

# **Cherwell District Council**

## **Executive**

**7 February 2022**

### **Budget Setting for 2022/23 and the Medium-Term Financial Strategy up to 2026/27**

#### **Report of Director of Finance**

This report is public

#### **Purpose of report**

This report is the culmination of the Budget and Business Planning process for 2022/23 to 2026/27 and sets out the Executive's proposed Business Plan and related revenue budget for 2022/23, medium term financial strategy to 2026/27, capital programme to 2026/27 and all supporting policies, strategies and information.

#### **1.0 Recommendations**

##### **The Executive is recommended to:**

- 1.1 Approve the proposed Fees and Charges for 2022/23 (Appendix 6).
- 1.2 Note the equality impact assessment of the Budget (Appendix 7).
- 1.3 Note the Report on Responses to the Budget Consultation (Appendix 8).
- 1.4 Approve the Reserves Policy (Appendix 13) and medium-term reserves plan described in Appendix 15.
- 1.5 Delegate authority to the Section 151 Officer (S151), following consultation with the Leader of the Council and Lead Member for Finance, to complete the legal Council Tax calculations once all the information required has been received.
- 1.6 Delegate authority to the S151, following consultation with the Leader of the Council and Lead Member for Finance, to make appropriate changes to the Executive's proposed budget to Council.

##### **The Executive is recommended to recommend to Council:**

- 1.7 In relation to the Business Plan (Section 3.1):
  - 1.7.1 Approve the Business Plan set out in Appendix 1.
- 1.8 In relation to the Revenue Budget (Section 3.2) and Medium-Term Financial Strategy (MTFS) (Section 3.5):

- 1.8.1 That the net revenue budget for the financial year commencing on 1 April 2022, as set out in Table 3.2.1, and further analysed in the Budget Book provided at Appendix 11, be approved.
  - 1.8.2 The MTFs and Revenue Budget 2022/23 (Sections 3.5 and 3.2 respectively), including the Savings Proposals, and Pressures included at Appendices 3 and 4 respectively.
- 1.9 In relation to Council Tax:
- 1.9.1 An increase in the Basic Amount of Council Tax for Cherwell District Council for the financial year beginning on 1 April 2022 of £5, resulting in a Band D charge of £143.50 per annum.
- 1.10 In relation to the Capital Programme and related strategies (Section 3.3) to approve:
- 1.10.1.1 The Capital Bids and Capital Programme at Appendix 16 and 17 respectively.
  - 1.10.2 The Capital and Investment Strategy (Appendix 18).
  - 1.10.3 The Treasury Management Strategy, including the Prudential Indicators, Minimum Revenue Provision (MRP) Policy and Affordable Borrowing Limit for 2022/23 (Appendix 19).
  - 1.10.4 The Property Investment Strategy (Appendix 20).
- 1.11 In relation to reserves to:
- 1.11.1 Approve a minimum level of General Balances of £6m.

## **2.0 Introduction**

- 2.1 The Budget and Business Planning report to Council on 28 February 2022 will be set out in four sections:
- 1. Business Plan
  - 2. S151 Officer's Statutory Report
  - 3. Revenue Budget Strategy
  - 4. Capital & Investment Strategy
- 2.2 This report sets out Executive's proposed Business Plan, Revenue Budget Strategy and the Capital & Investment Strategy. Alongside this, the report also sets out the Review of Fees and Charges for 2022/23.
- 2.3 The Executive's Business Plan and revenue and capital budget proposals take into consideration the latest information on the council's financial position outlined in this report and comments from the Budget Planning Committee meeting on 9 December 2021. Comments from the Budget Planning Committee are included as Appendix 8 to this report. In finalising the proposals, the Executive has also taken into consideration feedback from the public consultation on the Business Plan priorities,

revenue budget proposals and council tax increase. An analysis of the responses to the consultation accompanies the budget proposals at Appendix 8.

- 2.4 Recent announcements from Government have confirmed that the significant changes to the way they fund local authorities over the medium term has been delayed. The latest indications are that those changes will begin to take effect from 2023/24. All the information and intelligence received indicates that this will present CDC with a substantial financial challenge over the medium term, which the Council needs to prepare for as it sets the budget for 2022/23.
- 2.5 On Thursday 16 December 2021, the government published a provisional one-year settlement for Local Government which can be found here <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2022-to-2023>
- 2.6 The impact for CDC of this one-year settlement can be summarised as follows:
- With a focus of the settlement on stability, it is essentially a “roll-forward” of funding
  - Confirmation that Council Tax can be raised by 2% or £5, whichever is greater (for CDC this is £5)
  - That anticipated New Homes Bonus legacy payments announced in 2019/20 will be fully funded.
  - That a one-year only New Homes Bonus award for 2022/23 has been allocated to CDC
- 2.7 The settlement was broadly as expected following announcements in the Spending Review announced on 25 November 2020 with additional one-off funding announced for 2022/23. CDC had built its financial models on the indicative information provided at that point. The Government has also provided a one-off continuation of Lower Tier Services grant to ensure that CDC will not have a reduction in resources from Government in 2022/23.
- 2.8 In order to support the Council with its task of approving the budget for 2022/23 this report explains and explores the impacts of the various building blocks that make up the final budget of the Council including:
- estimated impact of the financial outturn for the Council for 2021/22
  - cost of the services that the Council provides
  - commercial activity and income
  - financing the Council (borrowing and investments)
  - inflationary and other price change impacts
  - budget proposals (savings and pressures)
  - capital investment proposals
  - reserves and the use of reserves to support the budget
  - an assessment of the financial resilience of the Council
  - national funding assumptions for future years and the medium-term funding gap
- 2.9 This report will set out the Business Plan for 2022/23 and show how each of the above elements support the development of the delivery of the plan by setting a budget for 2022/23, the longer term MTFs, and will then summarise the next steps

that will allow the Council to consider, approve and set balanced budgets over the MTFS period.

### **3.0 Report Details**

#### **3.1 Business Plan**

- 3.1.1 Each year the Council reviews and updates its annual Business Plan, setting out the priorities and high-level objectives for the year ahead as found in Appendix 1.
- 3.1.2 The Business Plan informs the development of the annual budget and the operational Service Plans for the delivery of all Council services. The Service Plans will set out the activities that each service will undertake to deliver against the priorities set out in the Business Plan. Ultimately, these activities will be reflected in the individual objectives of employees providing a clear 'golden thread' through the organisation for the delivery of the Council's priorities.
- 3.1.3 This year the Business Plan has been updated in line with the budget setting process outlined above. The four strategic priorities are as outlined below:
- **Housing that meets your needs;**
  - **Supporting on environmental sustainability;**
  - **An enterprising economy with strong and vibrant local centres;**
  - **Healthy, resilient and engaged communities.**
- 3.1.4 Housing that meets your needs re-emphasises this Council's commitment to making sure its residents all have the opportunity to access housing that is suitable for them, whether this is through supporting the delivery of affordable and green housing, ensuring minimum standards in the private rented sector, working with partners to prevent homelessness, supporting the most vulnerable residents or through delivery of the Local Plan.
- 3.1.5 Supporting on environmental sustainability builds on the Council's commitment to be carbon neutral by 2030 in addition to focusing on the priorities of its residents including supporting waste reduction, reuse and recycling across the district which are already highly regarded by residents. Promoting the Green economy and working with partners to improve air quality are also the Council's priorities. Climate action is a key focus for the Council, transforming the organisation to deliver its carbon neutral commitments.
- 3.1.6 A strong and enterprising economy has long been a priority of the Council, with a strong track record of supporting businesses and investing in its town centres which is a key priority for its residents. An enterprising economy with strong and vibrant local centres, reinforces this commitment for Cherwell to be a district where business can grow, attract investment and visitors to the town centres across the district.

The wellbeing of its residents and communities has always been a priority for this Council. The healthy, resilient and engaged communities priority retains its focus on ensuring residents and communities are as active and healthy as possible. Supporting community and cultural development and working towards our

continued commitment to equalities, diversity and inclusion. This Council will continue to work with partners to address the causes of health inequality and deprivation across the district. The Council will continue to work with partners in the health and voluntary sectors to help our local businesses' and residents' recovery and renewal from Covid-19, and ensure together, we are in a stronger position to meet the health, economic and social challenges of the future.

3.1.7 The four priorities are supported by seven themes that shape and influence the work of every service across the Council and reflect local priorities and the national context:

- **Customers** - To deliver high quality, accessible and convenient services that are right first time.
- **Healthy Places** - Working collaboratively to create sustainable, thriving communities that support good lifestyle choices.
- **Partnerships** - Work with partners across all sectors to deliver and improve services for our residents and communities.
- **Continuous Improvement** - Making the best use of our resources and focusing on improvement, innovation and staff development to maintain and enhance services.
- **Climate Action** - Support residents and local businesses to reduce their carbon emissions. Continue to transform our own estate to deliver our carbon neutral commitments.
- **Including Everyone** - Our Equalities, Diversity and Inclusion framework outlines how we are seeking to create more inclusive communities, services and workplaces in Cherwell.
- **COVID-19 Recovery Strategy** - Work with partners in the health and voluntary sectors to help our local business and residents respond, and ensure together, we are in a stronger position to meet the health, economic and social challenges of the future.

3.1.8 The service plans, operational plans detailing performance measures and outcomes are captured as part of the 2022-23 performance management framework and will link to the Council's Leadership Risk Register. The Council will report on progress against the Business Plan to Executive on a monthly basis through the Performance, Risk and Finance report. Leadership risks will also be linked to the corporate priorities.

## 3.2 Revenue Budget Strategy

### Forecast Financial Outturn 2021/22

3.2.1 The Budget Planning Committee and the Executive regularly review the forecast outturn as part of the Performance, Risk and Finance report. 2021/22 has been a challenging year in continuing to deal with the ongoing impact of the COVID-19 pandemic whilst continuing to deliver Council services.

3.2.2 The forecast outturn position as at 30 November 2021 is an overspend of £0.2m. The Council anticipates that it will be able to manage this before the year end and so should not impact on the Council's reserves position. There are a number of savings proposals from 2021/22 which have not been fully delivered. Where this

has been identified and there is an anticipated impact in future years, this has been taken into account within the budget proposals for 2022/23.

- 3.2.3 Managers have considered their current operational and financial performance when considering their future year budget requirements and where necessary included growth pressures or proposed budget reductions as part of the budget setting process. These are described later in this report. The budget requirements and the changes requested by managers have been scrutinised by senior managers over a number of individual sessions allowing for challenge and consideration across the range of Council budgets. This helps to ensure the proposals align with the Council’s objectives.

### **Net Cost of Services for 2022/23**

- 3.2.4 Having reviewed the impact of prior years’ financial information, the next step in setting a budget is to consider the “Net Cost of Services” which includes the costs and income streams directly attributable to service delivery and commercial activities. Table 3.2.1 summarises the draft budget for 2022/23 by directorate.

Table 3.2.1: Net Cost of Services

<b>Directorate</b>	<b>Net Cost of Services 2022/23 £m</b>
CDA&I	(0.377)
CODR	6.513
Environment & Place	6.145
Housing	1.651
Wellbeing	1.690
<b>Service Sub-total</b>	<b>15.622</b>
Corporate Costs	4.240
Policy Contingency	3.630
<b>Net Cost of Services</b>	<b>23.492</b>

- 3.2.5 The largest proportion of the expenditure budget, excluding benefits payments, is spent on staffing (45%).
- 3.2.6 Service income streams that are assumed within the net cost of services include fees and charges (e.g. planning fee income, income from car parks, licences etc.), service specific grants and rental income from all council-owned properties. For information on categories of Income and Expenditure, please see Appendix 5 for a summary by type of expenditure and Appendix 11 for more detail at a Directorate level.
- 3.2.7 A thorough review of service levels and budgets has taken place and savings identified at Appendix 3 that will allow the Council to operate within the level of resources that it anticipates will be available to it in 2022/23. Full monitoring of the savings programme will take place throughout 2022/23.

## **Commercial Property**

3.2.8 Whilst commercial property sits within the net costs of services it is worth reflecting on the part this plays in terms of the overall budget of the Council. The Council holds 125 land, building and investment assets in its asset register that it uses for a variety of functions including:

- Operational assets - services delivered or operated out of these properties as well as assets leased out for community activities (such as leisure and community centres)
- Landholdings
- Commercial properties – these properties are major drivers in the Council's economic development strategy for Cherwell and additionally are income producing.

3.2.9 The Council in recent years has expanded its commercial property portfolio that both supports the local economy by providing good quality properties for rent by local businesses but also to help regenerate its town centres. The Council plays a leading role in actively influencing and working in partnership with others to stimulate redevelopment of our town centres. This will continue to be an area of activity going forward as the Council continues to support recovery from COVID-19. Any surplus revenue streams generated by these properties will be available to support the rest of the Council as other funding sources reduce.

3.2.10 The Investment portfolio comprises 23 properties in the following primary groupings:

- Retail properties (e.g. Castle Quay, High Street units)
- Mixed use commercial properties (e.g., Bridge Street)
- Industrial estate (e.g. Tramway Industrial Estate, Antelope Garage, Thorpe Estate)
- Local Centres (e.g. Bradley Arcade, Ferriston, Orchard Way, etc)

3.2.11 In setting the budget for 2022/23, the Council has considered any changes in tenancy arrangements and the gross income budget has been set at £6.3m.

## **Budget Proposals (Inflation, Pressures, and Savings)**

### **Inflation**

3.2.12 The Council has provided for inflation within the budget. It assumes that there will be a 2.5% pay award in 2022/23 following the announcement by the Government that the public sector pay freeze would end. In future years pay awards are assumed to increase at 2.5% annually. Contract inflation is expected to increase at 6% in 2022/23 and by 2% thereafter and income from sales fees and charges has been assumed to increase by 2% annually. A schedule of proposed fees and charges is set out in Appendix 6.

## Directorate Budget Pressures

3.2.13 The Council has identified new budget pressures of £1.7m for 2022/23 and a further £0.5m of savings non-delivery. Budget Pressures funded on a one-off basis in 2021/22 have fallen by (£3.3m) resulting in an overall reduction in budget pressures of (£1.1m). The full schedule of existing and new pressures can be seen at Appendix 4. Table 3.2.2 summarises the Pressures which have been included within the Net Cost of Services.

Table 3.2.2: Pressures

Directorate	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Ongoing Impact £m
CDA&I	(1.314)	(0.471)	(0.571)	0.383	0.000	(1.973)
CODR	0.849	0.020	(0.191)	0.000	0.000	0.678
Environment & Place	0.656	(0.231)	0.000	0.000	0.000	0.425
Housing	0.039	0.000	0.000	0.000	0.000	0.039
Wellbeing	0.016	(0.027)	0.000	(0.035)	0.000	(0.046)
Exec Matters	0.000	(0.052)	0.000	0.000	0.000	(0.052)
Policy Contingency	(1.384)	0.000	0.000	0.000	0.000	(1.384)
<b>Total Pressures</b>	<b>(1.138)</b>	<b>(0.761)</b>	<b>(0.762)</b>	<b>0.348</b>	<b>0.000</b>	<b>(2.313)</b>
Prior Year Pressures	(3.384)	(0.619)	0.370	0.012	0.000	(3.621)
Savings Non-delivery	0.466					0.466
New Pressures	1.780	(0.142)	(1.132)	0.336	0.000	0.842
<b>Total Pressures</b>	<b>(1.138)</b>	<b>(0.761)</b>	<b>(0.762)</b>	<b>0.348</b>	<b>0.000</b>	<b>(2.313)</b>

## Savings Proposals

3.2.14 In total, savings of £2.9m are proposed for 2022/23, of which £0.5m were previously planned and £2.4m are new savings proposals. In December 2021, the Council consulted on £2.6m new savings proposals. After receiving consultation responses and considering the level of resources available to it following the Local Government Finance Settlement, the Council has amended its savings proposals. The full schedule of savings can be seen at Appendix 3.

3.2.15 The Council is grateful to all that responded to the budget consultation, with 176 responses received. The majority of respondents favoured reducing costs through flexible working, redesigning services and using digital technology to operate more effectively. A majority of responses were opposed to reducing front-line services. Appendix 8 provides a report on the responses received to the consultation. After reviewing the savings proposals and considering consultation responses it is proposed to make the following changes:

- SCSAF224 – End the financial support for public space CCTV, which the council is not under a duty to provide – following public consultation the Council has decided not to pursue this savings proposal.

- SCARP222 – Increase annual car parking charge of no more than 10p – the savings proposal has been adjusted so that increases in parking charges do not take place less than 12 months after the previous increase.
- SDEBT221 – Review the debt and money advice contract to assess future options and cost reductions – the saving has been rephased to align with the renewal date of the current contract.
- SDEMO222 – It is no longer proposed to set a four-year review cycle for members’ allowances rather than using an independent panel; the current annual arrangements would remain.

Table 3.2.3: Change in New Savings Proposals

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
New savings in Consultation	(2.587)	(0.352)	(0.042)	(0.105)	(0.193)	(3.279)
Revised after consultation:						
SCSAF224 - End the financial support for public space CCTV, which the council is not under a duty to provide	0.099					0.099
SCARP222 - Increase annual car parking charge of no more than 10p per hour	0.034					0.034
SDEBT221 – Phase the review of the debt and money advice contract to assess future options and cost reductions	0.011	(0.011)				0.000
SDEMO222 – Set a four-year review cycle for members’ allowances rather than using an independent panel	0.006			(0.004)	0.004	0.006
Final new Savings Proposals	(2.437)	(0.363)	(0.042)	(0.109)	(0.189)	(3.140)

3.2.16 Table 3.2.4 provides a breakdown of how the total savings of £2.9m for 2022/23 are allocated across the Directorates.

Table 3.2.4: Savings Proposals

Directorate	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Ongoing Impact £m
CDA&I	(0.633)	0.117	0.073	0.020	(0.036)	(0.459)
CODR	(0.244)	(0.013)	0.000	0.000	0.000	(0.257)
Environment & Place	(1.549)	(0.598)	(0.224)	(0.103)	(0.102)	(2.576)
Housing	(0.239)	(0.011)	0.000	0.000	0.000	(0.250)
Wellbeing	(0.229)	0.000	(0.012)	(0.025)	(0.050)	(0.316)
Corporate	(0.013)	0.000	0.000	0.000	0.000	(0.013)
<b>Total Savings Proposals</b>	<b>(2.907)</b>	<b>(0.505)</b>	<b>(0.163)</b>	<b>(0.108)</b>	<b>(0.188)</b>	<b>(3.871)</b>
Prior Year Savings	(0.470)	(0.142)	(0.121)	0.001	0.001	(0.731)
New Savings	(2.437)	(0.363)	(0.042)	(0.109)	(0.189)	(3.140)
<b>Total Savings</b>	<b>(2.907)</b>	<b>(0.505)</b>	<b>(0.163)</b>	<b>(0.108)</b>	<b>(0.188)</b>	<b>(3.871)</b>

<b>Proposals</b>						
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3.2.17 All of the pressures and savings proposals are included in the proposed budget for 2022/23 which would allow a balanced and legal budget to be set.

### Executive Matters

3.2.18 Executive Matters includes non-service costs including borrowing costs, interest receivable, contributions to reserves and a Policy Contingency budget. The Executive Matters budget also includes non-ringfenced general grants.

3.2.19 COVID-19 has continued to have a significant impact on the finances and services of the Council in 2021/22. As it is unclear what the impacts of COVID-19 will be in 2022/23 the Council has continued with a Policy Contingency for COVID-19 in 2022/23 of £1.1m linked to commercial risk. This contingency is to protect the Council in case it suffers losses of income or increases to contract costs compared to the normal budget position.

3.2.20 In addition, the Council has set aside an inflation contingency and a redundancy and pension fund strain contingency. Table 3.2.5 shows the provisions that have been made in the Policy Contingency budget:

Table 3.2.5: Contingencies

<b>Policy Contingency</b>	<b>2022/23 £m</b>
Inflation Contingency	0.655
Affordable Housing	1.200
Commercial Risk	1.100
General Contingency	0.300
Separation Costs Contingency	0.375
<b>Total</b>	<b>3.630</b>

3.2.21 Table 3.2.6 Below shows the movement from the approved 2021/22 budget to the draft budget for 2022/23.

Table 3.2.6: Budget Movement from 2021/22 to 2022/23

<b>Directorate</b>	<b>2021/22 Budget £m</b>	<b>Pressures £m</b>	<b>Savings Proposals £m</b>	<b>Capital Impact £m</b>	<b>Corporate Changes £m</b>	<b>Use of Reserves £m</b>	<b>Grants £m</b>	<b>Inflation £m</b>	<b>2022/23 Budget £m</b>
CDA&I	1.678	(1.314)	(0.633)	(0.016)	(0.069)	(0.090)	0.000	0.067	(0.377)
CODR	5.686	0.849	(0.244)	(0.020)	0.067	0.010	0.055	0.110	6.513
Corporate	0.000	0.000	(0.013)	0.000	0.000	0.000	0.000	0.000	(0.013)
Environment & Place	6.698	0.656	(1.549)	(0.025)	(0.025)	0.131	0.000	0.259	6.145

Exec Matters	2.768	0.000	0.000	0.000	3.173	(2.152)	0.463	0.000	4.253
Housing	1.844	0.039	(0.239)	0.000	0.000	(0.026)	0.000	0.033	1.651
Policy									
Contingency	1.884	(1.384)	0.000	0.000	2.975	0.000	0.000	0.155	3.630
Wellbeing	1.816	0.016	(0.229)	0.000	0.000	0.038	0.000	0.049	1.690
<b>2022/23 Budget</b>	<b>22.374</b>	<b>(1.138)</b>	<b>(2.907)</b>	<b>(0.061)</b>	<b>6.121</b>	<b>(2.089)</b>	<b>0.518</b>	<b>0.673</b>	<b>23.492</b>

## Council Financing

3.2.22 In addition to the fees and charges income streams and grant funding recorded in the Net Cost of Services, the Council funds the balance of its activities from the following sources:

### 3.2.23 Business Rates Retention

Under the business rates retention scheme, 50% of the business rates collected is retained locally and shared between CDC (40%) as the billing authority, and Oxfordshire County Council (10%) as the major precepting authority, the remaining 50% goes to central government.

The Council, as the billing authority, is required before the beginning of a financial year, to forecast the amount of business rates collectable during the year. The NNDR1 form provides a tool to enable authorities to do this and it must be submitted to the Secretary of State and major precepting authorities by 31 January each year.

The Council sets its business rates income budget based on the NNDR1 form and the following:

- The Government deducts a tariff on business rates collected as a way to redistribute business rates collected based on need.
- A levy is also deducted by the Government for on growth in business rates above the baseline set in 2013/14 determined by the Government.
- CDC has entered a pooling arrangement with the other councils in Oxfordshire to ensure that this growth is retained within the county. CDC is able to retain an element of this “pooling benefit”.
- CDC must also take account of the estimated surplus/deficit on its business rates income in 2021/22. This compares the level of business rates collectable in 2021/22 compared to the estimate it made when setting the budget for 2021/22.
- Section 31 Grants are paid to compensate CDC for government changes to the business rates policy which has resulted in CDC generating lower business rates income than it otherwise would have done.

The resources retained by the Council from business rates are summarised in Table 3.2.7.

Table 3.2.7: Resources retained from business rates related income

Business Rates Breakdown	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Business Rates	(34.955)	(6.939)	(1.039)	(1.046)	(0.913)
Business Rates Deductions	33.539	5.339	0.764	0.844	0.766
Business Rates Pooling Gain	(2.210)	2.210	0.000	0.000	0.000
Business Rates Collection Fund (Surplus) / Deficit	0.155	(0.155)	0.000	0.000	0.000
S31 grants	(7.927)	6.299	(0.031)	(0.031)	0.122
<b>Grand Total</b>	<b>(11.398)</b>	<b>6.754</b>	<b>(0.306)</b>	<b>(0.233)</b>	<b>(0.025)</b>

Movements from 2023/24 onwards are annual incremental changes from the previous year

Any variance between the actual business rates income billed and accounted for compared to the NNDR1 estimate at the beginning of the year is managed through the Collection Fund.

It is estimated that there will be a Collection Fund deficit on business rates of £0.155m which has been taken account in setting the business rates income budget and summarised in Table 3.2.8 below.

Table 3.2.8: Business Rates (Surplus)/Deficit Calculation

Business Rates Deficit	2022/23 £m
2020/21 deficit	0.666
2021/22 deficit relating to business rates reliefs	9.842
Use of S31 Reserve	(10.324)
1/3 2020/21 deficit <sup>1</sup>	0.029
<b>Business Rates Deficit</b>	<b>0.155</b>

Shortly after CDC set the 2021/22 budget for business rates income, the Government announced business rates reliefs to assist businesses through the economic challenges of the Covid-19 pandemic. To support local government the Government provided grant payments in lieu of the lost business rates income. CDC has held these grants in reserves in 2021/22 which will be used in 2022/23 to offset the 2021/22 deficit and the difference between the forecast and actual 2020/21 deficit.

### 3.2.24 Other Grants

#### Grants supporting the Net Cost of Services:

New Homes Bonus: The Council expects to receive £3.5m in 2022/23 comprising a payment for 2021/22 and the final year legacy payment for 2019/20. It is not known how the Government intends to replace this regime; a consultation took place in 2021/22 but no response to the consultation has been announced.

<sup>1</sup> The 2020/21 estimated deficit was spread equally across 2021/22, 2022/23 and 2023/24 to mitigate the impacts of COVID-19

Revenue Support Grant: Due to the roll forward of funding, the Council expects to receive £0.1m in 2022/23 which has increased in line with inflation compared to last year. RSG is then expected to be zero in future years.

**Grant Funding within the Net Cost of Services:**

The Government announced that Lower Tier Services Grant would continue for 2022/23 to ensure that the Council did not suffer a reduction in the allocations of funding received from Government. There will also be a new one-off Services Grant for 2022/23. The Council will receive £1.1m and £0.3m from these grants respectively.

The Council also receives ringfenced grants for specific purposes. These are allocated directly to the Directorates to be spent in line with the grant conditions. A breakdown of all government grant income assumed within the budget is at Appendix 12.

**3.2.25 Council Tax**

The council tax requirement of CDC for 2022/23 is £8.2m and the tax base has been set at 56,801.6. A £5 increase to the rate of Council Tax has been assumed; from £138.50 to £143.50. This is the maximum increase the Council can propose, without the need to hold a referendum.

The Council has considered the amount of council tax that it anticipates it will collect in 2021/22 compared to the estimate it made when setting the 2021/22 budget. The Council expects there to be a surplus to be taken into account of (£0.4m).

Table 3.2.9: Breakdown of Council Tax Income

	<b>£m</b>
Council Tax (Surplus)/Deficit	(0.360)
Council Tax Requirement	(8.151)
Council Tax Income	(8.511)

3.2.26 The budget for 2022/23 therefore is balanced by these sources of funding as demonstrated in Table 3.2.10.

Table 3.2.10: Financing of Net Cost of Services 2022/23

<b>Full Budget</b>		<b>£m</b>
Net Cost of Services		23.492
<b>Financed by:</b>		
Revenue Support Grant		(0.121)
Council Tax		(8.511)
Business Rates		(11.398)
New Homes Bonus		(3.462)
<b>Balance</b>		<b>0.000</b>

### 3.3 Capital and Investment Strategy

3.3.1 The Capital and Investment Strategy is included at Appendix 18 and reflects the requirements of the Prudential Code including for the S151 to report explicitly on the deliverability, affordability and risks associated with the Strategy.

3.3.2 The Capital and Investment Strategy aims to set a clear framework for capital decision making alongside the Council's Business Plan, vision, and priorities. The Capital Strategy is closely aligned with the Council's service plans, asset review and plans.

#### Capital Programme

3.3.3 The capital programme sets out a plan for investment between 2022/23 and 2026/27. It forms an integral part of the Council's core activity and is an important part of the MTFS.

3.3.4 Capital expenditure can be funded from Revenue, Capital Receipts, Capital Grants, Internal or External Borrowing. External Borrowing is used to manage the cashflow requirements of the Council and whilst it is used to finance the capital programme, it is not linked to individual projects. Details of the Council's expected borrowing for 2022/23 are included in the Treasury Management suite of strategies which are scrutinised by the Accounts, Audit and Risk Committee (AARC) and included in Appendix 19. These were reviewed in draft form and were recommended to the Executive at the AARC meeting on 19 January 2022.

3.3.5 Table 3.3.1 below details the new capital investments proposed for 2021/22 (detailed proposals can be found in Appendix 16). Where these result in a revenue cost or savings, these have been adjusted for in the Net Cost of Services. A list of all proposals in the full capital programme (£18.0m in 2022/23) is set out in Appendix 17. The financial implications of these are incorporated into the MTFS.

Table 3.3.1 – Capital Bids 2022/23 through to 2026/27

Directorates	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total Project Cost £m
Environment & Place	4.315	0.010	0.000	0.000	0.000	4.325
CDA&I	4.005	0.000	0.000	0.000	0.000	4,005
CODR	0.055	0.030	0.030	0.030	0.030	0.175
Wellbeing	1.784	0.000	0.000	0.000	0.000	1.784
<b>Grand Total</b>	<b>10.159</b>	<b>0.040</b>	<b>0.030</b>	<b>0.030</b>	<b>0.030</b>	<b>10.289</b>

### 3.4 Reserves

3.4.1 Reserves are held to ensure the Council can manage and mitigate current and future risk and spending plans. The Council has carried out a review of its reserves

requirements as part of the Budget and Business Planning Process and continues to follow its reserves policy attached at Appendix 13. This has enabled the Council to hold larger, more strategic reserves, rather than smaller earmarked reserves and will allow the Council to use its reserves in a more flexible manner. The Council will regularly review its level of reserves to ensure they remain adequate and appropriate and will continue to be monitored throughout 2022/23.

3.4.2 Table 3.4.1 below shows a summary of the forecast reserves position for 2022/23 to 2026/27. The final outturn position for 2021/22 will be reported to the Executive in June 2022 and the Accounts, Audit and Risk Committee in May 2022, as part of the Council's Statement of Accounts. Appendix 15 provides a breakdown of the proposed use of reserves for 2022/23 and an estimate of how reserves are currently expected to be used to 2026/27.

Table 3.4.1 – Forecast Use of Reserves

	Forecast Balance 1 April 2022	2022/23	2023/24	2024/25	2025/26	2026/27	Expected Balance 1 April 2027
	£m	£m	£m	£m	£m	£m	£m
General Balances	(5.520)	(0.500)	0.000	0.000	0.000	0.000	(6.020)
Earmarked Reserves	(21.932)	2.262	3.594	(2.023)	(2.531)	1.912	(18.717)
Revenue Grants	(4.155)	0.881	0.327	0.243	0.201	0.000	(2.502)
Capital Reserves	(0.690)	0.000	0.000	0.000	0.000	0.000	(0.690)
<b>Sub-TOTAL RESERVES</b>	<b>(32.297)</b>	<b>2.643</b>	<b>3.922</b>	<b>(1.779)</b>	<b>(2.330)</b>	<b>1.912</b>	<b>(27.929)</b>
Revenue Grants relating to cashflow timing	(11.787)	10.324	0.000	0.000	0.000	0.000	(1.463)
<b>TOTAL RESERVES</b>	<b>(44.084)</b>	<b>12.967</b>	<b>3.922</b>	<b>(1.779)</b>	<b>(2.330)</b>	<b>1.912</b>	<b>(29.392)</b>

3.4.3 A risk assessment has been carried out on the level of general balances that CDC holds which is detailed in Appendix 14. This sets out that CDC should hold general balances of at least £6m.

3.4.4 It is the duty of the Section 151 Officer to ensure that the Council retains reserves at a level which provides the Council with financial resilience both in setting the budget for 2022/23 but also looking into the medium term and the MTFS. Reserves can be used for one-off expenditure but should not be used to finance ongoing Council activities.

## 3.5 Medium Term Financial Strategy

### Funding Reforms

3.5.1 The Council expects that local government funding reforms will be implemented in 2023/24. In his speech launching the Provisional Local Government Finance Settlement, Michael Gove, Secretary of State for Levelling Up, Housing and

Communities stated that ‘the government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.’ In addition, Michael Gove stated that ‘as part of [any funding reforms] we will look at options to support local authorities through transitional protection.’

- 3.5.2 As part of funding reforms, a reset of the Business Rates baseline is expected. This would impact CDC significantly as the Council has been consistently collecting above the baseline and retaining 50% of that growth under the current retention scheme. The Council is assuming a reset is introduced in 2023/24, which will significantly reduce the level of resource available to the Council.
- 3.5.3 Government funding of local authorities is based on an assessment of need. The Government is expected to simplify the way need is determined and to make the formula more objective and transparent. However, until a consultation on proposed new arrangements is published by the Government there is no way to accurately forecast the impact. Therefore, the Council has assumed the impact of its implementation is neutral within the MTFS and has been considered as part of the risk assessment of reserves.

### **MTFS Funding Gap**

- 3.5.4 The MTFS as presented in the table below represents the scenario without the benefit of any national transition funding to compensate for the loss of funding following implementation of funding reforms. Planning on this basis is both prudent and sensible and ensures that the Council can respond to any changes coming forward and remain financially sustainable. It is important to note that 2022/23 reflects a balanced budget but it should be acknowledged that there are both planned contributions to and uses of one-off funds from some earmarked reserves. The net use of reserves in 2022/23 is shown above in Table 3.4.1 (£13m). A full schedule of the use of reserves can be found in Appendix 15. For 2023/24 an ongoing funding gap has been identified and the Council has established a strategy that will shape how it looks to review opportunities to reduce this gap and balance the budget in 2023/24.
- 3.5.5 Table 3.5.1 below sets out the Council’s future funding estimates. There remains much uncertainty regarding this position over the medium term with the expected funding reforms. However, estimates are based on the most recent information available from the Government which forecasts the effects of these changes to be in the region of a 30% reduction in funding. This is a result of:
- the phasing out of New Homes Bonus beyond legacy payments and the one-off payment in relation to growth in 2021/22 payable in 2022/23
  - the business rates baseline reset in 2023/24 and growth at 1% thereafter (the Council has grown business rates significantly in recent years and this baseline reset results in the Council losing the benefit of this growth)
  - the cessation of Revenue Support Grant, with the exception of the one-off payment in 2022/23
  - Council Tax increases of £5 per annum with on average 1.6% annual growth of the Council tax base from 2023/24

- No assumptions have been made that the Council will receive any transitional finance support. As set out above, the Government has announced that a reset is likely to be phased. However, there has been no indication of what profile this could take or the period over which the transition will be applied.

3.5.6 The MTFs indicates that, with all of the assumptions around national funding changes, Cherwell will have a gap between its net budget requirement and its funding as shown in Table 3.5.1 below.

3.5.7 Table 3.5.1 below also does not attempt to forecast the outcome of any future spending reviews for local government as these will be based on political priorities at the time. CDC, along with our peers across all tiers of local government, will need to provide evidence and arguments about the totality of funding for CDC services. CDC has always taken an active role in these reviews and will continue to do so both on an individual Council basis but also through our professional bodies and professional peer groups including the District Council Network (DCN), the Local Government Association (LGA) and SDCT (Society of District Council Treasurers).

Table 3.5.1: MTFs 2022/23 – 2026/27 (year on year change)

MTFS Movements	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Base budget brought forward	22.374	0.000	0.000	0.000	0.000
Service Pressures	(1.138)	(0.761)	(0.762)	0.348	0.000
Service Savings Proposals	(2.907)	(0.505)	(0.163)	(0.108)	(0.188)
Capital Impact	(0.061)	0.036	(0.014)	(0.014)	(0.014)
Corporate changes	6.121	(3.699)	0.367	1.570	0.333
Inflation	0.673	0.494	0.494	0.495	0.495
Use of reserves	(2.089)	(1.674)	0.462	0.454	0.472
Additional government grants	0.518	1.312	0.000	0.000	0.000
<b>Net Budget Requirement</b>	<b>23.492</b>	<b>(4.797)</b>	<b>0.384</b>	<b>2.745</b>	<b>1.098</b>
Revenue Support Grant	(0.121)	0.121	0.000	0.000	0.000
Council Tax	(8.511)	(0.043)	(0.455)	(0.411)	(0.407)
Business Rates	(11.398)	6.754	(0.306)	(0.233)	(0.025)
New Homes Bonus	(3.462)	3.462	0.000	0.000	0.000
<b>Total Income</b>	<b>(23.492)</b>	<b>10.294</b>	<b>(0.761)</b>	<b>(0.644)</b>	<b>(0.432)</b>
<b>Funding Gap / (Surplus)</b>	<b>0.000</b>	<b>5.498</b>	<b>(0.377)</b>	<b>2.101</b>	<b>0.666</b>

## **How the MTFS gap is planned to be addressed**

3.5.8 The Council has developed a strategy to meet the challenges highlighted in the MTFS which will include:

- Continue its partnering arrangements in the future including:
  - a) joint contracting and commissioning arrangements
  - b) continuing the journey to transform the way in which the Council delivers with other partners
- Begin targeted strategic delivery reviews across the Council, taking into account the changing needs of the residents of Cherwell and the financial resources available to the Council. This, in combination with the review of priorities will ensure future service provision is focussed on the delivery of the Council's priorities.
- Overarching review of the alignment of the Council's resources and priorities in order to maximise delivery against these. This will require savings proposals to be identified that focus on those areas that are of a lower priority to the Council.
- Considering further approaches to maximise the levels of income the Council can generate to support frontline services.
- "Growing our way" out of trouble by identifying opportunities with the right business cases
- Continuing to lobby policy makers, highlighting where the Council has been delivering growth and driving benefits to others

## **Financial Resilience Assessment**

3.5.9 CIPFA's Financial Resilience Index is designed to support and improve discussions surrounding local authority financial resilience. It shows a council's performance against a range of measures associated with financial risk, including the level of earmarked reserves and general balances. The Index is a comparative tool to be used to support good financial management and generate a common understanding of the financial position within authorities.

3.5.10 The index considers both the value of general balances and earmarked reserves compared to councils' net revenue budget. While earmarked reserves are held for specific purposes, they can be called upon to meet unexpected costs or provide short term funding to enable long term recovery plans to be put in place.

3.5.11 The publication of the Financial Resilience Index based on 2020/21 data is expected in late January 2022. Due to the timing of publication, this will be considered as part of the Chief Financial Officer's Section 25 statement for Council on the adequacy of the proposed financial reserves and the robustness of the estimates for the purposes of the council tax calculations.

## **3.6 Climate Action**

3.6.1 In 2019, CDC declared a climate emergency and committed to prioritising climate action in decision making. More recently, a climate action framework was approved that commits the council to:

- Being carbon neutral in its operations by 2030

- Enabling a zero-carbon Cherwell by 2030.

3.6.2 In developing budget proposals, services were asked to assess how their plans affected the Council's ability to reduce its emissions from buildings, fleet, staff travel, purchased products and services (including construction) and to enable emission reductions at a district-wide level.

3.6.3 Most of the proposals put forward were deemed by services to not impact the Council's ability to meet our climate action.

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

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

4.1 This report provides information around the various building blocks that make up the proposed budget for 2022/23 and beyond, allowing members to consider and scrutinise the elements of the budget and provide advice and guidance to Council to help further shape both budget setting for 2022/23 and the MTFS up to 2026/27.

## **5.0 Consultation**

5.1 CDC undertook a comprehensive consultation on its budget savings proposals for 2022/23. The revenue budget savings proposals were consulted on between 2 December 2021 and 4 January 2022. The public and businesses were given the opportunity to provide feedback on all savings proposals indicating whether they were supported or not. Additionally, comments explaining why savings proposals were supported or not could also be provided. Responses were received from 178 people and organisations. The responses to the consultation have been considered in arriving at the final proposals contained within this report. A summary of the consultation responses is contained in Appendix 8.

5.2 The Budget Planning Committee considered the revenue budget pressures, savings proposals and capital bids in a report on 9 December 2021. The Committee's comments have been taken into account in arriving at these proposals and are summarised in Appendix 9. Budget Planning Committee also considered and recommended the 2022/23 planned reserves levels and Capital and Investment Strategy at its meeting on 25 January 2022.

5.3 The Accounts, Audit and Risk Committee considered and recommended to full Council the Capital and Investment and Treasury Management Strategies and the associated Appendices on 19 January 2022.

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

6.1 It is a legal requirement to set a balanced budget and the recommendations as outlined set out a way to achieve this. The following alternative option has been identified and rejected for the reasons set out below.

Option 1: To reject the current proposals and make alternative recommendations. Members will not be aware of the medium-term financial forecast or implications of alternatives if they choose to take this option.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 The financial implications are set out in this report. The Council has a statutory duty to set a balanced budget and could be subject to intervention of the Secretary of State if it failed to do so.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,  
[Michael.Furness@cherwell-dc.gov.uk](mailto:Michael.Furness@cherwell-dc.gov.uk)

### **Legal Implications**

- 7.2 The Council is legally required to set a balanced budget each year, the legal framework for which is set out in the main body of this report. Officers consider the recommendations will achieve this if approved by full Council.

Comments checked by:

Chris Mace, Solicitor, 07702 917916, [christopher.mace@cherwell-dc.gov.uk](mailto:christopher.mace@cherwell-dc.gov.uk)

### **Risk Implications**

- 7.3 The Business Plan and MTFs are linked in the Leadership Risk Register which is reported monthly. The report also highlights the relevance of maintaining a minimum level of reserves and budget contingency to absorb the financial impact of changes and unforeseen events during the year. Any increase in risk will be escalated through to the Leadership Risk Register.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes,  
[louise.tustian@cherwell-dc.gov.uk](mailto:louise.tustian@cherwell-dc.gov.uk), 01295 221786

### **Equality and Inclusion Implications**

- 7.4 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.
- 7.5 In developing budget and business planning proposals, all services have considered the potential impact of change with respect to equality, diversity and inclusion, in line with our new framework: Including Everyone. Where a potential material service impact has been identified, an initial Equality Impact Assessment has been completed and these are available as background papers to this report. An overarching summary impact assessment, taking into account the overall impact of the budget proposals is published as Appendix 7.

Comments checked by:  
Emily Schofield, Acting Head of Strategy, Tel: 07881 311707, Email:  
[Emily.schofield@cherwell-dc.gov.uk](mailto:Emily.schofield@cherwell-dc.gov.uk)

## **Sustainability Implications**

7.6 Sustainability implications are included in Section 3.6 of this report.

Comments checked by:  
Sandra Fisher-Martins, Programme Manager, Climate Action, Tel 07584 174682  
Email: [sandra.fisher-martins@cherwell-dc.gov.uk](mailto:sandra.fisher-martins@cherwell-dc.gov.uk)

## **8.0 Decision Information**

### **Key Decision**

**Financial Threshold Met:** Yes

**Community Impact Threshold Met:** Yes

### **Wards Affected**

All

### **Links to Corporate Plan and Policy Framework**

All

### **Lead Councillor**

Cllr Tony Ilott, Lead Member for Finance and Governance

## **Document Information**

### **Appendix number and title**

- Appendix 1 – Business Plan
- Appendix 2 – Not Used
- Appendix 3 – Savings Proposals
- Appendix 4 – Revenue Pressures
- Appendix 5 – Budget Summary
- Appendix 6 – Fees and Charges Schedule
- Appendix 7 – Equality Impact Assessment
- Appendix 8 – Consultation Responses Report
- Appendix 9 – Budget Planning Committee Responses to Budget Proposals
- Appendix 10 – Gross Service Budget, Income, Net Budget and Future Years MTFS Changes by Directorate
- Appendix 11 – Budget Book
- Appendix 12 – Government Grants
- Appendix 13 – Reserves Policy
- Appendix 14 – Reserves Assessment
- Appendix 15 – Forecast Use of Reserves

- Appendix 16 – Capital Bids
- Appendix 17 – Capital Programme
- Appendix 18 – Capital and Investment Strategy
- Appendix 19 – Treasury Management Strategy
- Appendix 20 – Property Investment Strategy

**Background papers**

None

**Report Author and contact details**

Joanne Kaye, Strategic Finance Business Partner, 01295 221545,  
[joanne.kaye@cherwell-dc.gov.uk](mailto:joanne.kaye@cherwell-dc.gov.uk)