

Cherwell District Council

Budget Planning Committee

9 December 2021

Budget Proposals 2022/23 – 2026/27

Report of the Director of Finance

This report is public

Purpose of report

This report sets out the capital bids and revenue savings proposals and budget pressures for Cherwell District Council for the period 2022/23 to 2026/27. Feedback on the savings proposals will be taken into account as part of the overall response to the budget consultation. 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 Provide feedback on the capital bids and revenue savings proposals and budget pressures to the Executive to consider in finalising its 2022/23 budget proposal.

2.0 Introduction

- 2.1 Cherwell District Council's (CDC's) Medium Term Financial Strategy (MTFS) agreed at Council in February 2021 identified a significant funding gap between its spending plans and forecast available resources of £7.3m in 2022/23. Therefore, CDC has been aware that it would be required to identify significant savings proposals for 2022/23.
- 2.2 The effects of Covid-19 and the associated financial impacts and uncertainty this has caused have made planning for the 2022/23 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 2022/23 have not been announced and there are no indications of the levels of funding that the Government will provide individual local authorities beyond 2021/22.
- 2.3 The Spending Review published on 27 October 2021, set out sector wide funding levels for 2022/23 – 2024/25 but did not provide the necessary detail for individual local authority allocations. It did indicate that Core Spending Power for local government would increase over this period; this includes assumed increases in income from council tax. It is anticipated that the Government will announce

individual local authority allocations for 2022/23 in mid to late December 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 January 2022, as part of their proposed budget for 2022/23, the Executive will consider feedback from Budget Planning Committee on the budget proposals; it will also consider feedback from the public on the budget consultation taking place. In determining which of the budget proposals will be included in the proposed budget for 2022/23, 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 was announced on 27 October 2021. This set out that:
- The freeze on public sector pay rises will end.
 - There will be an additional £1.5bn of local government funding compared to 2021/22 to be distributed annually as part of the Local Government Finance Settlement.
- 3.2 Whilst the Spending Review confirms headline Local Government-wide allocations, the provisional Local Government Finance Settlement for 2022/23, which sets out the specific levels of funding for councils is not expected to be published until December 2021. It is not clear whether this will be a one-year or multi-year settlement.

Government Grants

- 3.3 There will be £1.5bn of additional grant to be allocated via the Settlement.
- 3.4 There were no announcements about the future of New Homes Bonus (NHB) and how its replacement scheme may operate. Therefore, the Council is continuing to plan on the basis that NHB will continue to be phased out. In line with previous Government announcements this would mean that CDC receive £1.8m in 2022/23.
- 3.5 In 2021/22 CDC received a one-off Lower Tier Services Grant of £0.9m 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

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. The MTFS approved in February 2021 assumed that the Business Rates reset would take place in April 2022 and that the income CDC would be able to retain in 2022/23 was £4.5m. Whilst the estimated Business Rates baseline for 2022/23 was £3.8m, it was also assumed that there would be growth above the baseline retained in 2022/23 of £0.7m. As there has been no announcement from the Government for the

introduction of the Business Rates reset it is now assumed it will not take place in April 2022 and the assumption is that it will now take place in April 2023. Therefore, the current forecast of income CDC will retain from business rates in 2022/23 is £11.2m. There is an expectation that the amount of business rates related income retained by CDC will increase by £0.8m compared to 2021/22.

- 3.7 The reset of business rates now expected in 2023/24 will reduce the amount of business rates related income retained by CDC by £6.6m.

Council Tax

- 3.8 Due to the economic impact of Covid-19, the Council revised its forecasts of Council Tax income down within the MTFS in February 2021. It is currently assumed that Council Tax related income will increase by £0.4m compared to forecasts made in February 2021.
- 3.9 As in previous years, it is anticipated that the Government will place a referendum limit of a £5 increases on Band D Council Tax. Confirmation of the referendum limit is expected as part of the Local Government Finance Settlement. An additional £5 increase has been assumed in each year of the MTFS.

Collection Funds

- 3.10 CDC currently anticipates that it will have a surplus on the Council Tax collection fund for 2021/22 of £0.2m, and a surplus on the 2021/22 Business Rates collection fund of £0.5m, after taking account of compensatory Government grants.

Budget Pressures

- 3.11 In addition to the uncertain outlook in funding, CDC has also identified a number of budget pressures that it is anticipating it will need to fund in 2022/23 and beyond. A large proportion of these relate to losses of income, strengthening services and health and safety/repairs and maintenance.
- 3.12 Pressures identified and proposed to be funded in the period 2022/23 – 2026/27 are set out in Table 1. Details are set out in Appendix 1.

Table 1: Budget Pressures

Directorate	2022/23	2023/24	2024/25	2025/26	2026/27	Ongoing Impact
	£m	£m	£m	£m	£m	£m
Commercial Development, Assets & Investments	0.507	(0.082)	(0.941)	0.371	0.000	(0.145)
Customers, Organisational Development & Resources	0.760	0.020	(0.191)	0.000	0.000	0.589
Environment & Place	0.356	(0.080)	0.000	0.000	0.000	0.276
Wellbeing	0.068	0.000	0.000	(0.035)	0.000	0.033
Housing	0.048	0.000	0.000	0.000	0.000	0.048

Total	1.739	(0.142)	(1.132)	0.336	0.000	0.801
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Financial Impact of Reduced Funding and Budget Pressures

3.13 After considering the changes in funding, pressures and inflation assumptions, in order to set a balanced budget, new savings of £2.6m will be required in 2022/23 as shown in Table 2. As set out in paragraph 3.14, CDC is consulting on the new savings for 2022/23 shown in Table 3 and detailed in Appendix 2.

Table 2: Medium Term Financial Strategy

MTFS Update	2022/23	2023/24	2024/25	2025/26	2026/27	Ongoing Impact
	£m	£m	£m	£m	£m	£m
Funding Gap/(surplus) October Exec Report	1.642	5.496	(0.551)	(0.298)	0.096	6.385
Corporate Updates	(0.774)	(0.370)	1.392	0.740	0.501	1.488
Funding Gap/(surplus) before new pressures and savings	0.868	5.126	0.841	0.442	0.597	7.873
New Pressures	1.739	(0.142)	(1.132)	0.336	0.000	0.801
New Savings Proposals	(2.587)	(0.352)	(0.042)	(0.105)	(0.193)	(3.279)
New Capital Impact	(0.020)	(0.009)	(0.014)	(0.014)	(0.014)	(0.091)
Funding Gap/(Surplus)	0.000	4.623	(0.347)	0.659	0.390	5.325

Savings Proposals

3.14 New savings proposals totalling £2.6m in 2022/23 rising to £3.3m by 2026/27 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	2022/23	2023/24	2024/25	2025/26	2026/27	Ongoing Impact
	£m	£m	£m	£m	£m	£m
Commercial Development, Assets & Investments	(0.603)	(0.051)	0.072	0.023	(0.041)	(0.600)
Customers, Organisational Development & Resources	(0.249)	(0.013)	0.000	0.000	0.000	(0.262)
Environment & Place	(0.847)	(0.288)	(0.102)	(0.103)	(0.102)	(1.442)
Housing	(0.250)	0.000	0.000	0.000	0.000	(0.250)
Wellbeing	(0.625)	0.000	(0.012)	(0.025)	(0.050)	(0.712)
Corporate	(0.013)	0.000	0.000	0.000	0.000	(0.013)

Total Savings Proposals	(2.587)	(0.352)	(0.042)	(0.105)	(0.193)	(3.279)
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Medium Term Financial Forecast

- 3.15 The latest assumption is that the implementation of new funding reforms including a business rates reset will take place in 2023/24. The Spending Review did announce additional resources for local government as a sector beyond the forthcoming year to 2024/25, but details of its distribution will not be available until the Local Government Finance Settlement is published in mid to late December. Similarly, whilst the Spending Review covered the period 2022/23 – 2024/25, it is not clear whether at the Local Government Finance Settlement will be for one year or three. Furthermore, there have been no further announcements as to how the revised New Homes Bonus scheme could operate. Therefore, the Council continues to assume these will reduce in line with previous announcements.
- 3.16 CDC currently anticipates that it will have £8.1m less funding in 2023/24 compared to 2022/23. This significant reduction is driving the overall need to identify a further £4.6m of savings in 2023/24. Therefore, CDC has considerably more work to do to identify the additional savings that will be required in 2023/24. This forecast is carried out at a time of considerable uncertainty surrounding Local Government resources following the Spending Review announcement. 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 2022/23

- 3.17 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 following Climate Action, Including Everyone and approach to Covid-19 recovery and renewal will also be key in supporting the four overarching strategic priorities and delivering the vision.

Capital Bids

- 3.18 CDC has had a considerable capital programme in recent years, funding projects such as Castle Quay. In recognition that the Council is consulting on significant levels of revenue savings in 2022/23 and with further savings anticipated in future years, the value of new capital bids proposed for 2022/23 has been kept to a minimum. The capital bids have a total value of £3.8m with a cost of £3.7m in 2022/23. These have a focus on spend to save, health and safety and maintenance proposals to minimise the additional borrowing costs that will need to be included in the revenue budget. The largest individual bid is for £3m to enable land to be purchased for 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	Total Project Cost £m	Profiled Spend 2022/23 £m
Commercial Development, Assets & Investments	0.505	0.505
Customers, Organisational Development & Resources	0.175	0.055
Environment & Place	3.125	3.115
Housing	0.000	0.000
Wellbeing	0.032	0.032
Grand Total	3.837	3.707

Budget Approval

- 3.19 Executive will make its budget proposal to Council on 7 February 2022 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:
- Business Plan 2022
 - 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
- 3.20 Council will then consider the Budget at its meeting on 28 February 2022.

Equality Impact

- 3.21 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.'
- 3.22 In developing budget proposals, services have considered the potential impact of change with respect to equality, diversity and inclusion, in line with our new framework: *Including Everyone*. The budget consultation document summarises each service proposal and the response to the consultation will help inform the final assessment of equality impact. Following the public consultation, 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 2022 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 and revenue savings proposals and budget pressures for 2022/23 and beyond. This will form part of the overall consultation process for the production of the 2022/23 Budget and Business Plan.

5.0 Consultation

5.1 Budget Planning Committee is meeting to discuss the budget proposals as part of the overall consultation on CDC's budget for 2022/23.

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 2022/23, which will be proposed by the Executive and then considered by Council in February 2022.

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 2022/23 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 2 December, form part of that process.

Comments checked by:

Christopher Mace, Solicitor, Email: christopher.mace@cherwell-dc.gov.uk; Tel: 01295 221808

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 2022/23.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes 01295 221786
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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:

Emily Schofield, Acting Head of Strategy, Tel: 07881 311707, Email:
Emily.schofield@cherwell-dc.gov.uk

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.
- 7.7 The proposal to increase parking charges could reduce district-wide carbon emissions by encouraging drivers to walk, cycle or use public transport.

Comments checked by:

Sandra Fisher-Martins, Programme Manager; Climate Action,
Email: Sandra.fisher-martins@cherwell-dc.gov.uk

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 2022/23 – Budget Proposals
- Appendix 4a – Car Parking ECIA
- Appendix 4b – CCTV Network ECIA
- Appendix 4c – Healthy Place Shaping ECIA
- Appendix 4d – Land Charges ECIA
- Appendix 5 – Overarching Draft Climate Impact Assessment

Background papers

- None

Reference Information

- [2022/23 Budget Consultation Document](#)

Report Author and contact details

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