

Cherwell District Council

Executive

3 July 2023

Budget and Business Planning Process 2024/25 – 2028/29

Report of the Assistant Director of Finance

This report is public.

Purpose of report

This report is to inform the Executive of the proposed approach to the 2024/25 Budget and Business Planning Process and provides context and background information on the existing Medium-Term Financial Strategy and information on latest government announcements relevant to the Strategy.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Approve the Budget and Business Planning Process for 2024/25
- 1.2 Approve the base assumptions to be used for the 2024/25 budget.
- 1.3 Approve a five-year period for the Medium-Term Financial Strategy to 2028/29 and five-year period for the Capital Programme to 2028/29.
- 1.4 Approved the revised Reserves Policy at Appendix 4.

2.0 Introduction

- 2.1 This report is the first in the series on the Transformation Budget and Business Planning process for the forthcoming year. It forms context and background information and is part of the process which will culminate in Council setting a budget for 2024/25; a medium-term financial strategy to 2028/29, the capital programme to 2028/29 and a Business Plan in February 2024.
- 2.2 The Business Plan will be supported by an Annual Delivery Plan which will set out the clear priorities and objectives for the year, it will establish a clear direction for the Council on an annual basis in support of the vision, aims and ambitions of the Council as contained in the Council's Business Plan.

- 2.3 The Annual Delivery Plan will enable an informed development of the Medium-Term Financial Strategy, a key policy framework of the Council, through ensuring that the resourcing strategy i.e., the annual budget supports the Annual Delivery Plan. Thus, it is envisaged that an Annual Delivery Plan would accompany the annual budget cycle and approval process for the Council.
- 2.4 The Medium-Term Financial Strategy (MTFS) to 2027/28, agreed by Council in February 2023, identified savings of £4.7m to be delivered in 2024/25. The MTFS also reflects expected growth for demographic and other additional directorate spending needs and inflationary costs plus impacts of agreed savings and other income growth.
- 2.5 Information on latest government announcements and their impact, as well as an overview of new and emerging pressures which will need addressing through the Budget and Business Planning process for 2024/25, are set out in the report.
- 2.6 There is uncertainty in government funding for 2024/25 and beyond; whilst there was a three-year Spending Review announced in 2021, local authority specific funding allocations have not yet been announced beyond 2023/24. The Council does not expect to have received the Provisional Financial Settlement until December. In addition, announcements are awaited with regards to the introduction of a new Fairer Funding Formula, alongside a Business Rates Reset. These are now expected to be introduced from 2025/26 within the MTFS. This level of uncertainty remains as high as last year; however, in reviewing and updating the MTFS prudent assumptions will be made based on the latest information available and using scenarios and a sensitivity analysis to form a view.

3.0 Report Details

- 3.1 This initial report sets the context and the starting point for the Budget and Business Planning process. It sets out the assumptions on which the existing MTFS agreed in February 2023 is based, information arising from government and other announcements plus new and emerging financial issues for 2024/25 and beyond which impact on the existing MTFS. It also sets out the process for updating the Business Plan, supported by our Annual Delivery Plan, as well as the timetable of events for the Budget and Business Planning process.
- 3.2 The following appendices are attached to this report:
- Appendix 1: Previously agreed Savings 2023/24 – 2027/28
 - Appendix 2: Previously agreed Growth 2023/24 – 2027/28
 - Appendix 3: Budget and Business Planning timetable for 2024/25
 - Appendix 4: Reserves Policy
- 3.3 It is proposed that the MTFS continues to cover a five-year time frame given the financial challenges the Council is facing and is therefore extended by one year to cover 2028/29. It is also proposed that the Capital Programme also cover the same five-year period to 2028/29 as the MTFS.

Assumptions in the existing Medium-Term Financial Strategy

Additional Spending & Savings

- 3.4 The 2023/24 – 2027/28 MTFS agreed by Council in February 2023 identified the requirement for additional annual savings of £4.7m in 2024/25 to offset funding reductions and to meet additional expenditure needs – this is in addition to the £0.3m savings already planned for 2024/25. Delivery of savings identified in February 2023 for implementation in 2023/24 of £1.0m are being monitored through the monthly Performance, Finance and Risk Monitoring Reports to Executive throughout the financial year. To the extent that savings anticipated in 2023/24 are not delivered on an ongoing basis this will increase the level of savings required in 2024/25. The Council is working to minimise any ongoing savings non-delivery in 2023/24.
- 3.5 The existing MTFS has provided for inflation on pay, contracts, and fees and charges within the budget. It assumes that there will be 5 percent pay awards in the three years to 2025/26. In the remaining two years of the MTFS period pay awards are assumed to increase at 2.5 percent annually. Contract inflation had been provided for at 6 percent in 2023/24 in the February 2022 MTFS. This provision has been increased by £3m for 2023/24 to reflect inflationary pressures on utilities, and other contracts with ongoing provision in future years at 2 percent. Fees and charges have been reviewed and increased for 2023/24 to reflect cost recovery and are then assumed to increase by 2 percent annually. For 2024/25, the Council will look to consider uplifting fees and charges by 10% (where not set by another body) to reflect the ongoing impact of high levels of inflation faced by the Council.
- 3.6 Details of the savings and growth assumed in the existing MTFS, approved by Council in February 2023, for 2023/24 to 2027/28 are set out in Appendix 1 and 2.

Funding

- 3.7 The MTFS for 2023/24 approved by Council in February 2023 identified temporary funding received as a result of the delay to the proposed reset of business rates growth within the Business Rates Retention System and a further two year's payment of the New Home Bonus grant prior to its winding down. Despite this, the existing MTFS has a budget shortfall of £4.7m in 2024/25. If the Government chooses not to continue New Homes Bonus funding in 2024/25 then the funding gap could be greater in 2024/25.
- 3.8 However, now that the business rates reset is expected to be delayed until 2025/26, the income retained from the Business Rates Retention Scheme is estimated to remain in the region of £14.6m in 2024/25. The amount retained in 2025/26 is now expected to reduce by £10.3m but is predicated on the assumption that growth in business rates above the baseline reduces with the expectation of a business rates reset in April 2025.
- 3.9 Revenue Support Grant, which was extended for another year in 2023/24, is now expected continue in 2024/25. The continuing phased reduction of the New Homes Bonus grant will also be assumed.
- 3.10 Maximum council tax increases of £5 for a Band D property are assumed across all years of the existing MTFS. It is assumed the Council Tax base will increase 1.6% on average annually. Total income from Council Tax (not including collection surpluses) is estimated to be £10.4m a year by 2027/28.

3.11 Details of the MTFS approved in February 2023 are set out in Table 1 below.

Table 1: MTFS as approved February 2023

MTFS Movements	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
Base budget b/f	23.492	0.000	0.000	0.000	0.000
Service Pressures	2.009	(0.222)	0.013	0.171	0.001
Service Savings	(1.004)	(0.297)	(0.218)	(0.214)	(0.104)
Capital Impact	0.288	(0.056)	0.024	0.022	0.106
Corporate changes	3.309	0.909	(2.940)	0.612	0.001
Inflation	3.504	1.213	1.214	0.529	0.562
Use of reserves	(1.667)	0.462	0.454	0.472	0.000
Additional government grants	(1.757)	0.000	2.993	0.000	0.000
Net Budget Requirement	28.174	2.009	1.540	1.592	0.566
Revenue Support Grant	(0.132)	0.000	0.132	0.000	0.000
Council Tax	(9.290)	0.170	(0.481)	(0.419)	(0.422)
Business Rates	(17.127)	2.495	10.262	(0.207)	(0.297)
New Homes Bonus	(1.625)	0.000	1.625	0.000	0.000
Total Income	(28.174)	2.665	11.538	(0.626)	(0.719)
Funding Gap / (Surplus)	0.000	4.674	13.078	0.966	(0.153)

Earmarked Reserves and General Balances

- 3.12 When the Council set its budget in February 2023, earmarked reserves (reserves held for a specific purpose) were forecast to be £25.9mas at the end of 2023/24. The latest forecast estimates that general balances will remain around £6.0m at the end of 2023/24. As with general balances, the level of earmarked reserves is reviewed each year as part of the Budget and Business Planning process. A risk assessment to determine the level of appropriate balances will also be undertaken as part of the Budget & Business Planning process.
- 3.13 Executive approved the Reserves Policy (Appendix 4) which is reviewed periodically. Section 6.1 of the policy introduced far tighter restrictions on the ability to use reserves with the Executive being required to approve contributions to and from reserves where there is not a specific ringfence around how the money must be spent. In cases where such a ringfence exists, the S151 Officer is able to authorise expenditure in line with the specific ringfence.
- 3.14 Section 6.2 is proposed as an addition to the approval process to reflect the complexities recently experienced in relation to extended external audits and their impact on the reserves position. The outturn report to Executive (normally presented in June) is the final opportunity for reserves uses/contributions to be approved for the financial year being reported.
- 3.15 However, with the example of the 2021/22 audit, technical changes required to the 2021/22 accounts could have an impact on the opening reserves position for

2022/23 and could change how the Council would choose to prudently manage its balances in 2022/23 after the outturn report is finalised and approved by the Executive. The proposed addition at 6.2 reads as follows:

The current trend for external audits to extend beyond the end of the next financial accounting year can result in changes to the accounts which could have an impact on useable reserves. Therefore, for changes to and from useable reserves which come about as a result of external audit following the submission of the annual outturn report, the Section 151 Officer will have delegated authority, in consultation with the Portfolio Holder for Finance, to manage the impact on useable reserves of such changes to ensure the long-term resilience of the Council. Any such changes made under this delegated power will be reported to the Executive when the audit is complete.

- 3.16 This allows the S151 Officer to ensure that the General Balances and Earmarked Reserves positions remain at the level identified as prudent in the annual Section 25 report (described at section 4 of the policy). Any reserves movements approved by the S151 Officer under this new section will be reported to the Executive as soon as possible after the audit that resulted in them is finalised.

Cost-of-Living Crisis

- 3.17 The economy remains beset by a cost-of-living crisis wherein inflation remains at persistently high levels, driven by increased fuel costs. Changes to national policy are being formulated in order to drive the growth in the economy to aid recovery and ward off a recession.
- 3.18 It remains unclear whether businesses will be able to continue to operate and grow at the rates assumed in the MTFS. There are clearly significant challenges for businesses and the detail of future measures to help them have not yet been released. If the economic recovery is not swift enough, then some businesses may not continue into 2024/25 putting at risk the anticipated growth of business rates. In addition, if business rates growth is less than anticipated for 2023/24, this will result in a deficit to the Collection Fund which will have to be considered when setting the 2024/25 budget.
- 3.19 In addition to the reduced rates of growth in business rates, the Council has seen increases in the levels of those eligible for working age Council Tax Support and receiving discounts on their council tax bills. There is a risk that, as the cost-of-living crisis continues, levels of working age Council Tax Support will continue to increase. This could have the impact of reducing levels of Council Tax that will be received by the Council compared to the MTFS.
- 3.20 It is inevitable that an economic downturn and the continuing cost-of-living crisis could mean additional costs and income losses could be felt by the Council in 2024/25.

Government Announcements

- 3.21 Since Council approved the 2023/24 budget, MTFS and Capital Programme, there have been a number of impacts on local government finance which have attempted

to reduce uncertainty for 2024/25 and 2025/26. However, beyond that the following will impact on the Council:

- the on-going financial impact of the cost-of-living crisis
- an expected further delay in implementing the Fair Funding Review, which is now expected to be implemented from April 2025
- an expected further delay in Business Rates Reform, which is now expected to be introduced from April 2025
- Anticipated consultation on a revised NHB scheme
- Extended Producer Responsibility – waste reforms and the impact this will have on the Council when collecting waste and recycling.

Further Medium-Term Uncertainty

- 3.22 To compound the planning uncertainty, there are major changes to the way local government funding works, and how that funding is allocated between authorities, which have already been delayed by four years and are not now expected to be implemented until April 2025. However, it is not possible to predict the overall financial impact of these proposals as they are still being designed and yet to be consulted on. Therefore, for now the planning assumption is that they are cost neutral.
- 3.23 There has been no Government consultation issued on how the anticipated business rates reset could be implemented. Due to the lead time required for a consultation and implementation of how a business rates reset would work, the government has indicated a reset won't take place until 2025/26.
- 3.24 As there is so much uncertainty around future local government funding, in particular from 2025/26 onwards, the MTFS will be updated to include a number of scenarios that make differing assumptions about a business rates reset. The current MTFS assumes a full reset with all growth redistributed. Alternative options could include a phased reset or a partial reset of the system.

Savings Proposals

- 3.25 Given the challenging situation relating to funding and the high levels of uncertainty, the Council will undertake to identify savings proposals to address the MTFS gap.
- 3.26 In line with the MTFS approved in February 2023 the Council will:
- Adopt a transformational approach to service delivery to shape the thinking for the future design of the Council.
 - Review the Council's priorities and alignment of resources to maximise delivery of priorities within the resources available
 - Maximise income opportunities
 - Continue to lobby policy makers
- 3.27 Savings proposals will take the form of both expenditure reduction and increases in income. These will take into account the impacts identified in the MTFS approved in February 2023 and also the financial impacts and the cost-of-living crisis. Assumptions will be revisited and revised as information becomes clearer, but it is

important to note that the actual implications will not be known until very late in the Budget and Business Planning process.

- 3.28 The Budget and Business Planning Process will consider the impact that savings proposals may have on the strategic priorities of:
- Housing that meets your needs
 - Supporting environmental sustainability
 - An enterprising economy with strong and vibrant local centres
 - Healthy, resilient and engaged communities
- 3.29 The strategy for identifying savings will be based on the plan to address the MTFS gap which was approved by Council in February 2023. The Council will look to identify what savings can be provided by services and how they impact on priorities. In addition, the Council will undertake a cross-cutting review of the Council's strategic delivery themes identified in the Business Plan.

Business Plan

- 3.30 The Business Plan sets a framework for the Council's vision, aims and ambitions of for our local communities. The four key strategic aims of the Business Plan are shown in Diagram 1 below, supported by the priorities which will be contained in the Annual Delivery Plan. The overarching priorities of this Business Plan will be supported by the MTFS to achieve the strategic aims of the Council.

Diagram 1: Strategic Aims of the Business Plan

<p>Housing that meets your needs</p> <ul style="list-style-type: none"> • Support the delivery of affordable and green housing. • Ensure minimum standards in rented housing. • Work with partners supporting new ways to prevent homelessness. • Support our most vulnerable residents. • Prepare the Local Plan. 	<p>Supporting environmental sustainability</p> <ul style="list-style-type: none"> • Work towards our commitment to be carbon neutral by 2030. • Promote the green economy. • Support waste reduction, reuse, and recycling. • Work with partners to improve air quality.
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<p>An enterprising economy with strong and vibrant local centres</p> <ul style="list-style-type: none"> • Support business retention and growth. • Work with partners to support skills development and innovation. • Work with others to support growth. • Work with partners to promote the district as a visitor destination and attract investment in our town centres. • Work with businesses to ensure compliance and promote best practice. 	<p>Healthy, resilient, and engaged communities</p> <ul style="list-style-type: none"> • Support and encourage active lifestyles and health and wellbeing. • Support development of leisure services and facilities meeting the needs of residents. • Support community and cultural development. • Work towards our commitment to equalities, diversity, and inclusion. • Work with partners to address the causes of health inequality and deprivation. • Work with partners to reduce crime and antisocial behaviour.
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- 3.31 The Outcomes Framework, will also be revised to make sure it reflects our strategic priorities, ensuring the framework accurately describes the performance actions supporting the plan. Furthermore, the council Risk Strategy and Leadership Risk Register will be reviewed to ensure they both align with the objectives stated in the Business plan, reflecting any risks to their delivery.
- 3.32 Performance indicators (key performance indicators and qualitative measures) will be reviewed and updated to ensure that they have a clear and direct line to outcomes and the council's priorities. The performance measures and target setting process will ensure that the reasons for changing or maintaining a target across years are transparent and support the priorities.

Consultation and Engagement

- 3.33 Residents and service users expect to be consulted about council spending and council tax levels. There are no prescriptive guidelines on how and when councils should consult. Some councils prefer to consult early and explore the principles by which the council could approach balancing its budget ie on the 'shape of the budget', whereas others prefer to consult later and consult on the 'substance' of the budget when more formed proposals have been developed. Some council's do both and some do neither.
- 3.34 The common law duty to consult applies to budget consultation as residents' and service users' views and feedback could legitimately be expected to inform the council's budget setting process. There are also legal duties to consult residents and services users on the detail of specific service change proposals and particularly cuts, and these are judged on a case-by-case basis.
- 3.35 Under section 65 of the Local Government Finance Act 1992, billing authorities must 'consult persons or bodies appearing to be representative of persons subject to non-domestic rates under section 43 and 45 of the 1998 Act about the rateable

value (hereditaments) of properties.’ We will engage businesses in our autumn consultation set out below.

Formal consultation

- 3.36 A public consultation will be published at the end of November on the ‘substance’ of the budget, to give the wider population and stakeholders (including businesses to meet our statutory duty) the opportunity to feedback on the council’s ‘formed’ budget proposals. It does not, however, replace the need to specifically consult on service change proposals relating to significant service changes and where there is a legal requirement to do so.
- 3.37 Our approach will be digital first, using Cherwell District Council’s consultation platform, Citizens Space Cherwell. In line with our commitment to Equality, Diversity and Inclusion, paper copies of both the booklet and questionnaire will also be available and customer services will be fully briefed to support residents if they need to request materials in alternative formats A communications promotional plan will support this exercise.

Budget and Business Planning Timetable

- 3.38 An online public consultation on CDC’s budget proposals will commence when the information is published at the end of November 2023, with Budget Planning Committee (BPC) considering the budget pressures, savings and Fees & Charges proposals and on 5 December 2023. Comments from BPC, along with other responses, will feed into the final formulation of proposals. An All-Member briefing will be scheduled for early December 2023.
- 3.39 Capital proposals will also be considered by Budget Planning Committee on 5 December 2023. The Capital & Investment Strategy which incorporates the Treasury Management Strategy will be considered at the meeting in January 2024.
- 3.40 The Executive will take into consideration the comments from the BPC in December 2023 and comments from the public consultation alongside the funding available announced as part of the provisional settlement, at its meeting on 5 February 2024 in setting out its proposed budget to Council.
- 3.41 At this time, there are no indications when we can expect the provisional local government finance settlement, though it is anticipated that it will be received in late December as in previous years. This will confirm the general Government funding available to the Council for 2024/25 and the Council Tax referendum limit to be applied.
- 3.42 The Council meeting to agree the 2024/25 revenue budget, MTFS and capital programme will take place on 26 February 2024.
- 3.43 A timetable for the Budget and Business Planning process is attached at Annex 2.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The Council has a legal obligation to set a balanced budget and ensure it maintains a suitable level of reserves each year. The process laid out in this report will allow CDC to develop budget proposals that will allow it to meet these legal obligations.

5.0 Consultation

None required.

6.0 Alternative Options and Reasons for Rejection

- 6.1 The Council has a legal obligation to set a balanced budget and evaluate its level of reserves to ensure they are held at a suitable level. Therefore, there are no alternative options other than to carry out a budget process that reviews the levels of reserves and identifies a budget proposal that can be delivered within the overall level of resources available to the Council.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no immediate financial implications associated with agreeing a budget process.

Comments checked by:

Lynsey Parkinson, Strategic Finance Business Partner, 01295 221545, lynsey.parkinson@cherwell-dc.gov.uk

Legal Implications

- 7.2 The Council legally has to set a balanced budget each year. Ensuring there is a robust process in place will help it to achieve that.

Comments checked by:

Shiraz Sheikh, Assistant Director Law & Governance and Democratic Services, 01259 221651, Shiraz.Sheikh@cherwell-dc.gov.uk

Risk Implications

- 7.3 The Council faces significant risks given the scale of the financial challenge for 2024/25 and 2025/26. Having a robust process in place to develop budget proposals and the associated Corporate Plan will help to mitigate these. These risks are managed as part of the operational and leadership risk register.

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556

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Equalities and Inclusion Implications

7.4 There are no equalities implications associated with agreeing a budget process.

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556

Celia.prado-teeling@cherwell-dc.gov.uk

Sustainability Implications

7.5 There are no sustainability implications arising directly from this report to initiate the budget process. However, the implications of proposals arising from the process will need to be reviewed to consider whether they have sustainability impacts. As the Council looks to reduce its spend it would be hoped that this would also lead to a reduction in carbon impact as well.

Comments checked by:

Jo Miskin, Climate Action Manager, 01295 221748

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8.0 Decision Information

Key Decision **No**

Financial Threshold Met: **No**

Community Impact Threshold Met: **No**

Wards Affected

All

Links to Corporate Plan and Policy Framework

The Budget and Business Planning Process cuts across the entire Corporate Plan and Policy Framework

Lead Councillor

Cllr Nell, Finance

Document Information

Appendix number and title

- Appendix 1 – Previously agreed Savings 2023/24 – 2027/28
- Appendix 2 – Previously agreed Growth 2023/24 – 2027/28

- Appendix 3 – Budget and Business Planning Timetable for the 2024/25 Process
- Appendix 4 – Reserves Policy

Background papers

None

Report Author and contact details

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Appendix 1 - Savings Proposals 2023/24

Figures are shown as an incremental, year on year change to the budget

Chief Executive									
Reference	Existing or New	Title	Description	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	Total MTF5 (£m)
SAFFH221	Existing	Affordable and Social housing partnership work	Prioritise the building of affordable and social housing through greater partnership work with registered providers and developers, shifting the emphasis away from direct delivery by the Council	(0.185)	-	-	-	-	(0.185)
SDEBT221	Existing	Debt and Money advice contract	Review the debt and money advice contract to assess future options and cost reductions	(0.011)	-	-	-	-	(0.011)
SMUSE221	Existing	Reduction in Banbury Museum grant	Reduce the grant funding to the Banbury Museum Trust	-	(0.012)	(0.025)	(0.050)	-	(0.087)
SHUMR231	New	Reduction in consultancy fees	We no longer require consultancy support for the roll-out of our HR system so we can release the budget set aside for this in 2023/24	(0.020)	-	-	-	-	(0.020)
SHUMR232	New	Reduction in external legal support	We have reduced the need to access external legal advice for complex HR/staffing matters and are therefore proposing to reduce this budget in 2023/24.	(0.011)	-	-	-	-	(0.011)
SHUMR233	New	Back office efficiencies in HR	By reviewing our back-office HR processes we could make a saving in 2023/24.	(0.025)	(0.050)	-	-	-	(0.075)
SAFFH231	New	Rent increase for Affordable Rent and Shared Ownership properties	The Council's rent policy for Affordable Rent and Shared Ownership says we will follow Government guidance on rent increases. This is currently CPI plus 1% for Affordable Rent, and RPI plus 0.5% for Shared Ownership, which would mean an increase of around 13% next year. However, because of high inflation, the Government is consulting on a new rent cap of 7% or less for 2023/24, which would apply to our affordable rent tenants only. The Government has concluded its consultation and set the cap at 7% for affordable rented properties in 2023/24; the Council intends to increase its rent for affordable rent tenants at 7% in line with the cap. The rent cap does not apply to Shared Ownership properties, which would mean around 13% increase for all properties. However the Council is proposing to cap the increase at 7% in line with affordable rent increases.	(0.114)	-	-	-	-	(0.114)
SAFFH232	New	Bringing rent collection in house	By collecting the rent from council properties ourselves, instead of through a housing association we could achieve a saving in 2023/24	(0.015)	(0.015)	-	-	-	(0.030)
SHOSD231	New	Increase in HMO Licenses	By introducing a 7% increase in the license fee for landlords providing houses in multiple occupation we can generate additional income	(0.016)	-	-	-	-	(0.016)
SCDEV231	New	Increase grant income and or external funding	By applying for external grants and funding we hope to raise additional income in 2023/24 to support service delivery	(0.045)	-	-	-	-	(0.045)
SCPAR231	New	Review of funding arrangements to partnership programmes	We could make a small saving in 2023/24 by focusing the financial support we give to partnership programmes to those that are supporting our overarching strategic priorities such as tackling the cost-of-living crisis and climate change.	(0.008)	-	-	-	-	(0.008)
SMUSE231	New	Gradual reduction in support to Banbury Museum	We are proposing a gradual reduction in the funding we give to Banbury Museum over a three-year period. This is as a result of a change to their business model which will enable the museum to generate additional income. If we go ahead with this proposal, we will keep the situation under constant review, so if it becomes untenable for the museum we will work with them to consider what options are available.	-	(0.013)	(0.020)	(0.025)	-	(0.058)
SSDEV231	New	Adopting a full cost recovery model for our Holiday activities programme	Through delivering a holiday activity programme that generates enough income to cover its costs we can achieve a saving in 2023/24	(0.015)	-	-	-	-	(0.015)
SBTRA231	New	Joint transformation service	This money was earmarked for a joint transformation service with OCC, which we no longer need now that we will be delivering our own inhouse service.	(0.010)	-	-	-	-	(0.010)
			Total	(0.475)	(0.098)	(0.045)	(0.075)	-	(0.685)

Appendix 1 - Savings Proposals 2023/24

Figures are shown as an incremental, year on year change to the budget

Communities									
Reference	Existing or New	Title	Description	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	Total MTFS (£m)
SAV2145	Existing	Food Waste Collection Service	Continued impact of introduction of the food waste collection service giving residents the opportunity to recycle their food waste on a weekly basis. This will reduce the amount of residual waste and increase CDC's recycling rate. Residents will still be able to subscribe to our current well used garden waste collection service, which will incur a charge.	(0.210)	(0.077)	-	-	-	(0.287)
SAV025 & SCARP222	Existing	Car park fees	Increase annual car parking charge of no more than 10p per hour	(0.200)	(0.145)	(0.100)	(0.100)	(0.100)	(0.645)
SBCON221	Existing	Building Control Fees	Increase building control fees	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.005)
SDMAN225	Existing	Planning pre-application fees	Increase planning pre-application charges	(0.002)	(0.001)	(0.002)	(0.001)	(0.002)	(0.008)
SDMAN231	New	Planning Service Efficiencies	Approved investment in the planning team will result in ongoing efficiencies through realisation of the recommendations made to streamline activity, implement new IT solutions to case tracking and invest in house capacity of the team.	(0.075)	-	-	-	-	(0.075)
SPROT231	New	Reduction in cost of noise nuisance service	The Council utilises a noise recording app to assess noise nuisance complaints. The use of this app has reduced the need for officers to attend locations out of hours to carry out these assessments. Therefore, costs of the noise nuisance service have reduced slightly.	(0.002)	-	-	-	-	(0.002)
SLICE231	New	Licensing function and charges review	The Council will undertake a review of its licensing activities in recognition of the reduction in licence fees received by the council in recent years. This review will assess the capacity required by the council to fulfil its licensing functions in future years and the appropriate cost of the licences it issues to ensure the licensing costs are recovered by fees.	(0.040)	-	-	-	-	(0.040)
SBICR231	New	Gradual reduction in grant to Bicester Vision	We currently contribute £15k towards the work on Bicester Vision, which is the only contribution we make to organisations leading similar projects across the district. By tapering this contribution off over three years as a saving we can ensure we are treating these organisations equally and provide resilience for Bicester Vision to adapt its funding streams.	-	(0.010)	(0.005)	-	-	(0.015)
SECON233	New	Cutting grants to: Banbury Museum TIC and Experience Oxfordshire	Ceasing grants to Banbury Museum and Experience Oxfordshire would save the Council 25K per annum.	(0.014)	(0.006)	(0.005)	-	-	(0.025)
			Total	(0.544)	(0.240)	(0.113)	(0.102)	(0.103)	(1.102)

Appendix 1 - Savings Proposals 2023/24

Figures are shown as an incremental, year on year change to the budget

Resources									
Reference	Existing or New	Title	Description	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	Total MTF5 (£m)
SFREV221	Existing	Revenues and Benefits insourcing	Reduce the cost of the revenues and benefits service now the service has been brought back inhouse	(0.013)	-	-	-	-	(0.013)
SAV2133b	Existing	Bodicote House Utilities	Fallout of temporary reduction in utilities spend due to reduced occupancy at Bodicote House	0.030	-	-	-	-	0.030
SAV2133d	Existing	LED lighting projects	Ongoing impact of not proceeding with planned LED lighting project at Bodicote House. This was replaced with LED lighting projects across other properties.	0.120	-	-	-	-	0.120
SELEC221	Existing	Parish Election Charges	Review of recharges to Parishes for CDC running Parish Elections	(0.002)	(0.001)	-	(0.002)	(0.001)	(0.006)
SFCOS231	New	Ensure services funded through external grants reflect the costs of support services required	Through adopting a new approach to allocating any grants we receive towards services we can deliver savings on existing and future grants by ensuring they take into account all the costs of providing the services	(0.040)	(0.040)	(0.080)	-	-	(0.160)
SINVP221	Existing	Commercial Rents	Increase rental income from commercial council properties through contractual lease reviews	(0.032)	0.074	0.020	(0.035)	-	0.027
SITBS231	New	Consolidation of telephony services	By consolidating our landline and mobile telephony services we could achieve a saving in 2023/24	(0.008)	-	-	-	-	(0.008)
SITBS232	New	Procurement exercise for Council internet connectivity to secure best value	Through carrying out a competitive procurement exercise for a new intranet connectivity supplier we are predicting a small saving in 2023/24	(0.002)	-	-	-	-	(0.002)
SITBS233	New	Increase charges for external IT customers	Proposal to increase the support charges to our external customers in-line with CPI as outlined in the Council contractual arrangements	(0.004)	-	-	-	-	(0.004)
SITBS234	New	Electronic Document Storage	By migrating Council documents to a more cost effective storage solution we could achieve a saving in 2023/24	(0.009)	-	-	-	-	(0.009)
SLEGL231	New	Increase in income from legal agreements	We have adjusted the budget to reflect recent trends in income from providing legal support.	(0.025)	-	-	-	-	(0.025)
			Total	0.015	0.033	(0.060)	(0.037)	(0.001)	(0.050)
			Total Existing Savings	(0.506)	(0.163)	(0.109)	(0.189)	(0.104)	(1.071)
			Total New Savings	(0.498)	(0.134)	(0.110)	(0.025)	-	(0.767)
			Total Savings	(1.004)	(0.297)	(0.218)	(0.214)	(0.104)	(1.837)

Appendix 2 - Revenue Pressures 2023/24

Figures are shown as an incremental, year on year change to the budget

Chief Executive									
Reference	Existing, Savings Non-Delivery, or New	Title	Description	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	Total MTFS (£m)
GRW026	Existing	FAST Programme	Fallout of time limited funding for the FAST Programme - Wellbeing Service	(0.027)	-	-	-	-	(0.027)
PCOMM221	Existing	Community engagement business system	Renewal of contract for community engagement business system	0.016	(0.001)	-	-	-	0.015
PPERF221	Existing	Performance Management System	Funding for the council's performance management business system	-	0.010	-	-	-	0.010
SAFFH221	Savings Non-Delivery	Affordable and Social housing partnership work	Prioritise the building of affordable and social housing through greater partnership work with registered providers and developers, shifting the emphasis away from direct delivery by the Council	0.130	-	-	-	-	0.130
PCUST231	New	Telephony costs	The cost of our telephony licences has increased	0.005	-	-	-	-	0.005
PLAND231	New	Land Charges LLC1 income	The national project to migrate Land Charges services to HM Land Registry will result in a loss of income for the Council	0.065	-	-	-	-	0.065
PPERF231	New	Licenses for Performance Management System	We have had to purchase more licenses for our performance management system, following the decoupling from Oxfordshire County Council	0.009	-	-	-	-	0.009
PAFFH231	New	Repairs and Maintenance	High inflation costs mean we need a further £75k for essential repairs and maintenance	0.060	0.015	-	-	-	0.075
PAFFH232	New	Town Centre House pressures	Loss of income due to the building being vacant whilst roof is repaired	0.266	(0.266)	-	-	-	-
PLEIS232	New	Utility Costs	We are predicting higher costs due to utility prices increasing	0.320	-	-	-	-	0.320
			Total	0.844	(0.242)	-	-	-	0.602

Appendix 2 - Revenue Pressures 2023/24
Figures are shown as an incremental, year on year change to the budget

Communities									
Reference	Existing, Savings Non-Delivery, or New	Title	Description	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	Total MTF5 (£m)
GRW002	Existing	Growth Deal	Fallout of time limited contribution to Growth Deal	(0.277)	-	-	-	-	(0.277)
GRW013	Existing	Waste Collection Round	Increase in Waste Collection crew required due to district growth.	0.170	-	-	-	-	0.170
PSCEN221	Existing	Women's Cycling Tour	Fallout of time limited contribution towards AJ Bell Women's Cycling Tour in 2022/23	(0.030)	-	-	-	-	(0.030)
PDMAN223	Existing	Investment in development management	Fallout of time limited investment in development management to support service delivery due to increased demand	(0.050)	-	-	-	-	(0.050)
PCARP231	New	Adjusting the Car Parks income budget from 2023/24	Car Parking income dropped significantly during the covid pandemic and has not returned to pre pandemic levels due to changes in work patterns, reduced retail offers in town centres and the current cost of living crisis. It is not anticipated that car parking income will return to previous levels and therefore the income target must be adjusted.	0.800	0.045	-	-	-	0.845
PPCON231	New	Increased costs for cleaning and maintenance contract for public conveniences	The cleaning and maintenance of our public conveniences is contracted out and expected to rise in line with inflation and resourcing pressures for the new contract in 23/24 and onwards	0.010	-	-	-	-	0.010
PWAST231	New	Additional crew and vehicle for growth of the district	Housing growth in the district is rising rapidly, which means a new waste crew is required approximately every 3 years. As this is entirely dependent on the level of housing growth we cannot predict exactly when this need will arise. We anticipate needing an additional crew in 2026/27 and we have identified an additional vehicle through the vehicle replacement programme.	-	-	-	0.170	-	0.170
PWAST233	New	Food Waste Transfer station fees	Operationally to move the food waste collected in Banbury to the processing plant in Cassington we use a transfer station. We are hoping to share the transfer costs with OCC but in the meantime are incurring the full £80,000 transfer costs.	0.080	-	-	-	-	0.080
PWAST234	New	Dry Recycling, Glass and Residual Costs	Increase in recycling costs	0.050	-	-	-	-	0.050
PEMPL231	New	Inflationary costs in relation to the Council's Emergency Planning responsibilities	Cherwell District Council is supported by Oxfordshire County Council to prepare for and respond to emergency incidents that may arise in the district. Cherwell District Council pays for this support through a service level agreement with the County Council which includes provision for the rise in staffing costs	0.001	0.001	0.001	0.001	0.001	0.005
PLICE231	New	Reduction in licensing income	Levels of income for the Council's licensing function have not returned to pre-pandemic levels. We expect this trend to continue, which leaves a shortfall in the Council's licensing budget	0.040	-	-	-	-	0.040
PCSAF231	New	Reduced contributions for public space CCTV	The Council provides public space CCTV in Cherwell. A small proportion of the cost of this CCTV network is met from partner contributions. Partners have reduced their contributions to this cost and therefore the council is now required to meet a greater proportion if the monitoring is to continue at the same level of service.	0.008	-	-	-	-	0.008
			Total	0.802	0.046	0.001	0.171	0.001	1.021

Appendix 2 - Revenue Pressures 2023/24
Figures are shown as an incremental, year on year change to the budget

Resources									
Reference	Existing, Savings Non-Delivery, or New	Title	Description	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	Total MTFS (£m)
SAV2193	Existing	Commercial Rent	Forecast change in rental incomes for Council owned properties	(0.090)	0.205	0.012	-	-	0.127
PFREV221	Existing	Housing Benefit Subsidy costs	Additional Housing Benefit Subsidy costs to the Council	0.004	(0.200)	-	-	-	(0.196)
PPCAP222	Existing	Dover Avenue Garage Demolition	Fallout of one-off cost of demolition of Dover Avenue garage complex	(0.108)	-	-	-	-	(0.108)
PPCAP223	Existing	Garage Sites and Other Retained Land Development Potential	Fallout of one-off costs of feasibility study to investigate council owned land for progression to planning consent in principle	(0.048)	-	-	-	-	(0.048)
SAV2133a	Savings Non-Delivery	Joint OCC/CDC Service	Full year effect of establishing a joint CDC/Oxfordshire County Council Property Service by sharing resources and functions.	0.073	-	-	-	-	0.073
SINVP222	Savings Non-Delivery	Franklin House letting	Reduce business rate cost to the council for Franklin House (former customer services office) through letting the property	0.012	-	-	-	-	0.012
SPREV221	Savings Non-Delivery	Bodicote House utilities	Reduce utility costs at the council's main office, Bodicote House	0.032	-	-	-	-	0.032
SPREV222	Savings Non-Delivery	Maintenance and repairs services	End the maintenance and repairs services contract and procure these services from Oxfordshire County Council when needed	0.053	-	-	-	-	0.053
PITBS231	New	Increased Data Centre Costs	We are predicting the costs from running the cloud data centre environment to be greater than currently budgeted	0.050	-	-	-	-	0.050
PITBS232	New	Spatial Mapping and Local Land Property Gazetteer (LLPG) Address system support & maintenance	Additional support & maintenance costs for Spatial mapping and LLPG address systems, which are not currently included in the base budget	0.019	-	-	-	-	0.019
PITBS234	New	Reduction in income	Cost recovery from Oxfordshire County Council for sharing of IT services ceased following decoupling	0.033	-	-	-	-	0.033
PFCOS231	New	Electronic Bank Transfer/Card Processing costs.	Additional costs from an increase in electronic transactions by card and bank transfers	0.070	-	-	-	-	0.070
PFCOS232	New	Insurance premium increase	We are expecting an increase of 15%-20% when we renew our insurance contracts	0.063	-	-	-	-	0.063
PFREV231	New	Additional mandatory Department for Work and Pension reporting requirements	Additional work is required from a new DWP project including Housing Benefit Full Case Reviews (FCRs), Housing Benefit Matching Service (HBMS) referrals and Self-employed Earnings Reviews (SERs)	0.031	-	-	-	-	0.031
PFREV232	New	Computer software and licencing	Additional costs of computer licences and a new cloud based product	0.040	-	-	-	-	0.040
PDEMO233	New	New Legal Team structure	Cost of establishing our own legal team following the decoupling with Oxfordshire County Council	0.149	(0.031)	-	-	-	0.118
PINVP232	New	Reduced income	Removing unachievable income target	0.012	-	-	-	-	0.012
PPREV231	New	Bodicote House Utilities	Increase in energy and utility pricing	0.020	-	-	-	-	0.020
			Total	0.415	(0.025)	0.012	-	-	0.401

Appendix 2 - Revenue Pressures 2023/24

Figures are shown as an incremental, year on year change to the budget

Corporate									
Reference	Existing, Savings Non-Delivery, or New	Title	Description	2023/24 (£m)	2024/25 (£m)	2025/26 (£m)	2026/27 (£m)	2027/28 (£m)	Total MTFS (£m)
UNAV2105	Existing	Housing and Growth Deal	Fallout of time limited funding for Housing and Growth Deal contribution	(0.052)	-	-	-	-	(0.052)
			Total	(0.052)	-	-	-	-	(0.052)
			Total Existing Pressures	(0.492)	0.014	0.012	-	-	(0.466)
			Total Savings Non-Delivery	0.300	-	-	-	-	0.300
			Total New Pressures	2.201	(0.236)	0.001	0.171	0.001	2.138
			Total Pressures	2.009	(0.222)	0.013	0.171	0.001	1.972

Budget and Business Planning Process High Level Timetable

Action	Date
Budget and Business Planning Process Report considered by Executive	3 July 2023
Budget Consultation Published	End November 2023
Budget Proposals considered by BPC	5 December 2023
Council Tax Reduction Scheme considered by Council	18 December 2023
Provisional Local Government Finance Settlement	Mid-December 2023
Council Tax Base considered by Executive	8 January 2024
Draft Treasury Management and Capital & Investment Strategies considered by AARC	17 January 2024
Draft Capital & Investment Strategies considered by BPC	23 January 2024
Proposed Budget from Executive	5 February 2024
Council to agree 2024/25 Budget	26 February 2024

CHERWELL DISTRICT COUNCIL RESERVES POLICY

1. Background

- 1.1. The purpose of this policy is to set out how Cherwell District Council (CDC) will determine and review its overall level of reserves and how it uses them.
- 1.2. Sections 31A and 42A of the Local Government Finance Act 1992 require authorities to have regard to the level of balances and reserves needed for meeting estimated future expenditure when calculating the council tax requirement.
- 1.3. CDC has usable reserves and unusable reserves on its Balance Sheet. The unusable reserves are as a result of accounting adjustments and are not therefore available to spend. This policy will concentrate on usable reserves.

2. General Policy

- 2.1. Usable reserves can be split into the following categories:
 - General Balances
 - Earmarked Reserves
 - Revenue Grant Related Reserves
 - Capital Reserves
- 2.2. CDC maintains usable reserves primarily for the following reasons:
 - The need to put aside sums in case of unexpected or unplanned events or emergencies.
 - To smooth out the impact of payments on the revenue account
 - To cover timing differences such as grant money received in any given year where expenditure takes place in a later year
 - To provide pump prime funding for projects to deliver changes in working practices on an invest to save basis. Any approved use on this basis must include an agreed repayment plan
 - A means of building up funds to meet known or predicted liabilities
- 2.3. Reserves can only be used on a one-off basis which means that their application does not offer a permanent solution to delivering savings or reductions in the level of expenditure.

3. Usable Reserves

3.1. General Balances

3.1.1. These are funds that do not have restrictions as to their use. CDC can use them for any purpose within the General Fund. The purpose of general reserves is to manage the impact of exceptional emergencies and unforeseen events. Without such reserves the potential financial impact of these unforeseen events could cause a financial deficit in the General Fund, which would be severely disruptive to the effective operation of the authority.

3.2. Earmarked Reserves

3.2.1. Earmarked Reserves enable CDC to set aside sums to meet specific future anticipated liabilities. Funds could be set aside for items such as (but not limited to):

- cyclical maintenance,
- cyclical events such as elections,
- income generated that must be spent on specific purposes,
- managing market volatility (e.g. commercial rent)
- insurance.

3.2.2. Earmarked reserves should not be held for a sustained period of time as they are held for a specific purpose¹. Where earmarked reserves are no longer required for their original purpose or are not expected to be spent over the medium term they should be reviewed and a decision made on using for alternative purposes.

3.2.3. In line with financial regulations, where a service has generated a service underspend as part of its day to day running, this should not be requested to be set aside as an earmarked reserve without a specific purpose; it should contribute to the overall benefit of CDC's financial position and the achievement of its corporate objectives.

3.2.4. The request to use earmarked reserves, create new earmarked reserves or contribute to existing earmarked reserves (where not approved as part of the budget) must be approved by the Executive. The allocation of Earmarked Reserves will be made when services can demonstrate that the funding is required for that particular purpose.

3.3. Revenue Grant Related Reserves

3.3.1. These reserves relate to the unused element of grant support for which the conditions of the grant are expected to be met. The reserves will be used to meet future years' expenditure for the service for which the grant was awarded. These reserves are managed by Directors.

3.3.2. CDC holds various Section 106 reserves which were contributed by private companies to improve the local community. The fund must be used for the specific scheme and within the agreed timescale. If funds are not used they need to be returned back to the contributors.

¹ with the exception of insurance reserves held to manage risk for which it is difficult to forecast when they will be called upon

3.3.3. Use of these reserves should be planned as part of the budget setting process. Use of these reserves during the financial year requires approval by the Section 151 Officer.

3.4. Capital Reserves:

3.4.1. These are reserves that have been set aside to finance capital schemes and cannot be used to support revenue expenditure without the consent of the Secretary of State for Local Government. These reserves comprise:

- Capital Receipts Reserve reflects the income received from the disposal of capital assets prior to being used to fund future capital expenditure or for the redemption of debt. Capital receipts cannot be used to fund revenue expenditure except where allowed by statute. CDC will allocate resources from the Capital Receipts Reserve in line with its priorities
- Capital Grants Unapplied reflects the unused element of capital grants or capital contributions awarded to CDC, for which the conditions of the grant support are expected to be met or for which there are no conditions. The reserve will be used to meet future years' capital expenditure in a way which best fits with CDC's priorities.

4. **Determining the Level of General Balances and Earmarked Reserves**

4.1. CDC must maintain sufficient general balances and earmarked reserves to cover the key financial risks and contingencies.

4.2. Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and council tax precept, the Chief Finance Officer must report on the adequacy of the proposed financial reserves

4.3. As part of the budget setting process the Section 151 Officer will consider and assess the level of general balances and earmarked reserves. Consideration will be given to the strategic, operational and financial risks facing CDC.

4.4. Major factors to be considered when evaluating the level of general balances and earmarked reserves, include but are not limited to the following:

Budget Assumptions	Issues to Consider
Inflation and interest rate volatility	The overall financial standing of CDC
Scale of budget gap over the medium term	The trend of CDC's financial management and the robustness of the MTFS – i.e. is it balanced over the medium term and delivered annually?

Savings delivery	Size, scale, complexity and pace of the savings programme and risks around slippage or non-delivery.
The availability of other funds to deal with major contingencies and the adequacy of provisions	The adequacy of CDC's arrangements to cover major unforeseen risks.
Income streams	Volatility in levels of income
Government funding	Political landscape and approach to allocating funding across local government

5. Governance and Review

- 5.1. The Council recognises the need to hold and maintain adequate reserves that meet the needs of the organisation. However, there is an opportunity cost as a result of the Council allocating resources away from other potential uses. It is therefore essential for the Section 151 Officer to regularly review the purpose and level of reserves.
- 5.2. All anticipated use of reserves should be understood and recognised as part of the budget setting process and agreed when Council approves the budget.
- 5.3. Any identified use of, or contribution to, reserves after the budget has been set should be approved by the Executive, or the Section 151 Officer in the case of grant reserves, prior to the budget being changed. Uses should be for specific purposes for which reserves have been set aside and not to address savings non-delivery or budget pressures. Contributions to reserves should be for specific costs expected to be incurred in the future.
- 5.4. The reserves position is reported quarterly as part of the revenue monitoring process. The planned usage of reserves is also included as part of the budget setting process. In addition the level and use of reserves is reported and reviewed during the closedown process.
- 5.5. The reserves policy will be reviewed annually as part of the budget setting process.

6. Use of Reserves Approval

- 6.1. Table 1 below shows the level of approval required to use or contribute to usable reserves.

Table 1 Level of approval required for requested use of or contribution to reserves

Type of Reserves	Level of Approval Required
General Reserves and Balances	Executive*
Earmarked Reserves	Executive*
Revenue and Capital Grant Related Reserves	Section 151 Officer
Capital Reserves**	Executive*

* Unless previously approved by Full Council as part of approval of the budget

** Approval required for contribution from reserves only

- 6.2 The current trend for external audits to extend beyond the end of the next financial accounting year can result in changes to the accounts which could have an impact on useable reserves. Therefore, for changes to and from useable reserves which come about as a result of external audit following the submission of the annual outturn report, the Section 151 Officer will have delegated authority, in consultation with the Portfolio Holder for Finance, to manage the impact on useable reserves of such changes to ensure the long-term resilience of the Council. Any such changes made under this delegated power will be reported to the Executive when the audit is complete.