted upon as set out in Table 3. Details are set out in Appendix 2.

Table 3: Savings Proposals

Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Ongoing Impact £m
Communities	(0.142)	(0.010)	(0.005)	0.000	0.000	(0.157)
Resources	(0.048)	0.000	0.000	0.000	0.000	(0.048)
Chief Executive	(0.270)	(0.078)	(0.020)	(0.025)	0.000	(0.393)
Exec Matters	(0.040)	(0.040)	(0.080)	0.000	0.000	(0.160)
<b>Total Savings Proposals</b>	<b>(0.500)</b>	<b>(0.128)</b>	<b>(0.105)</b>	<b>(0.025)</b>	<b>0.000</b>	<b>(0.758)</b>

### Medium Term Financial Forecast

3.23 The latest assumption is that the implementation of new funding reforms including a business rates reset will take place in 2025/26. As no specific detail has been issued, the Council is also assuming a “roll forward” financial settlement from the Government for the next two years of the Spending Review Period. This means that the Council has assumed that New Homes Bonus payments based on historic performance will no longer be received but one-year annual payments for current performance will be, along with the continuation of Lower Tier Services Grant for the next two years.

3.24 CDC currently anticipates that it will have £2.6m less funding in 2024/25 and £9.5m less in 2025/26 compared to 2023/24. This significant reduction is driving the overall need to identify a further £6m of savings in 2024/25 and £12m in 2025/26. Therefore, CDC recognises that it has considerably more work to do to identify the additional savings that will be required in 2024/25 and beyond. This forecast is carried out at a time of considerable uncertainty surrounding Local Government resources pending the announcement of the Provisional Settlement. The MTFs position will be updated following the Local Government Finance Settlement and

taken into consideration when finalising budget proposals. At the same time, CDC will need to lobby the Government on how it intends to introduce the business rates reset to see if there is any opportunity to introduce a more phased approach.

### Council Priorities 2023/24

- 3.25 The budget proposals being consulted upon takes into consideration the ability for CDC to continue to progress its priorities. CDC's Vision is to be a place where communities thrive, and businesses grow. Its four key strategic priorities are:
- Housing that meets your needs
  - Leading on environmental sustainability
  - An enterprising economy with strong and vibrant local centres
  - Healthy, resilient and engaged communities

In addition to the above strategic priorities, CDC will continue to make progress against the themes supporting all that we do. The budget proposals will enable the Council to deliver its Annual Delivery Plan 2022/24, approved by Executive in November 2022.

### Capital Bids

- 3.26 CDC has an ambitious capital programme to deliver on the ambitions of the Council. The Council recognises it is consulting on revenue savings in 2023/24 and with significantly greater levels of savings anticipated in future years. Therefore, the Council has sought to maximise capital bids to be funded from external sources of funding and keep the value of new capital bids proposed for 2023/24 to a minimum. In addition, the current capital programme has been reviewed to ensure the projects previously approved still provide good value for money and meet the Council's corporate priorities.
- 3.27 The capital bids have a total value of £18m with a cost of £8m in 2023/24. Grants and other funding are available amounting to £13.6m, making the Council's net capital spend £4.4m. These have a focus on spend to save, health and safety and climate sustainability proposals to minimise the additional borrowing costs that will need to be included in the revenue budget. The largest individual bids are for £4.25m to redevelop the Market Square in Bicester, and £4m to enable land being purchased in 2022/23 to be developed into a new site for the Bicester Depot. A summary of the capital bids by Directorate is set out in Table 4 and the individual bids are set out in Appendix 3.

Table 4: Summary of Capital Bids by Directorate

Directorates	Profiled Spend 2023/24 £m	Total Project Cost £m	Grants and other Funding £m	Net Total Project Cost to Council £m
Chief Executive	2.912	8.063	(7.868)	0.195
Communities	4.191	9.115	(5.747)	3.368
Resources	0.855	0.855	0.000	0.855
<b>Grand Total</b>	<b>7.958</b>	<b>18.033</b>	<b>(13.615)</b>	<b>4.418</b>

## **Budget Approval**

- 3.28 Executive will make its budget proposal to Council on 6 February 2023 and will consider comments from BPC and feedback from the public consultation. As well as the capital bids and revenue pressures and savings, this will include:
- Annual Delivery Plan 2022/24
  - Capital and Investment Strategy
  - Treasury Management Strategy
  - Property Strategy
  - Draft Capital Programme
  - Earmarked Reserves and General Balances Policy
  - Fees and Charges Schedule
  - Pay Policy Statement

Council will then consider the Budget at its meeting on 27 February 2023.

## **Equality Impact**

- 3.29 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.'
- 3.30 In developing budget proposals, services have considered the potential impact of change with respect to equality, diversity and inclusion, in line with our framework: *Including Everyone*. The budget engagement document summarises each service proposal and the response to the engagement will help inform the final assessment of equality impact. Following the public engagement, where a potential material service impact has been identified, an Equality Impact Assessment will be finalised. Individual assessments and an overarching summary impact assessment, taking into account the overall impact of the budget proposals, will be included within the Business & Budget Planning Report to Cabinet on Executive in February 2023 to inform the decision-making process. Appendix 4 details the overall Equality and Climate Impact Assessment (ECIA) for the savings proposals. Appendix 5 details an overarching Climate Impact Assessment.

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

- 4.1 Budget Planning Committee is asked to comment and provide feedback to the Executive on the capital bids, revenue savings proposals and budget pressures for 2023/24 and beyond. This will form part of the overall consultation process for the production of the 2023/24 Budget and Annual Delivery Plan.

## **5.0 Consultation**

- 5.1 Budget Planning Committee is meeting to discuss the budget proposals as part of the overall engagement on CDC's budget for 2023/24.



## **6.0 Alternative Options and Reasons for Rejection**

- 6.1 There are no alternative options. This report consists of budget proposals which are being consulted on and no decisions have taken place at this stage. CDC is looking for responses to the budget proposals to be considered in finalising the budget for 2023/24, which will be proposed by the Executive and then considered by Council in February 2023.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 There are no immediate financial implications associated with this report. It is a consultation on budget proposals for 2023/24 and beyond for which no decisions have yet been taken.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,  
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### **Legal Implications**

- 7.2 The provisions of the Local Government Finance Act 1992 set out what the council has to base its budget calculations upon and require the council to set a balance budget with regard to the advice of its section 151 officer. The setting of the budget is a function reserved to full Council, who will consider the draft budget as prepared by the Executive. This report, alongside the consultation document issued on 23 November 2022, form part of that process.

Comments checked by:

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### **Risk Implications**

- 7.3 There are no risk implications arising directly from this report. The budget consultation alongside this report form part of the process the Council must go through in setting its budget for 2023/24.

Comments checked by:

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### **Equalities and Inclusion Implications**

- 7.4 The approach to assessing equality impact of the budget and business planning process is addressed in the body of this report.

Comments checked by:

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## **Sustainability Implications**

- 7.5 To support the delivery of the Council's Climate Action Framework, the potential impact of budget proposals on the council's ability to meet climate commitments was assessed.
- 7.6 Most of the proposals put forward were deemed by services to not impact the council's ability to meet our climate action commitments.

Comments checked by:

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## **8.0 Decision Information**

**Key Decision** N/A

**Financial Threshold Met:** N/A

**Community Impact Threshold Met:** N/A

**Wards Affected**

All

**Links to Corporate Plan and Policy Framework**

Links to all areas of the Corporate Plan.

**Lead Councillor**

N/A

**Document Information**

**Appendix number and title**

- Appendix 1 – Proposed Budget Pressures
- Appendix 2 – Savings Proposals
- Appendix 3 – Capital Bids
- Appendix 4 – Equality and Climate Impact Assessment 2023/24 – Budget Proposals
- Appendix 4a – Housing Assets
- Appendix 5 – Overarching Climate Impact Assessment

**Background papers**

None

**Reference Papers**

- [2023/24 Budget Consultation Document](#)

**Report Author and contact details**

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