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| <b>This report is public</b>   |   |
| <b>Budget Setting for 2025/26 and the Medium-Term Financial Strategy up to 2029/30</b> |   |
| <b>Committee</b>   | Executive   |
| <b>Date of Committee</b>   | 3 February 2025   |
| <b>Portfolio Holder presenting the report</b>  | Portfolio Holder for Finance, Regeneration and Property, Councillor Lesley Mclean |
| <b>Date Portfolio Holder agreed report</b>   | 17 January 2025   |
| <b>Report of</b>   | Assistant Director of Finance (Section 151 Officer), Michael Furness              |

## **Purpose of report**

To consider and approve the Budget Setting for 2025/26 and MTFFS 2029/30 as per the recommendations.

## **Recommendations**

### **The Executive resolves to:**

- 1.1 Delegate authority to the Section 151 Officer (S151), following consultation with the Leader of the Council and Portfolio Member for Finance, to complete the legal Council Tax calculations once all the information required has been received and submit as appendices to the budget report to Council.
- 1.2 Delegate authority to the S151, following consultation with the Leader of the Council and Portfolio Holder for Finance, Regeneration and Property to make appropriate changes to the Executive's proposed budget to Council including policies and plans.

### **The Executive resolves to recommend to Council as follows:**

- 1.3 Approve the proposed Fees and Charges schedule for 2025/26 (Appendix 7) and statutory notices be placed where required.
- 1.4 Consider and note the Equality Impact Assessments of the Budget (Appendix 8)
- 1.5 In relation to the Corporate Plan (Section 4.1) to:
  - 1.5.1 Approve the Corporate Plan set out in Appendix 1.
  - 1.5.2 Note the Internal Perspectives set out in Appendix 2.
- 1.6 In relation to the Revenue Budget Strategy (Section 4.2) and Medium-Term Financial Strategy (MTFS) (Section 4.5) to approve:

- 1.6.1 The net revenue budget for the financial year commencing on 1 April 2025, as set out in Table 4.2.1, and further analysed in the Budget Book provided at Appendix 12.
- 1.6.2 The MTFs and Revenue Budget 2025/26 (Sections 4.5 and 4.2 respectively), including the Savings Proposals and Investments included at Appendices 4 and 5 respectively.
- 1.7 In relation to Council Tax to approve:
  - 1.7.1 An increase in the Basic Amount of Council Tax for Cherwell District Council for the financial year beginning on 1 April 2025 of £5, resulting in a Band D charge of £158.50 per annum.
  - 1.7.2 For long term empty properties, from 1 April 2025 an additional council tax premium will be charged of 100 per cent for properties empty for one year or more, replacing the current 100 per cent premium that begins after 2 years of a property being empty. All other empty property premiums will remain.
- 1.8 In relation to the Capital Programme and related strategies (Section 4.3) to approve:
  - 1.8.1 The Capital Bid(s) and Capital Programme at Appendices 17 and 18 respectively.
  - 1.8.2 The Capital and Investment Strategy 2025/26 (Appendix 19), including the Minimum Revenue Provision (MRP) Policy.
  - 1.8.3 The Treasury Management Strategy, including the Prudential Indicators, and Affordable Borrowing Limit for 2025/26 (Appendix 21).
- 1.9 In relation to reserves (Section 4.4) to approve:
  - 1.9.1 A minimum level of General Balances of £7.8m as supported by Appendix 15.
  - 1.9.2 The Reserves Policy (Appendix 14).
  - 1.9.3 The medium-term reserves plan described in Appendix 16.
- 1.10 In relation to the Pay Policy Statement approve:
  - 1.10.1 The Pay Policy Statement, as required by the Localism Act 2010, detailed in Appendix 9.

## **2. Executive Summary**

- 2.1 This report is the culmination of the Budget and Business Planning process for 2025/26 to 2029/30 and sets out the Executive's proposed Corporate Plan and related revenue budget for 2025/26, medium term financial strategy to 2029/30, capital programme to 2029/30 and all supporting policies, strategies, and information to recommend to Council.

- 2.2 The council adopts a forward looking and anticipatory approach to its financial management. The council plans for, and continues to succeed in, encouraging and facilitating economic growth across the district. This success flows through to the council's finances, reflected in the level of income received from business rates and the New Homes Bonus grant.
- 2.3 The council has proactively monitored both the economic situation and Government announcements over the past 12 months and devised and implemented a budget and business planning strategy that has delivered within the constraints identified, consulting on a proposed balanced budget in November 2024. The council has considered the risk of interest rate volatility and regularly monitors the change in interest rates. A large proportion of the council's debt is held at fixed rates reducing the council's exposure. However, if interest rates do not fall in line with the forecasts provided by the council's treasury advisor, then it has set aside an interest rate risk reserve as a further mitigation.
- 2.4 The proposed net budget for the council is £26.2m, which is a decrease of £0.8m from 2024/25. The council plans to fund £0.4m of service investments and will deliver £1.4m of savings proposals and operational efficiencies as part of the 2025/26 budget. A Band D Council Tax of £158.50 is proposed for the year which is an increase of £5 compared to 2024/25. The Capital Programme for the period 2025/26 – 2029/30 is proposed to be £33m.

## Implications & Impact Assessments

| Implications   | Commentary  |
|----------------|---|
| <b>Finance</b> | <p>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.</p> <p>Joanne Kaye - Head of Finance 24.12.2024</p>   |
| <b>Legal</b>   | <p>The Council is legally required to set a balanced budget each year together with a requirement to produce a Revenue Budget under the various Local Government Finance Acts. 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.</p> <p>Section 65 of the Local Government Finance Act 1992 requires that the Council must consult persons or bodies appearing to it to be representative of persons subject to non-domestic rates in its area about the Council's proposals for expenditure (including capital expenditure) in the financial year. The Council must do this each year and do so before the budget decision making meeting (makes it calculations for the council tax requirement) in relation to the financial year.</p> <p>The statutory consultation outlined above has taken place alongside a more general consultation with the wider public on the draft budget and budget priorities. The savings proposals have</p> |

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|   | <p>been consulted upon as appropriate, and further consultations may be required prior to implementing certain proposals.</p> <p>Members must have regard to the s25 report of the s151 officer as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.</p> <p><b>The Public Sector Equality Duty S149 (1) requires a Local Authority in exercise of its functions to have due regard to the need to:</b></p> <p><b>(a) Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act.</b></p> <p><b>(b) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.</b></p> <p><b>(c) Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.</b></p> <p><b>Decision makers must keep the above requirements in mind when making decisions.</b></p> <p>Shiraz Sheikh, Assistant Director Law and Governance and Democratic Services. 22 January 2025</p> |         |          |  |
| <b>Risk Management</b>  | <p>The risk of Executive recommending the budget proposals contained in this report is that Council will not approve the proposed budget. This has been mitigated by the Executive having consulted with Budget Planning Committee and the Accounts Audit and Risk Committee on the specific budget proposals, policies, and strategies. This and any further arising risks are being managed and monitored through the service operational risk and the leadership risk register.</p> <p>Shona Ware, Assistant Director Customer Focus, 21 January 2025</p>   |         |          |  |
| <b>Impact Assessments</b>   | Positive   | Neutral | Negative | Commentary   |
| <b>Equality Impact</b>  | X  |         |          | <p>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”.</p> <p>Shona Ware, Assistant Director Customer Focus, 21 January 2025</p> |
| <b>A</b> Are there any aspects of the proposed decision, including how it is delivered or |  | X       |          | <p>In line with the council’s Equalities framework; Including Everyone services have carried out Equalities Impact Assessments (EIAs) to ensure budget savings proposals will not discriminate or disadvantage the any of the district’s diverse</p>   |

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| accessed, that could impact on inequality?   |  |   |  | communities. The overarching EIA, taking into account the overall impact of the budget proposals, is published as Appendix 8. |
| <b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users? |  | X |  |   |
| <b>Climate &amp; Environmental Impact</b>  |  |   |  | Sustainability implications are included in Section 4.6 of this report.<br><br>Jo Muskin, Climate Action Manager, 22/01/25    |
| <b>Council Priorities</b>  | All  |   |  |   |
| <b>Consultation &amp; Engagement</b>   | <p>The council sought the views of residents and businesses during the period of 22 November 2024 until 23 December 2024.</p> <p>The Budget Planning Committee considered the revenue budget savings proposals, service investments, capital bid(s) and fees and charges in a report on 10 December 2024. Budget Planning Committee had no comments to feed back to the Executive. Budget Planning Committee also considered and recommended the 2025/26 planned reserves levels and Capital and Investment Strategy at its meeting on 21 January 2025.</p> <p>The Accounts, Audit and Risk Committee considered and recommended to full Executive the Capital and Investment and Treasury Management Strategies and the associated Appendices on 15 January 2025.</p> |   |  |   |

## Supporting Information

### 3. Background

3.1 The Budget and Business Planning report to Council on 24 February 2025 will be set out in the following sections:

1. Corporate Plan
2. S151 Officer's Statutory Report
3. Revenue Budget Strategy
4. Capital & Investment Strategy
5. Reserves
6. Medium-Term Financial Strategy
7. Climate Action
8. Council Tax

- 3.2 This report sets out Executive’s proposed Corporate Plan for 2025-30, Revenue Budget Strategy, the Capital & Investment Strategy, Reserves and how it intends to address the Medium-Term and Climate Action. Alongside this, the report also sets out the Review of Fees and Charges for 2025/26.
- 3.3 The Executive’s proposed Corporate Plan has been prepared to ensure the priorities of the council are clear and set out the direction the organisation is moving in in order to deliver improved outcomes for its residents. The revenue and capital budget proposals, are informed by the proposed Corporate Plan and the Vision and Strategy within this, whilst taking into consideration the latest information on the council’s financial position outlined in this report and comments from the Budget Planning Committee meeting on 10 December 2024. In finalising the proposals, the Executive has also taken into consideration feedback from the public consultation on the proposed Vision and Strategy, capital and revenue budget proposals and Council Tax increase.
- 3.4 The Government’s “Local Government Finance Policy Statement 2025 to 2026” which set out how the government believes that” good local government is the foundation of a good state – working in genuine partnership with central government to deliver better outcomes for the public”. New Homes Bonus will continue to be allocated on the same basis as 2024/25 with a 1-year allocation in 2025/26. Local authorities are guaranteed a minimum increase in their core spending power of 0%. The Government has said that, “This year’s Settlement will begin to put us on the right course, spending taxpayers’ money efficiently, and ensuring that funding goes to the places that need it most.” The statement can be found here:
- <https://www.gov.uk/government/publications/local-government-finance-policy-statement-2025-to-2026/local-government-finance-policy-statement-2025-to-2026>
- 3.5 On Wednesday 18 December 2024, the government published a provisional one-year settlement for Local Government which can be found here:
- <https://www.gov.uk/government/publications/local-government-finance-report-2025-to-2026-draft>
- 3.6 The impact for the Council of this one-year settlement can be summarised as follows:
- With a focus of the settlement on the work that it intends to do, it is essentially a “roll-forward” of funding
  - Confirmation that Council Tax can be raised by up to 3 percent or £5, whichever is greater (for the council this is £5)
  - That a one-year only New Homes Bonus award for 2025/26 has been allocated to the council
  - The Funding Guarantee grant has been replaced by the Funding Floor with an allocation for this council of £3.4m to ensure that the Council’s core spending power did not decrease after assuming changes in council tax.
  - A response to the national pressure on temporary accommodation budgets by introducing additional Homelessness Prevention Grant with £0.246m allocated to this council.

- An indication of how employers will be compensated for the increase in Employer's National Insurance contributions which does not immediately appear to be on a full cost basis.
- In addition the council was notified of the Extended Producer Responsibility Grant of £1.4m to cover the costs of collecting, managing, recycling and disposing of household packaging waste.

3.7 The provisional settlement was broadly as expected following announcements in the 28 November 2024 Policy Statement. The variations were due to:

- funding guarantee ensuring no decrease in spending power, whilst in previous years this has guaranteed a 3% increase,
- initial government announcements indicating that compensation for additional NIC costs would be based on direct staffing costs; the proposed formula allocates based on total local authority spend.
- In anticipation of some negative variations in assumptions, the council did not assume it would receive any additional funding from Homelessness Prevention Grant as the Government had indicated new funding would be distributed towards those authorities it determined needed it the most.

The council had built its financial models on the indicative information provided at that point.

3.8 In order to support the council with its task of approving the budget for 2025/26 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 2024/25
- 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 investments)
- capital investment proposal(s)
- 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

3.9 This report also sets out a proposed new Vision for the Council and proposed priorities for the next five years (2025-2030), which has informed the draft 2025/26 budget and the MTFS.

3.10 Finally, the report summarises the next steps that will allow the council to consider, approve and set balanced budgets over the MTFS period.

## **4. Details**

### **4.1 Corporate Plan**

4.1.1 The council has been working on a new Corporate Plan that reflects its ambitions for the future, addresses potential challenges and maximises the opportunities to provide better outcomes for its residents and key stakeholders. The plan includes a new vision for the Council, which is:

**“A modern council inspiring and enabling positive, lasting change”**

4.1.2 The plan also includes the following four key priorities for the next five years (2025-2030) :

- **Economic Prosperity**
- **Community Leadership**
- **Environmental Stewardship**
- **Quality Housing and Place Making**

4.1.3 These priorities are underpinned by a suite of goals and aims for ensuring clarity and success. The goals are set out below and the full suite of goal and aims are set out in Appendix 1.

Table 4.1.1 Strategic Priorities and Goals

| <b>A modern council inspiring and enabling positive, lasting change</b> |  |
|---|--|
| <b>Strategic Priority</b>   | <b>Strategic Goal</b>  |
| Economic prosperity   | Create vibrant economic centres and thriving rural villages  |
|   | Build and inclusive and green economy  |
| Community leadership  | Strengthen community collaboration and resilience  |
|   | Promote health and wellbeing with a focus on inequality  |
| Environmental stewardship   | Safeguard the environment and promote biodiversity   |
|   | Promote the circular economy of reduce, reuse and recycle to minimise waste                                  |
| Quality housing and place making  | Deliver sustainable and strategic development that meets Cherwell’s needs now, and in the future             |
|   | Achieve more high-quality, secure, and affordable housing that caters for the diverse needs of our residents |

4.1.4 A new Corporate Plan incorporating the vision and strategy demonstrates that the council has a clear direction of travel for how it plans to deliver better outcomes for its residents, communities and the district. The council consulted on its vision and key priorities alongside its budget proposals during November and December 2024. The vision was supported by the majority of participants receiving 66% support and there were high levels of support across the board for the proposed priorities and goals ranging between 70% and 86%. The full consultation results can be seen in Appendix 10.



4.1.5 In addition to the outcome focussed Corporate Plan, the council has also developed “internal perspectives” to focus on how the council operates in order to deliver the strategy. The overarching internal approach is:

**“We work as one council”**

4.1.6 The three priorities of the internal perspectives to help deliver the vision are:

- **Achieving the best possible customer and resident outcomes we can**
- **Unlocking our people’s potential to achieve great things**
- **Maximising the value of every pound to deliver our priorities**

4.1.7 The internal perspectives, including goals and aims can be seen at Appendix 2.

## 4.2 Revenue Budget Strategy

### Forecast Financial Outturn 2024/25

4.2.1 The Budget Planning Committee and the Executive regularly review the forecast outturn as part of the monthly Finance Management reports. The financial year 2024/25 has been a challenging year in continuing to deal with the ongoing impact of the Cost-of-Living Crisis whilst continuing to deliver council services.

4.2.2 The forecast outturn position as at 31 December 2024 is an overspend of £0.043m. The council does not anticipate any material deteriorations in this position before the year end and so the 2024/25 outturn should not impact adversely on the council’s reserves position. There are a number of savings proposals from 2024/25 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 2025/26.

4.2.3 Managers have considered their current operational and financial performance when developing their future budget requirements and where necessary included service investments 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 2025/26

4.2.4 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 4.2.1 summarises the proposed budget for 2025/26 by service area.

Table 4.2.1: Net Cost of Services

| Directorate | Net budget 2025/26<br>£m |
|-------------|--------------------------|
| Communities | 12.120                   |

|                             |               |
|-----------------------------|---------------|
| Resources                   | 7.528         |
| <b>Service Sub-total</b>    | <b>19.648</b> |
| Corporate Costs             | 3.926         |
| Policy Contingency          | 2.620         |
| <b>Net Cost of Services</b> | <b>26.194</b> |

- 4.2.5 The largest proportion of the expenditure budget, excluding benefits payments, is spent on staffing (35 percent of gross expenditure).
- 4.2.6 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 6 for a summary by type of expenditure and Appendix 12 for more detail at a Directorate level.
- 4.2.7 A thorough review of service levels and budgets has taken place and savings identified at Appendix 4 that will allow the council to operate within the level of resources that it anticipates will be available to it in 2025/26. Full monitoring of the savings programme will take place throughout 2025/26.

### **Budget Proposals (Investments and Savings)**

#### **Service Investments**

- 4.2.8 The council has identified new service budget investments of £0.608m for 2025/26 and a further £0.076m of savings non-delivery. Service budget investments approved in previous years have reduced by £0.293m resulting in an overall increase in service budget investments of £0.391m. The full schedule of existing and new service investments can be seen at Appendix 5. Table 4.2.2 summarises the service investments which have been included within the Net Cost of Services.

Table 4.2.2: Service Investments

| <b>Directorate</b>           | <b>2025/26<br/>£m</b> | <b>2026/27<br/>£m</b> | <b>2027/28<br/>£m</b> | <b>2028/29<br/>£m</b> | <b>2029/30<br/>£m2</b> | <b>Ongoing<br/>Impact<br/>£m</b> |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|----------------------------------|
| Communities                  | 0.179                 | 0.092                 | (0.093)               | 0.001                 | 0.001                  | 0.180                            |
| Resources                    | 0.212                 | (0.135)               | 0.000                 | 0.000                 | 0.000                  | 0.077                            |
| <b>Total<br/>Investments</b> | <b>0.391</b>          | <b>(0.043)</b>        | <b>(0.093)</b>        | <b>0.001</b>          | <b>0.001</b>           | <b>0.257</b>                     |
| Prior Year<br>Investments    | (0.293)               | 0.171                 | (0.094)               | 0.000                 | 0.000                  | (0.216)                          |
| Savings Non-<br>delivery     | 0.076                 | 0.001                 | 0.001                 | 0.001                 | 0.001                  | 0.080                            |
| New<br>Investments           | 0.608                 | (0.215)               | 0.000                 | 0.000                 | 0.000                  | 0.393                            |

|                          |              |                |                |              |              |              |
|--------------------------|--------------|----------------|----------------|--------------|--------------|--------------|
| <b>Total Investments</b> | <b>0.391</b> | <b>(0.043)</b> | <b>(0.093)</b> | <b>0.001</b> | <b>0.001</b> | <b>0.257</b> |
|--------------------------|--------------|----------------|----------------|--------------|--------------|--------------|

### Service Efficiencies and Income Proposals

- 4.2.9 In total, savings of £1.375m are proposed for 2025/26, of which £0.042m were previously planned. As part of the council's commitment to fulfil its best value duty by delivering value for money, and through a process of continuous improvement and service transformation, operational efficiencies of £1.020m and additional revenue of £0.313m have been identified for 2025/26. These do not have an impact on service delivery or impact Cherwell residents. In December 2024, the council consulted on the 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 not amended its savings proposals. The full schedule of savings can be seen at Appendix 4.
- 4.2.10 The council invited residents and local businesses to give their views on its budget saving proposals for 2025/26 between 22 November 2024 and 23 December 2024. This opportunity was widely promoted through a multifaceted communications campaign. During the consultation period 165 respondents took the time to give us their views. The council is grateful to everyone that took the time to learn more about its budget proposals and particularly those that provided their views on them. After reviewing the savings proposals and considering consultation responses no changes are proposed to the savings proposals.
- 4.2.11 Table 4.2.3 provides a breakdown of how the total savings of £1.375m for 2025/26 are allocated across the service areas.

Table 4.2.3: Service Efficiencies and Income Proposals

| <b>Directorate</b>                             | <b>2025/26<br/>£m</b> | <b>2026/27<br/>£m</b> | <b>2027/28<br/>£m</b> | <b>2028/29<br/>£m</b> | <b>2029/30<br/>£m</b> | <b>Ongoing<br/>Impact<br/>£m</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------------------|
| Communities                                    | (0.523)               | (0.141)               | (0.002)               | (0.002)               | (0.002)               | (0.670)                          |
| Resources                                      | (0.517)               | (0.170)               | (0.151)               | (0.090)               | (0.100)               | (1.028)                          |
| Exec Matters                                   | (0.335)               | (0.009)               | (0.008)               | (0.008)               | (0.009)               | (0.369)                          |
| <b>Total<br/>Efficiencies &amp;<br/>Income</b> | <b>(1.375)</b>        | <b>(0.320)</b>        | <b>(0.161)</b>        | <b>(0.100)</b>        | <b>(0.111)</b>        | <b>(2.067)</b>                   |
| Prior Year<br>Efficiencies                     | (0.042)               | (0.204)               | (0.113)               | (0.092)               | (0.102)               | (0.553)                          |
| New Efficiency<br>Savings                      | (1.020)               | (0.052)               | (0.048)               | (0.008)               | (0.009)               | (1.137)                          |
| Income   | (0.313)               | (0.064)               | 0.000                 | 0.000                 | 0.000                 | (0.377)                          |
| <b>Total<br/>Efficiencies &amp;<br/>Income</b> | <b>(1.375)</b>        | <b>(0.320)</b>        | <b>(0.161)</b>        | <b>(0.100)</b>        | <b>(0.111)</b>        | <b>(2.067)</b>                   |

- 4.2.12 All of the service investments and savings proposals are included in the proposed budget for 2025/26 which would allow a balanced and legal budget to be set.

## **Corporate Updates**

### **Inflation**

- 4.2.13 The council has provided for inflation on pay, contracts, and fees and charges within the budget. It assumes that there will be 3.5 percent pay award in 2025/26 as agreed with the local union, and 2.5% for the remaining years of the MTFS period. Contract inflation had been provided for at 2 percent in all years of the MTFS. Fees and charges have been reviewed and increased by a minimum of 2% for 2025/26 (where the fee is set by the council) to reflect cost recovery and are then assumed to increase by 2 percent annually for the remainder of the MTFS period. A schedule of proposed fees and charges is set out at Appendix 7.

### **Castle Quay**

- 4.2.14 Castle Quay development was part of a long-term wider Banbury regeneration project approved by the Executive on 4 December 2017. The Castle Quay development forecasts income generation across the MTFS period. The latest MTFS forecast takes into consideration:
- The current outturn forecasts for 2024/25
  - The post pandemic economic climate
  - Changes to the retail market and ongoing shopping patterns
- 4.2.15 As a result, the 2025/26 budget has been revised down by £1.17m compared to the 2024/25 MTFS assumptions. The council has made prudent assumptions about lease renewals within the current economic climate and has not factored in the potential benefits from increased footfall associated with the council's head office relocating to Castle Quay.
- 4.2.16 Despite the prudent assumptions around Castle Quay and the finances, the Council is progressing its exciting new plans around the development of Castle Quay. The Council is moving its main administrative base from Bodicote and into Castle Quay in Spring of 2025. It is envisaged that this move will bring significant benefits to the Council, Castle Quay and Banbury Town Centre itself including:
- Anticipated reduction in annual running costs of the main administrative headquarters
  - Creation of a modern work environment
  - A central location improves access for staff and residents
  - Increased footfall from staff and visitors throughout Castle Quay and Banbury town centre, helping to encourage other businesses to locate in Banbury town centre and Castle Quay.
- 4.2.17 Additionally, the Council continues to be in discussions with a number of organisations around letting vacant spaces within Castle Quay at commercial rates. These potential tenants would help to further the Council's vision to use Castle Quay as a mixed-use facility to help with the ongoing regeneration of Banbury town centre, leading to additional footfall within Banbury.

## **Executive Matters**

- 4.2.18 Executive Matters includes non-service costs including borrowing costs, interest receivable, contributions to and from reserves and a Policy Contingency budget. The Executive Matters budget also includes non-ringfenced general grants.
- 4.2.19 The impact of the cost-of-living crisis has continued to have a significant impact on the finances and services of the council in 2024/25. The economic impacts of 2025/26 are unclear and therefore the council has continued with a Policy Contingency in 2025/26 of £1.1m linked to market risk. This contingency is available to protect the council in case it suffers losses of income or increases to contract costs compared to the base budget assumption.
- 4.2.20 In addition, the council has set aside an inflation contingency and a general contingency. Table 4.2.4 shows the provisions that have been made in the Policy Contingency budget:

Table 4.2.4: Contingencies

| Policy Contingency    | 2025/26<br>£m |
|-----------------------|---------------|
| Inflation Contingency | 1.045         |
| Market Risk           | 1.100         |
| General Contingency   | 0.475         |
| <b>Total</b>          | <b>2.620</b>  |

- 4.2.21 Table 4.2.5 below shows the movement from the approved 2024/25 budget to the draft budget for 2025/26.

Table 4.2.5: Budget Movement from 2024/25 to 2025/26

| Directorate               | 2024/25<br>Budget | Service<br>Investments | Savings<br>Proposals | Capital Impact | Corporate<br>Changes | Transfer from<br>Reserves | Use of<br>Reserves | Transfer to<br>Reserves | Grants         | Inflation    | 2025/26<br>Budget | Increase % |
|---------------------------|-------------------|------------------------|----------------------|----------------|----------------------|---------------------------|--------------------|-------------------------|----------------|--------------|-------------------|------------|
|                           | £m                | £m                     | £m                   | £m             | £m                   | £m                        | £m                 | £m                      | £m             | £m           | £m                |            |
| Communities               | 11.814            | 0.179                  | (0.523)              | (0.084)        | (0.147)              | 0.546                     | (0.416)            | 0.075                   | (0.246)        | 0.922        | 12.120            | 3%         |
| Resources                 | 8.239             | 0.212                  | (0.517)              | (0.007)        | (1.116)              | (0.082)                   | 0.172              | 0.000                   | 0.000          | 0.627        | 7.528             | -9%        |
| Exec Matters              | 4.292             | 0.000                  | (0.335)              | 0.190          | (0.120)              | (0.294)                   | (0.250)            | 2.124                   | (1.688)        | 0.007        | 3.926             | -9%        |
| Policy<br>Contingency     | 2.642             | 0.000                  | 0.000                | 0.007          | 0.541                | 0.000                     | 0.000              | 0.000                   | 0.000          | (0.570)      | 2.620             | -1%        |
| <b>2025/26<br/>Budget</b> | <b>26.987</b>     | <b>0.391</b>           | <b>(1.375)</b>       | <b>0.106</b>   | <b>(0.842)</b>       | <b>0.170</b>              | <b>(0.494)</b>     | <b>2.199</b>            | <b>(1.934)</b> | <b>0.986</b> | <b>26.194</b>     | <b>-3%</b> |
| <b>% Increase</b>         |                   | <b>+1.4%</b>           | <b>-5.1%</b>         | <b>+0.4%</b>   | <b>-3.1%</b>         | <b>+0.6%</b>              | <b>-1.8%</b>       | <b>+8.1%</b>            | <b>-7.2%</b>   | <b>+3.7%</b> | <b>-2.9%</b>      |            |

- 4.2.22 Corporate Changes reflect policy changes which have already been approved by the Executive, such as increasing the premises savings resulting from moving the council offices from Bodicote House to Castle Quay. As decisions have already been taken these did not need to be consulted on.

## Council Financing

4.2.23 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:

### **Business Rates Retention**

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

4.2.25 The council, as the billing authority, is required to notify the Secretary of State and major precepting authorities the forecast amount of business rates collectable during the year before the beginning of a financial year.

4.2.26 The council sets its business rates income budget based on the following:

- The Government deducts a tariff on business rates collected by the council as a way to nationally redistribute business rates collected based on need.
- A levy is also deducted by the Government on growth in business rates above the baseline set in 2013/14 determined by the Government.
- The council has entered a pooling arrangement with the other councils in Oxfordshire to ensure that the majority of this growth is retained within the county. The council is able to retain an element of this “pooling benefit”.
- The council must also take account of the estimated surplus/deficit on its business rates income in 2024/25. This compares the level of business rates expected to be collected in 2024/25 with the estimate it made when setting the budget for 2024/25.
- Section 31 Grants are paid to compensate the council for government changes to the business rates policy which has resulted in the council generating lower business rates income than it otherwise would have done.

4.2.27 The resources retained by the council from business rates are summarised in Table 4.2.6.

Table 4.2.6: Resources retained from business rates related income

| <b>Business Rates Breakdown</b>                    | <b>2025/26<br/>£m</b> | <b>2026/27<br/>£m</b> | <b>2027/28<br/>£m</b> | <b>2028/29<br/>£m</b> | <b>2029/30<br/>£m</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Business Rates                                     | (46.528)              | (5.303)               | (0.807)               | (0.812)               | (0.827)               |
| Business Rates Deductions                          | 41.660                | 6.329                 | 0.743                 | 0.775                 | 0.778                 |
| Business Rates Pooling Gain                        | (3.800)               | 3.800                 | 0.000                 | 0.000                 | 0.000                 |
| Transfer to Reserves                               | 1.800                 | (1.800)               | 0.000                 | 0.000                 | 0.000                 |
| Business Rates Collection Fund (Surplus) / Deficit | 1.367                 | (1.367)               | 0.000                 | 0.000                 | 0.000                 |
| S31 grants   | (9.487)               | 7.739                 | (0.025)               | (0.027)               | (0.022)               |
| Impact of Business Rates Reset                     | 0.000                 | (7.044)               | 3.522                 | 3.522                 | 0.000                 |
| <b>Grand Total</b>                                 | <b>(14.988)</b>       | <b>2.354</b>          | <b>3.433</b>          | <b>3.458</b>          | <b>(0.071)</b>        |

Movements from 2026/27 onwards are annual incremental changes from the previous year

- 4.2.28 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.
- 4.2.29 It is estimated that there will be a Collection Fund deficit on business rates of £1.367m which has been taken account of in setting the business rates income budget which is summarised in Table 4.2.7 below.

Table 4.2.7: Business Rates (Surplus)/Deficit Calculation

| <b>Business Rates (Surplus)/Deficit</b> | <b>2025/26<br/>£m</b> |
|---|-----------------------|
| 2023/24 deficit                         | 1.014                 |
| 2024/25 deficit                         | 0.353                 |
| <b>Business Rates (Surplus)/Deficit</b> | <b>1.367</b>          |

### **Other Grants**

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

- 4.2.30 New Homes Bonus (NHB): The council expects to receive £0.935m in 2025/26 comprising a payment for 2024/25, but all legacy payments from the scheme are complete. It is not known how the Government intends to replace this regime; a consultation on the future of NHB is expected, but it is not yet clear when this will be issued. With the Business Rates reset expected to be delayed until 2026/27, this payment is currently forecast to be phased out over three years starting in 2026/27.
- 4.2.31 Revenue Support Grant (RSG): Due to the roll forward of funding, the council expects to receive £0.368m in 2025/26 which has increased in line with inflation compared to last year. RSG is then also expected to be zero beginning in 2026/27.

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

- 4.2.32 The Government announced that they would provide a Funding Floor Grant for 2025/26 to ensure that the council did not suffer a reduction in the allocations of funding received from Government. The council will receive £3.4m from this grant.
- 4.2.33 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 13.

### **Council Tax**

- 4.2.34 The council tax requirement of the council for 2025/26 is £9.487m and the tax base has been set at 59,853.6. A £5 increase to the rate of council Tax has been assumed: from £153.50 to £158.50. This is the maximum increase the council can propose, without the need to hold a referendum.

- 4.2.35 The council has considered the amount of council tax that it anticipates it will collect in 2024/25 compared to the estimate it made when setting the 2024/25 budget. The council expects there to be a surplus to be taken into account of (£0.416m).

Table 4.2.8: Breakdown of Council Tax Income

|                               | £m             |
|-------------------------------|----------------|
| Council Tax (Surplus)/Deficit | (0.416)        |
| Council Tax Requirement       | (9.487)        |
| <b>Council Tax Income</b>     | <b>(9.903)</b> |

- 4.2.36 The budget for 2025/26 therefore is balanced by these sources of funding as demonstrated in Table 4.2.9.

Table 4.2.9: Financing of Net Cost of Services 2025/26

| Full Budget           | £m           |
|-----------------------|--------------|
| Net Cost of Services  | 26.194       |
| <b>Financed by:</b>   |              |
| Revenue Support Grant | (0.368)      |
| Council Tax           | (9.903)      |
| Business Rates        | (14.988)     |
| New Homes Bonus       | (0.935)      |
| <b>Balance</b>        | <b>0.000</b> |

### 4.3 Capital and Investment Strategy

- 4.3.1 The Capital and Investment Strategy is included at Appendix 19 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.
- 4.3.2 The Capital and Investment Strategy aims to set a clear framework for capital decision making alongside the council's Corporate Plan, vision, and priorities. The Capital Strategy is closely aligned with the council's service plans, asset review and regeneration plans. It also includes the council's Minimum Revenue Provision (MRP) Policy at Annex A.
- 4.3.3 Within the Investment strategy, upper limits are set on the loans and share capital with subsidiaries that the council can hold. Since the strategies were scrutinised by the Accounts, Audit & Risk and Budget Planning committees.

#### Capital Programme

- 4.3.4 The capital programme sets out a plan for expenditure between 2025/26 and 2029/30. It forms an integral part of the council's core activity and is an important part of the MTFS.
- 4.3.5 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 2025/26 are included in the Treasury Management suite of strategies which are scrutinised by the Accounts, Audit and Risk Committee (AARC) and included in Appendix 21. These were reviewed in draft form and were recommended to the Executive at the AARC meeting on 15 January 2025.

- 4.3.6 Table 4.3.1 below details the new capital expenditure proposed for 2025/26 (detailed proposals can be found in Appendix 17). Where these result in a revenue cost or saving, these have been adjusted for in the Net Cost of Services. A list of all projects in the full capital programme (£10.197m in 2025/26) is set out in Appendix 18. The financial implications of these are incorporated into the MTFS.

Table 4.3.1 – Capital Bids 2025/26 through to 2029/30 and beyond

| Directorate             | 2025/<br>26<br>£m | 2026/<br>27<br>£m | 2027/<br>28<br>£m | 2028/<br>29<br>£m | 2029/<br>30<br>£m | Future<br>Years<br>£m | Total<br>Project<br>Cost<br>£m | External<br>Funding<br>£m | Balance to<br>be funded<br>by<br>borrowing<br>£m |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-----------------------|--------------------------------|---------------------------|--|
| Communities             | 4.424             | 4.579             | 4.034             | 2.730             | 2.605             | 4.189                 | 22.563                         | (11.518)                  | 11.045   |
| Resources               | 5.773             | 3.783             | 0.448             | 0.448             | 0.000             | 0.000                 | 10.453                         | (9.951)                   | 0.502  |
| Total Capital Programme | 10.197            | 8.363             | 4.483             | 3.179             | 2.605             | 4.189                 | 33.016                         | (21.469)                  | 11.547   |

- 4.3.7 Since 2015/16, the council has incurred significant capital expenditure that has been temporarily financed by internal borrowing (cash received in advance of expenditure) and external borrowing (debt). Borrowing is seen as a temporary source of finance. The extent to which the council has needed to borrow is reflected in the Capital Financing Requirement (CFR) which is a direct measure of the amount of capital outlaid but not financed by grants, capital receipts or revenue resources.
- 4.3.8 To get an indication of the council's overall capital health, it is useful to examine the ratio of the CFR to the council's total capital asset value and the extent to which the value of these assets could clear the debt through asset disposals, if this became necessary. It should be noted that under the CIPFA code, assets can be capitalised on balance sheet based on the long-term service potential they provide and not necessarily the economic value they generate on sale, particularly assets held at historical cost e.g. intangible assets. The CFR to Long-Term asset ratio should therefore only be treated as an indicator of capital health. Capital asset values and the CFR are shown in Table 4.3.2

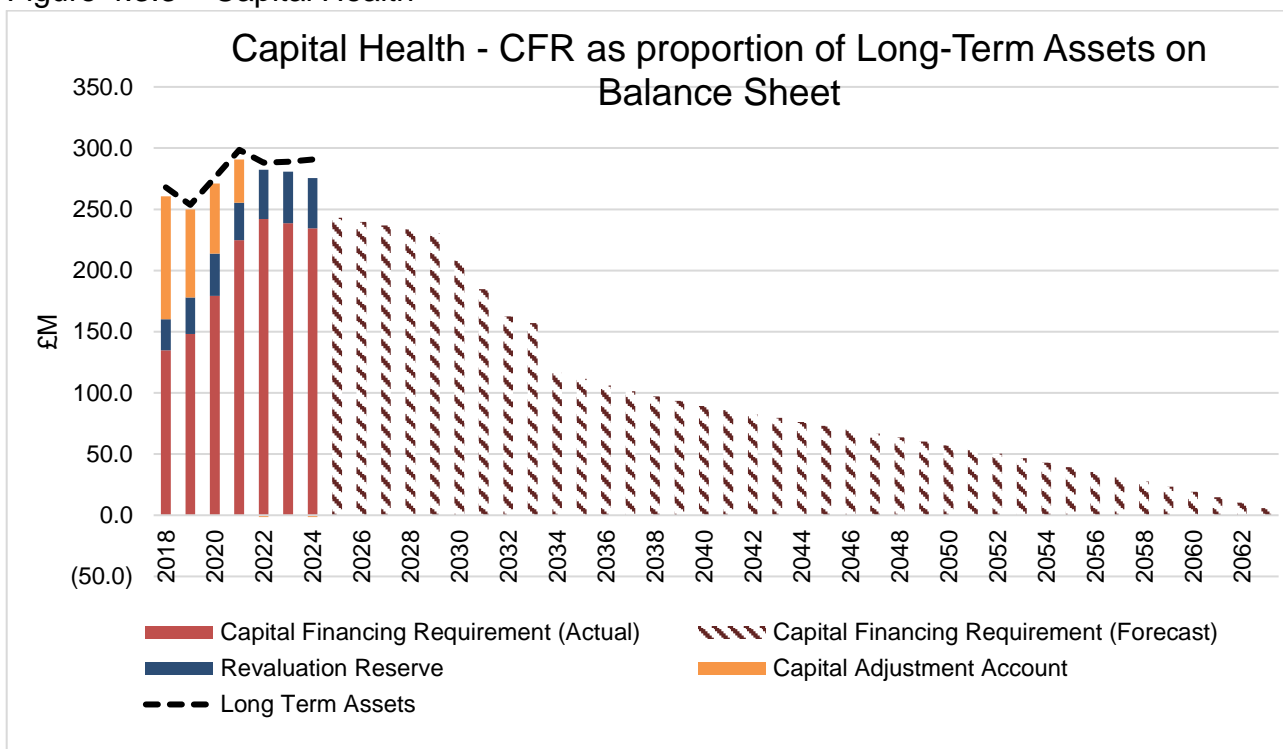
Table 4.3.2 – Capital Health Overall in £ millions

| Capital Health (£m)                                | 2017/<br>18 | 2018/<br>19 | 2019/<br>20 | 2020/<br>21 | 2021/<br>22 | 2022/<br>23 | 2023/<br>24 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|  | £m          | £m          | £m          | £m          | £m          | £m          | £m          |
| Capital Financing Requirement                      | 134.9       | 148.2       | 179.2       | 224.8       | 242.1       | 238.6       | 234.4       |
| Long-Term Assets<br>(as per statement of accounts) | 267.8       | 253.6       | 275.8       | 298.6       | 288.2       | 288.8       | 290.7       |

|                              |     |     |     |     |     |     |     |
|------------------------------|-----|-----|-----|-----|-----|-----|-----|
| CFR to Long-Term Asset Ratio | 50% | 58% | 65% | 75% | 84% | 83% | 81% |
|------------------------------|-----|-----|-----|-----|-----|-----|-----|

- 4.3.9 As of 31st March 2024, the council’s CFR amounted to 81 percent of the value of its total capital worth. Figure 4.3.3 shows how this has changed since the council began borrowing to fund its capital programme and a forecast of how the CFR reduces to 2065.
- 4.3.10 It is important to recognise that Local Government capital investments are a long-term commitment and the extent to which future revenue budgets and taxpayers contribute to the financing of the investments depend on the useful lives of the assets invested in.

Figure 4.3.3 – Capital Health



- 4.3.11 The council’s capital assets are comprised of fixed assets, such as property, and financial assets, such as loan and share capital. Fixed assets and long-term financial assets are less liquid than treasury management investments, as loans and share capital have contractual arrangements and agreed repayment profiles in place, whilst property is utilised in the delivery of corporate priorities. It is important that the council continues to monitor the repayment profiles of loans and valuation of its property assets to ensure that the council can cover its debt obligations through asset sales if required to do so (e.g., in the unlikely event that PWLB refinancing of loans becomes unavailable).
- 4.3.12 The council primarily holds its capital assets to deliver service objectives, such as economic regeneration and local housing, alongside generating income to support the revenue budget. With national trends in operational and investment property showing a decline in book value, it is important to continue to monitor the CFR to long-term asset ratio to consider appropriate next steps if the council’s need to borrow (CFR) exceeds the total value of its capital assets. Table 4.3.2 demonstrates that as at 31<sup>st</sup> March 2024 the overall value of the

council's assets exceeds the capital financing requirement of the council.

- 4.3.13 Actions the council is taking to reduce the CFR include the setting aside of prudent levels of revenue resources (MRP) to repay existing borrowing and using capital grants and receipts to finance new projects wherever possible, keeping future borrowing requirements to a minimum. Based on current forecasts, the CFR is expected to reduce by 50% by 2034 and be cleared by 2065 assuming no further additions to the programme are made. This is mainly due to the effects of MRP in reducing the council's need to borrow, and principal repayment of capital loans and share capital investments by the council's subsidiary company Graven Hill.
- 4.3.14 Where borrowing for capital has been deemed necessary to deliver against service objectives or, for example to comply with health and safety regulations, financing costs (revenue expenditure) are incurred by the council. These can be medium to long-term in nature, depending on the useful lives of the assets purchased. Projects financed by borrowing incur a Minimum Revenue Provision (MRP) charge to the revenue account which is made in line with the council's MRP policy and with due regard to government guidance. The council also incurs interest on the borrowing it has taken.
- 4.3.15 Prudential Indicators are set each year to evaluate the affordability of the capital programme and assist the council in consideration of whether the levels of debt taken to support its capital ambitions are also prudent and sustainable. More details on this can be found in the council's Capital Strategy and Treasury Management Strategy appended to this budget report.
- 4.3.16 A summary of these indicators is provided in table 4.3.4 below. It is important the council continues to monitor these indicators such that it can identify when its capital plans may become unsustainable, e.g., because of unaffordable rises in the cost of borrowing or a loss of service investment income.

Table 4.3.4 – Prudential Indicators Summary

| Prudential Indicator  | 2023/24 | 2024/25  | 2025/26  | 2026/27  | 2027/28  |
|---|---------|----------|----------|----------|----------|
|   | Actual  | Forecast | Forecast | Forecast | Forecast |
| Capital Financing Requirement   | £234.4m | £243.2m  | £239.8m  | £236.9m  | £233.7m  |
| Annual Minimum Revenue Provision  | £4.4m   | £3.9m    | £4.4m    | £4.8m    | £5.0m    |
| Financing Costs as a proportion of the Net Expenditure Budget (A)       | 29%     | 32%      | 35%      | 40%      | 47%      |
| Service Investment Income as a proportion of the Net Revenue Stream (B) | 31%     | 38%      | 42%      | 47%      | 55%      |
| Affordability Ratio (A-B)   | -2%     | -6%      | -7%      | -7%      | -8%      |

- 4.3.17 The final ratio, the Affordability Ratio, indicates the extent that the taxpayer will be impacted by the revenue cost of capital as a proportion of the council's core

funding. While the financing costs are significant, the council generates income within its services to support them. Budgeted interest and MRP represents 35 percent of the £26.2m net council Funding for 2025/26. When the council's total budgeted income, i.e., income generated from service activities and income from local taxation (excluding benefits payments) of £66.4m is compared to budgeted Interest Payable and MRP on borrowing for capital purposes of £9.2m, the result is 14 percent. This demonstrates that the funding of interest payable and MRP is also met by the income from services and not entirely from Council Tax.

## 4.4 Reserves

- 4.4.1 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 14. This has enabled the council to hold larger, more strategic reserves, rather than smaller earmarked reserves and allows 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 2025/26.
- 4.4.2 Table 4.4.1 below shows a summary of the forecast reserves position for 2025/26 to 2029/30. The final outturn position for 2024/25 will be reported to the Executive in June 2025 and the Accounts, Audit and Risk Committee in July 2025, as part of the council's Statement of Accounts. Appendix 16 provides a breakdown of the proposed use of reserves for 2025/26 and an estimate of how reserves are currently expected to be used to 2029/30.

Table 4.4.1 – Forecast Use of Reserves

| Reserve Category           | Forecast Balance 1 April 2025 £m | 2025/26 £m | 2026/27 £m | 2027/28 £m | 2028/29 £m | 2029/30 £m | Expected Balance 1 April 2030 £m |
|----------------------------|----------------------------------|------------|------------|------------|------------|------------|----------------------------------|
| General Balances           | (7.853)                          | 0.000      | 0.000      | 0.000      | 0.000      | 0.000      | (7.853)                          |
| Earmarked Reserves         | (28.848)                         | (2.750)    | (0.399)    | (0.449)    | (0.449)    | (0.449)    | (33.344)                         |
| Revenue Grants             | (1.280)                          | 0.523      | 0.007      | 0.007      | 0.007      | 0.007      | (0.730)                          |
| Sub-total Revenue Reserves | (37.981)                         | (2.227)    | (0.392)    | (0.442)    | (0.442)    | (0.442)    | (41.927)                         |
| Capital Reserves           | (5.948)                          | 0.720      | 3.355      | 0.000      | 0.000      | 0.000      | (1.873)                          |
| Total Reserves             | (43.929)                         | (1.507)    | 2.963      | (0.442)    | (0.442)    | (0.442)    | (43.800)                         |

- 4.4.3 A risk assessment has been carried out on the level of general balances that the council holds which is detailed in Appendix 15. This sets out that the council should hold general balances of at least £7.852m.

- 4.4.4 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 2025/26 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.

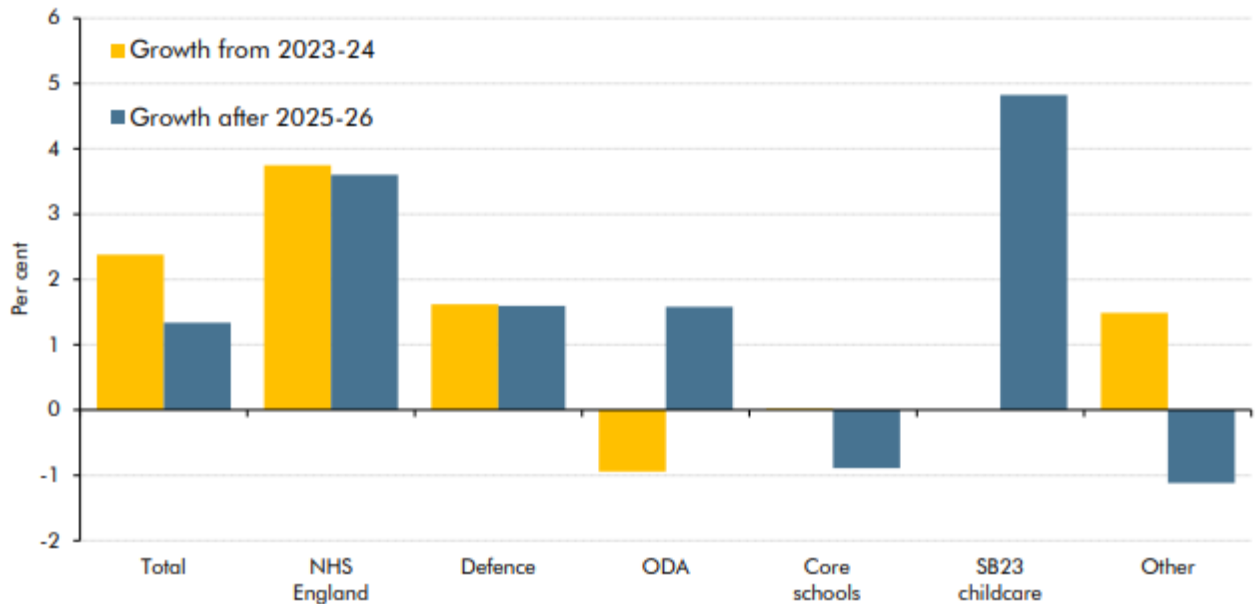
## 4.5 Medium Term Financial Strategy

### Funding Reforms

- 4.5.1 The council expects that local government funding reforms will be implemented in the current Parliament as announced in the Local Government Finance Policy Statement on 28 November 2024. The council is expecting a new Spending Review to be prepared in 2025 to indicate sector-wide spending levels in future years and in particular 2026/27-2027/28. The Government issued a consultation on future funding reforms as part of the Provisional Local Government Finance Settlement with a deadline for responses of 12 February 2025.
- 4.5.2 As part of funding reforms, a reset of the Business Rates baseline is expected. This would impact the council significantly as the council has been consistently collecting income above the baseline and retaining 40 percent of that growth under the current retention scheme. The council is assuming a full reset (whereby all growth above the baseline is redistributed nationally) is introduced in 2026/27, but phased over a period of three years, which will significantly reduce the level of resource available to the council over that period. There are alternative options for how a reset could be implemented, e.g. partial or rolling, so the planning assumption is for a “realistic worst case” scenario, which is in line with the proposals in the Government’s consultation.
- 4.5.3 Government funding of local authorities is based on an assessment of need. This assessment of need has not been fundamentally reviewed since 2013/14. The Government is expected to review the way need is determined and to make the formula more objective and transparent. However, until a detailed consultation on specific proposals 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.
- 4.5.4 In addition to funding reforms, the Office for Budget Responsibility’s analysis at the end of 2024/25 has highlighted that whilst plans for total Government spending are expected to increase in the next spending review period, that it is likely that funding for sectors such as local government (assumed to be within “other”) will reduce in real terms as demonstrated by the chart below.

Chart 4.5.1 – OBR Analysis of 2024 Autumn Statement

Chart 5.9: Implied average annual growth in RDEL spending



Source: Office for Budget Responsibility, Economic and fiscal outlook, October 2024  
[https://obr.uk/docs/dlm\\_uploads/OBR\\_Economic\\_and\\_fiscal\\_outlook\\_Oct\\_2024.pdf](https://obr.uk/docs/dlm_uploads/OBR_Economic_and_fiscal_outlook_Oct_2024.pdf)

### MTFS Funding Gap

- 4.5.5 The MTFS, as presented in Table 4.5.1 below, represents the scenario where the business rates reset is introduced in 2026/27, but the impact is phased over three years rather than the entire impact be felt in 2026/27 in line with the recent consultation from the Government. Planning on this basis is both prudent and sensible, without being overly optimistic, and ensures that the council can respond to any changes coming forward and remain financially sustainable.
- 4.5.6 Previously the Government has consulted on “rolling resets” as its preferred approach. This could result in one year’s growth being taken centrally, but resources available to the council being replaced by a future year’s growth. Whilst this is a model that the council can continue to lobby the Government on introducing but is not certain enough for it to be the main planning assumption of the council.
- 4.5.7 It is important to note that 2025/26 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 movement to reserves in 2025/26 is shown above in Table 4.4.1 (net £2.2m to revenue reserves and £0.72m use of capital reserves). A full schedule of the use of reserves can be found in Appendix 16. For 2026/27 an ongoing funding gap has been identified, which

increases through to 2028/29, 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 2026/27 and future years.

4.5.8 Table 4.5.1 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. The forecast effects of these changes are the equivalent to a 36 percent reduction in net funding. This is a result of:

- The assumption that the business rates baseline is reset in 2026/27, phased over three years, and average growth of 1.3 percent thereafter (the council has grown business rates significantly in recent years and this baseline reset results in the council losing the benefit of this retained growth)
- the phasing out of New Homes Bonus, with a one-off payment in relation to growth in 2024/25 payable in 2025/26; the Government has previously said it will consult on a replacement NHB scheme, but it is unclear what the financial benefit will be for the council at this stage. Therefore, to be prudent the Council is assumed that NHB at 2025/26 levels is phased out over three years in line with the business rates reset assumptions.
- Time limited grants announced by the Government for the 2025/26 financial year, e.g. Funding Floor, are expected to be received in 2025/26. The prudent assumption here is also to assume a phased reduction over three years in line with Government consultation proposal around transitional arrangements.
- The cessation of core Revenue Support Grant (RSG), Council Tax increases of £5 per annum with on average 1.2 percent annual growth of the Council Tax base from 2025/26.
- Other than the assumption above, no assumptions have been made that the council will receive any additional transitional finance support.
- Taken together, the fallout of New Homes Bonus and time-limited grant funding identified above is assumed to approximate the annual 3.2% real terms reduction in funding that will be required on average by non-protected services as well as any implications from the Fair Funding Review.

4.5.9 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 4.5.1 below. This is further analysed by gross and net budget by directorate in Appendix 11. It should be noted that other than the high-level analysis of funding in Chart 4.5.1 and the indications included in the Government's consultations, there is no other information available from Government announcements to give an indication of funding levels for 2026/27 and beyond. Therefore, the future resource levels in the MTFs are best estimates but have been developed within significant levels of uncertainty.

4.5.10 Table 4.5.1 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. The council, along with our peers across all tiers of local government, will need to provide evidence and arguments about the totality of funding for the council services. The council 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 4.5.1: MTFS 2025/26 – 2029/30 (year on year change)

| MTFS Movements                 | 2025/26         | 2026/27      | 2027/28      | 2028/29      | 2029/30        | Total           |
|--------------------------------|-----------------|--------------|--------------|--------------|----------------|-----------------|
|                                | £m              | £m           | £m           | £m           | £m             | £m              |
| Base budget b/f                | 26.987          | 0.000        | 0.000        | 0.000        | 0.000          | 26.987          |
| Investments                    | 0.391           | (0.043)      | (0.093)      | 0.001        | 0.001          | 0.257           |
| Efficiencies & Income          | (1.375)         | (0.320)      | (0.161)      | (0.100)      | (0.111)        | (2.067)         |
| Capital Impact                 | 0.106           | 0.037        | 0.208        | 0.165        | 0.210          | 0.726           |
| Corporate changes              | (0.842)         | (0.090)      | 0.051        | 0.176        | 0.108          | (0.597)         |
| Inflation                      | 0.986           | 0.816        | 0.835        | 0.800        | 0.800          | 4.237           |
| Use of reserves                | (0.494)         | (1.396)      | 0.000        | 0.000        | 0.000          | (1.890)         |
| Transfer from Reserves         | 0.170           | 1.163        | 0.050        | 0.000        | 0.000          | 1.383           |
| Transfer to Reserves           | 2.199           | (1.198)      | 0.000        | 0.000        | 0.000          | 1.001           |
| Additional government grants   | (1.934)         | 2.867        | 0.967        | 0.966        | 0.000          | 2.866           |
| <b>Net Budget Requirement</b>  | <b>26.194</b>   | <b>1.836</b> | <b>1.857</b> | <b>2.008</b> | <b>1.008</b>   | <b>32.903</b>   |
| Revenue Support Grant          | (0.368)         | 0.368        | 0.000        | 0.000        | 0.000          | 0.000           |
| Council Tax                    | (9.903)         | (0.041)      | (0.440)      | (0.452)      | 0.000          | (10.836)        |
| Business Rates                 | (14.988)        | 2.354        | 3.433        | 3.458        | (0.071)        | (5.814)         |
| New Homes Bonus                | (0.935)         | 0.312        | 0.312        | 0.311        | 0.000          | 0.000           |
| <b>Total Income</b>            | <b>(26.194)</b> | <b>2.993</b> | <b>3.305</b> | <b>3.317</b> | <b>(0.071)</b> | <b>(16.650)</b> |
| <b>Funding Gap / (Surplus)</b> | <b>0.000</b>    | <b>4.829</b> | <b>5.162</b> | <b>5.325</b> | <b>0.937</b>   | <b>16.253</b>   |

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

4.5.11 The council has developed a strategy to meet the challenges highlighted in the MTFS if funding reductions are implemented as described in paragraph 4.5.8. Whilst the council will develop plans for scenarios that include a full business rates reset phased over three years, it will continue to lobby the Government for a rolling reset to be introduced. It will put forward the case that council's such as Cherwell that have embrace the Government's Business Rates Retention reward scheme should not be disadvantaged following its success in delivering business growth and associated benefits to service delivery. Implementation of savings plans developed will not take place until it is clear that the savings must be achieved. Approaches the council will adopt to identify savings will include:

#### Transformation

4.5.12 The council worked in collaboration with external consultants to provide capacity to supplement the council's approach to identifying transformative approaches to



service delivery that would allow the council to maintain service levels, but operate at reduced costs. This process has identified a significant number of opportunities for the council to evaluate further and develop over the MTFS period. The opportunities are made up of a combination of transformation service efficiencies, increased income and indicative potential changes in service levels provided by the council. Some of these proposals were included in the 2025/26 budget where they were fully developed. However, the remainder of the proposals need to be fully worked up, but initial work has estimated that the efficiencies and income proposals could be worth £5.670m in total. Table 4.5.2 gives a high-level breakdown of the opportunities and how much they could potentially contribute towards the overall forecast budget gap of £16.3m.

Table 4.5.2: Opportunities for Further Efficiencies and Income

| Directorate  | Efficiencies | Income       | Total for MTFS |
|--------------|--------------|--------------|----------------|
|              | £m           | £m           | £m             |
| Communities  | 1.654        | 2.276        | 3.930          |
| Resources    | 1.740        | 0.000        | 1.740          |
| <b>TOTAL</b> | <b>3.394</b> | <b>2.276</b> | <b>5.670</b>   |

- 4.5.13 All of these proposals need to be worked up further to be fully refined and it is likely that there will be some implementation costs associated with some of these proposals to support the development of new ways of working, including adopting new technologies where appropriate. This process is currently underway. Once the council has a more refined understanding of the expected savings that these proposals can develop specific business cases and identify the associated implementation costs. Implementation costs will be able to be funded from reserves following approval of a suitable business case. Currently the projected 2025/26 opening balance of the Projects Reserve is £5.5m. This could be made available towards implementation if required.
- 4.5.14 Furthermore, the council will continue to look for future transformation efficiencies through future rounds of the transformation and budget process. The council will continue to look for significant transformation opportunities across its services whilst also looking for more modest savings opportunities that can be implemented in the short term. As and when the significant savings opportunities are fully worked up they will be brought into the MTFS.
- 4.5.15 Transformation will continue to be applied across all services of the council. This will ensure that in the future they are provided in a joined-up way that maximises the delivery of the council's priorities within the resources available to the council.

### **Prioritisation and Service Levels**

- 4.5.16 As part of the 2025/26 budget and transformation process, the council has reviewed its services to consider what levels of service could be provided in the future from statutory minimum through to current levels of service and enhanced. Each of these service levels was also costed. Each level of service can be scored to consider what level of contribution can be made towards the council's priorities.

- 4.5.17 This process allows the council to consider what level of service can be provided at different costs whilst maximising delivery of the council's priorities. As part of the 2026/27 – 2030/31 budget and transformation process this can be further enhanced by breaking each service down into more specific activity units and so being able to generate far more specific options for service level delivery and understanding total spend against the council's priorities.
- 4.5.18 Similarly in setting the 2025/26 budget, all capital schemes have been mapped to the priority that they link most closely to. The transformation and budget process for 2026/27 – 2030/31 will then be developed to maximise the ability to deliver the priorities of the council within the level of resources available to it.
- 4.5.19 Table 4.5.3 below demonstrates at a high level how prioritising the council's service level delivery options, in conjunction with delivering the identified service efficiencies and income opportunities could help to address the MTFS gap.

Table 4.5.3: Service Efficiencies, Income & Service Level Prioritisation

|                                | Communities | Resources | Total         |
|--------------------------------|-------------|-----------|---------------|
|                                | £m          | £m        | £m            |
| <b>MTFS Gap</b>                |             |           | <b>16.650</b> |
| Efficiencies                   | 1.654       | 1.740     | 3.394         |
| Income                         | 2.276       | 0.000     | 2.276         |
| Indicative Service Levels      |             |           | 4.500         |
| <b>Potential (Surplus)/Gap</b> |             |           | <b>6.480</b>  |

### Savings Targets

- 4.5.20 Whilst the council will look to deliver savings through transformation, efficiencies and prioritisation wherever possible, the council should retain the option of issuing savings targets. If necessary, then services may be issued with a target number of savings to deliver from their budget which they have control over. So, for example where there are budgets which hold corporate costs in a service area, a savings target should not be applied to this.

### Financial Resilience Assessment

- 4.5.21 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.
- 4.5.22 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.

- 4.5.23 The publication of the Financial Resilience Index based on 2023/24 outturn data was shared with Chief Finance Officers in December 2024. 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.

## **4.6 Climate Action**

- 4.6.1 In 2020, the council produced its Climate Framework, in which it pledged to become carbon net zero by 2030 and to support the wider district to reduce its emissions. An Action Plan to support these targets has been produced, setting out over 120 actions needed. The actions include those which are already budgeted for and those which are not.
- 4.6.2 The council have allocated an annual capital budget of £250k to support the programme of decarbonisation. This will assist with Public Sector Decarbonisation Scheme grants when for example the council have to make a financial contribution.
- 4.6.3 Reports are currently being produced which will set out the pathway to the council's 2030 net zero target, indicating the interventions required, approximate costs and the residual emissions which will also require investment. Following the results of these reports, further decisions will be required that will impact the MTFS position, if the council wishes to meet the 2030 target.
- 4.6.4 Officers are currently supporting a range of work streams that will support the council in reducing its emissions – these include involvement with planning the local energy grid; the installation of electric vehicle charge points; schemes to support residents to retrofit their properties; support for local businesses to decarbonise; creating a marketplace to invest in the natural environment and support more carbon sequestration.

## **5. Alternative Options and Reasons for Rejection**

- 5.1 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.

## **6 Conclusion and Reasons for Recommendations**

- 6.1 This report provides information around the various building blocks that make up the proposed budget for 2025/26 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 2025/26 and the MTFs up to 2029/30.

## Decision Information

|   |     |
|---|-----|
| <b>Key Decision</b>                       | Yes |
| <b>Subject to Call in</b>                 | Yes |
| <b>If not, why not subject to call in</b> | N/A |
| <b>Ward(s) Affected</b>                   | All |

## Document Information

|                    |   |
|--------------------|---|
| <b>Appendices</b>  | Please note appendices 3 and 20 are not used for the report to Executive              |
| <b>Appendix 1</b>  | Corporate Plan  |
| <b>Appendix 2</b>  | Internal Perspectives   |
| <b>Appendix 3</b>  | Not used for Executive report   |
| <b>Appendix 4</b>  | Service Efficiencies & Income Proposals   |
| <b>Appendix 5</b>  | Service Investments Proposals   |
| <b>Appendix 6</b>  | Budget Summary  |
| <b>Appendix 7</b>  | Fees and Charges Schedule   |
| <b>Appendix 8</b>  | Overarching Equality Impact Assessment  |
| <b>Appendix 9</b>  | Pay Policy Statement  |
| <b>Appendix 10</b> | Consultation Report   |
| <b>Appendix 11</b> | Gross Service Budget, Income, Net Budget and Future Years MTFs Changes by Directorate |
| <b>Appendix 12</b> | Budget Book   |
| <b>Appendix 13</b> | Government Grants   |
| <b>Appendix 14</b> | Reserves Policy   |
| <b>Appendix 15</b> | Reserves Assessment   |
| <b>Appendix 16</b> | Forecast Use of Reserves  |
| <b>Appendix 17</b> | Capital Bids  |
| <b>Appendix 18</b> | Capital Programme   |

|  |  |
|--|--|
| <b>Appendix 19</b>   | Capital and Investment Strategy  |
| <b>Appendix 20</b>   | Not used for Executive report  |
| <b>Appendix 21</b>   | Treasury Management Strategy   |
| <b>Background Papers</b>   | None   |
| <b>Reference Papers</b>  | None   |
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| <b>Corporate Director Approval (unless Corporate Director or Statutory Officer report)</b> | Stephen Hinds, Corporate Director for Resources  |