


SUPPLEMENTARY INFORMATION
Budget Planning Committee
29 September 2020

| Agenda Item Number | Page | Title | Officer Responsible | Reason Not Included with Original Agenda |
|--------------------|-----------------|--|---|---|
| 6. | (Pages 3 - 26) | Budget and Business Planning Process 2021/22 - 2025/26 | Director of Finance & Section 151 Officer | Report being finalised at time of agenda dispatch |
| 7. | (Pages 27 - 38) | Cherwell District Council Reserves Policy | Director of Finance & Section 151 Officer | Report being finalised at time of agenda dispatch |

If you need any further information about the meeting please contact Emma Faulkner,
 Democratic and Elections democracy@cherwellandsouthnorthants.gov.uk, 01295 221953

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Cherwell District Council

Budget Planning Committee

29 September 2020

Budget and Business Planning Process 2021/22 – 2025/26

Report of the Director of Finance

This report is public

Purpose of report

To present the Budget and Business Planning Process 2021/22 – 2025/26 to Budget Planning Committee and for its comments to be provided to the Executive when it considers the Report on 5 October 2020.

1.0 Recommendations

The meeting is recommended to:

- 1.1 note the Budget and Business Planning Process 2021/22 – 2025/26 Executive Report attached at Appendix 1
- 1.2 to feed back comments on the Report to the Executive at its meeting on 5 October 2020.

2.0 Introduction

- 2.1 Cherwell District Council (CDC) has a legal obligation to set a balanced budget each year. This report lays out the process by which it intends to develop proposals that will deliver a balanced budget that maximises the delivery of CDC's strategic aims and priorities.

3.0 Report Details

- 3.1 The attached report at Appendix 1 sets out CDC's proposed approach to delivering a balanced budget for 2021/22. The report sets out a recap of the Medium Term Financial Strategy (MTFS) agreed at Council in February 2020, including an estimate of needing to identify £7.7m of savings in 2021/22.
- 3.2 Since the MTFS was agreed, the most significant unforeseen impact has been Covid-19 and the impact that this has had on the demand for Council services, the

ability to generate income and the levels of Council Tax and Business Rates that will be generated.

- 3.3 Additionally CDC is operating within an uncertain financial outlook from Government funding. CDC is awaiting the:
- Outcome of the Spending Review, expected in November 2020
 - Autumn Budget, expected mid-late November 2020
 - Implications of the Government's Fair Funding Review which is expected to be implemented in April 2022
 - Confirmation of when local government will move to 75% business rates retention and how that system will operate
- 3.4 The Budget and Business Planning Process will consider the impact that savings proposals may have on the strategic priorities of:
- Housing that meets your needs
 - Leading on environmental sustainability
 - An enterprising economy with strong and vibrant local centres
 - Healthy, resilient and engaged communities
- 3.5 This report will begin the Budget and Business Planning Process for 2021/22 – 2025/26. Further reports will be brought back to Budget Planning Committee as the Budget and Business Planning Process develops.

4.0 Conclusion and Reasons for Recommendations

- 4.1 CDC has a legal duty to set a balanced budget each year. This report begins the process to develop a balanced budget proposal that maximises the Council's ability to deliver the strategic priorities.

5.0 Consultation

This report is the beginning of consultation with Budget Planning Committee on the development of the 2021/22 budget and MTFS.

6.0 Alternative Options and Reasons for Rejection

- 6.1 There are no alternative options

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

Legal Implications – Mandatory paragraph

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

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, 01295 221695
richard.hawtin@cherwell-dc.gov.uk

Risk Implications - Mandatory paragraph

- 7.3 The Council faces significant risks given the scale of the financial challenge for 2021/22. Having a robust process in place to develop budget proposals and the associated Corporate Plan will help to mitigate these. This is managed through operational and leadership risk registers.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes, 01295 221786
louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

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

Document Information

Appendix number and title

- Appendix 1 Budget and Business Planning Process 2021/22 – 2025/26 – Executive report and appendices

Background papers

None

Report Author and contact details

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

*****Appendix to Budget Planning Committee Report*****

Cherwell District Council

Executive

5 October 2020

Budget and Business Planning Process 2021/22 – 2025/26

Report of the Director of Finance

This report is public

Purpose of report

This report is to inform the Executive of the proposed approach to the 2021/22 Budget and Business Planning Process and provides context and background information on the existing Medium Term Financial Strategy and information on latest government announcements relevant to the Strategy.

1.0 Recommendations

The Executive is recommended to:

- 1.1 Approve the Budget and Business Planning Process for 2021/22
- 1.2 Approve a five-year period for the Medium-Term Financial Strategy to 2025/26 and three-year period for the Capital Programme to 2023/24.

2.0 Introduction

- 2.1 This report is the first in the series on the Budget and Business Planning process for the forthcoming year. It forms context and background information ahead of and part of the process which will culminate in Council setting a budget for 2021/22; a medium-term plan to 2025/26, the capital programme to 2023/24 and a Corporate Plan in February 2021.
- 2.2 The Medium-Term Financial Strategy (MTFS) to 2024/25, agreed by Council in February 2020, identified additional savings of £7.7m to be delivered in 2021/22. This reflects expected growth over the same period for demographic and other directorate pressures and inflation. Reflected as well are savings and other income growth which reduce the net budget requirement over the period. The pressures in the MTFS mainly relate to reductions in Funding.
- 2.3 Information on latest government announcements and their impact, as well as an overview of new and emerging pressures which will need addressing through the Budget and Business Planning process for 2021/22, are set out in the report.

- 2.4 There is uncertainty in government funding for 2021/22 and beyond due to awaiting the announcement of a full Spending Review in 2020. In addition, announcements are anticipated with regards to the introduction of a new Fairer Funding Formula and the implementation of 75% Business Rates Retention. These are expected to be introduced from 2022/23. This level of uncertainty is unusual; however, in forming the MTFs prudent assumptions will be made based on the latest information available and using scenarios and a sensitivity analysis to form a view.

3.0 Report Details

- 3.1 This initial report sets the context and the starting point for the Budget and Business Planning process. It sets out the assumptions on which the existing MTFs agreed in February 2020 is based, information arising from government and other announcements plus new and emerging financial issues for 2021/22 and beyond which impact on the existing MTFs. It also sets out the process for updating the Corporate Plan as well as the timetable of events for the Budget and Business Planning process.
- 3.2 The following appendices are attached to this report:
- Appendix 1: Previously agreed budget changes 2020/21 – 2024/25
 - Appendix 2: Budget and Business Planning timetable for 2020/21
- 3.3 It is proposed that the MTFs continues to cover a five-year time frame and is therefore extended by one year to cover 2025/26. It is also proposed that the Capital Programme is extended by one year to cover the three-year period to 2023/24.

Assumptions in the existing Medium-Term Financial Strategy

Additional Spending & Savings

- 3.4 The 2020/21 – 2024/25 MTFs agreed by Council in February 2020 identified the requirement for annual savings of £7.7m required in 2021/22 to offset funding reductions and to meet additional expenditure pressures. Due to Covid-19 pressures, the required on-going annual savings target is now estimated to be £9.5m. Delivery of savings identified in February 2020 of £5.9m are being monitored through the Performance, Finance and Risk Monitoring Reports to Cabinet throughout this financial year.
- 3.5 The MTFs also includes an additional £1m per year of on-going funding for pay and contract inflation. No inflation is provided for general prices.
- 3.6 Details of the savings and growth assumed in the existing MTFs for 2021/22 to 2024/25 are set out in Annex 1.

Funding

- 3.7 The MTFs for 2020/21 approved by Council in February 2020 identified temporary funding received in 2020/21 as a result of the delay to the proposed reset of

business rates growth allocations within the Business Rates Retention System and the winding down the New Home Bonus grant. As a consequence, the existing MTFS has a budget shortfall of £7.7m in 2021/22. There is also considerable uncertainty surrounding the financial implications of the Spending Review and new formula to allocate funding across local government.

- 3.8 The income retained from the Business Rates Retention Scheme is estimated to reduce to £5.8m in 2021/22, a 52% reduction from £12.1m in 2020/21. The reduction is predicated on the assumption that growth in business rates above the baseline reduces with the expectation of a business rates reset in April 2021. In addition, the Business Rates Tariff is expected to increase from £29m in 2020/21 to £37m in 2021/22 (29%) as funds are redirected to areas of government priority spending.
- 3.9 Revenue Support Grant, which was extended for one year, is expected to drop out in 2021/22. The continuing phased reduction of the New Homes Bonus grant is also assumed.
- 3.10 Council tax increases of £5 for a Band D property are assumed across all years of the MTFS. It is assumed the Council Tax base will increase 2.9% on average annually. Total income from Council Tax (not including collection surpluses) is estimated to be £9.6m a year by 2024/25.
- 3.11 Taken together, these result in overall reductions in funding totalling £9.3m for 2021/22. This is slightly offset by a planned reduction in expenditure of £1.6m, resulting in an overall gap in 2021/22 of £7.7m. Details are set out in the table below.

Table 1: MTFS as approved February 2020

| MTFS Movements | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 | 2024/25 £000 |
|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Base Budget b/f | 19,091 | | | | |
| Unavoidable service pressures | 835 | (265) | (53) | 0 | 0 |
| Service Growth | 2,588 | (1,506) | (89) | (178) | 0 |
| Service Efficiencies | (445) | (565) | 0 | (1,704) | 1 |
| Service Savings Proposals | (1,394) | (222) | (5) | (100) | (58) |
| Capital impact | 11 | (32) | (24) | 45 | 0 |
| Corporate Pressures | 3,731 | (67) | (313) | (348) | (328) |
| Pay & contract inflation | 0 | 1,077 | 1,077 | 1,077 | 1,077 |
| Use of reserves | 1,186 | (53) | (7) | 321 | 0 |
| Net Budget Requirement | 25,604 | (1,633) | 586 | (887) | 692 |
| Base funding b/f | | | | | |
| Revenue Support Grant | (116) | 116 | 0 | 0 | 0 |
| Council Tax | (7,692) | (213) | (529) | (546) | (578) |
| CTRS | 175 | (175) | 0 | 0 | 0 |
| Business Rates related income | (12,134) | 6,357 | (602) | (612) | (622) |
| New Homes Bonus | (5,836) | 3,208 | 861 | 1,767 | 0 |
| Total Income | (25,604) | 9,294 | (270) | 609 | (1,200) |
| Funding Gap / (Surplus) | 0 | 7,661 | 316 | (278) | (509) |

Earmarked Reserves and General Balances

- 3.13 Earmarked reserves (reserves held for a specific purpose) are forecast to be £23.4m at the end of 2020/21. The latest forecast estimates that general balances will remain around £2.0m at the end of 2020/21. As with general balances, the level of earmarked reserves is reviewed each year as part of the Budget and Business Planning process.
- 3.14 CDC is developing a new reserves policy which will be in place for 2021/22 and earmarked reserves will be reviewed in line with the new policy. A risk assessment to determine the level of appropriate balances will also be undertaken as part of the Budget & Business Planning process.

Covid-19 Pandemic

- 3.15 Since the Government announced a lockdown due to the Covid-19 pandemic CDC has seen significant increased costs and reductions in income. The Government has partially covered some of the immediate costs and income losses and CDC has agreed a Revised Budget for 2020/21 to address the shortfall.
- 3.16 There are some key areas of uncertainty for which it is unclear whether compensating funding will be required or received for next year, in particular around business rates and council tax.
- 3.17 It is unclear whether businesses will be able to continue to operate and grow at the rates assumed in the MTFS. There are clearly significant challenges for businesses and if the recovery from the “stall” in the economy is not swift enough then some businesses may not continue into 2021/22 putting at risk the anticipated growth of business rates. Retail and leisure businesses have not been required to pay business rates in 2020/21 but are currently expected to go back to paying business rates as normal from 1 April. In addition, to the extent that business rates growth was less than anticipated this year, this will result in a deficit to the Collection Fund which will have to be repaid.
- 3.18 Linked to the reduced rates of growth in business rates, CDC has seen increases in the levels of those eligible for working age Council Tax Support and receiving discounts on their council tax bills. There is a risk that, as the furlough scheme ends, levels of working age Council Tax Support will continue to increase. This could have the impact of reducing levels of Council Tax that will be received by the Council compared to the MTFS.
- 3.19 It is also very early in the recovery phase of the pandemic to understand whether some of the additional costs and income losses faced by the Council will continue into 2021/22.

Government Announcements

- 3.20 Since Council approved the 2020/21 budget, MTFS and Capital Programme, there have been a number of major immediate impacts on local government finance which have created unprecedented uncertainty for 2021/22 and beyond are:
- the financial impact of the Covid-19 pandemic
 - the delay in the announcement of the Spending Review until November 2020
 - a delay in the Autumn Budget until mid-late November

- the delay in implementing the Fair Funding Review, which is now expected to be implemented from April 2022
- the delay in Business Rates Reform, including a move to retaining 75% of business rates, which may now be introduced from April 2022
- the delay in Business Rates Revaluation which will now happen in April 2023

Spending Review Delay

3.21 The Spending Review (SR) sets the overall funding envelope for Government departments for the Spending Review Period, anticipated to be the three years from 2021/22 – 2023/24. The SR was originally intended to report in July 2020. Whilst this would not have provided specific funding levels for individual local authorities, it would have given a clear steer on the trajectory of local government funding as a sector and assisted with planning scenarios. The SR has been delayed and is now expected to be announced in the autumn, with many commentators suggesting this could be around mid-November.

Further Medium-Term Uncertainty

3.22 To compound the planning uncertainty, there are major changes to the way local government funding works that are currently planned to be introduced from 2022/23 onwards, specifically around how funding is allocated between local authorities. As part of the Fair Funding Review, the proportion of business rates retained by local government and how local authorities are rewarded for generating growth in business rates will change; however, it is too early to predict the overall financial impact of these proposals as they are still being designed and consulted on. Therefore, for now the planning assumption is that they are cost neutral.

Savings Proposals

3.23 Taking all of the uncertainty into account and the challenging situation relating to funding, CDC will undertake to identify savings proposals of £9.5m in 2021/22. This takes into account the impacts identified in the MTFs approved in February 2020 and also the potential financial impacts of Covid-19. Assumptions will be revisited and revised as information becomes clearer, but it is important to note that the actual implications will not be known until very late in the Budget and Business Planning process

3.24 The Budget and Business Planning Process will consider the impact that savings proposals may have on the strategic priorities of:

- Housing that meets your needs
- Leading on environmental sustainability
- An enterprising economy with strong and vibrant local centres
- Healthy, resilient and engaged communities

3.25 The strategy for identifying savings will be to prioritise “Corporate Building Blocks”. This will identify savings which will help to mitigate the need to make savings from front line service provision. Examples of Corporate Building Blocks include reviewing contracts, reviewing whether we continue to require all the assets we own and maximise income streams.

- 3.26 Whilst savings are expected to be delivered from the Corporate Building Blocks, it is still anticipated that Directorates will be required to identify savings. This will require services to consider the levels of service provided, whether the service can be redesigned and whether the Council is fully charging for the service.

Corporate Plan

- 3.27 The overall corporate planning framework includes the Corporate Plan itself, finance, Leadership risks and the service plans of individual directorates and services.
- 3.28 It is proposed that these issues should be considered alongside existing priorities for formal incorporation into the overall corporate plan framework to drive action and outcomes. Work will be required to identify the tangible change associated with each priority area and how the issue is best incorporated into the overall planning framework – whether into the Corporate Plan or into service specific plans. Where issues are agreed as priority areas, consideration should be given through the budget process of how refocussing on these issues affects budget priorities.
- 3.29 In addition to revising plan priorities, within the current cycle of corporate planning, there is an opportunity to redesign and represent elements of the current Corporate Plan to better articulate for residents, councillors, staff and partners the existing and emerging narrative and purpose. Supporting materials to the Corporate Plan should include a highly visual plan on a page that articulates to internal and external audiences the Council's mission and clear links from the leadership risk register to the overarching priorities.
- 3.30 Updating the Corporate Plan will necessarily require a parallel update to the Outcomes Framework and the Leadership Risk Register to ensure that the framework accurately describes the priorities and actions in the plan. Alongside updating content, there is an opportunity to continue to improve the Outcomes Framework reflecting feedback and challenge received through the new reporting process. Performance indicators (key performance indicators and measures) will be reviewed to ensure that they have a clear and direct line to outcomes and the target setting process will be reviewed to ensure that the reasons for changing or maintaining a target across years are transparent.

Budget and Business Planning Timetable

- 3.31 An online public consultation on CDC's budget proposals will commence when the information is published at the start of December 2020, with Budget Planning Committee (BPC) considering them ahead of formal Executive sign off on 7 December 2020. Comments from BPC, along with other responses, will feed into the final formulation of proposals.
- 3.32 Capital proposals will be considered by Budget Planning Committee in January 2020 alongside the Capital & Investment Strategy which incorporates the Treasury Management Strategy. The Review of Charges will also be considered.
- 3.33 The Executive will take into consideration the comments from the BPC in December 2020 and comments from the public consultation alongside the funding available announced as part of the provisional settlement expected during December 2020, at its meeting on 1 February 2020 in setting out its proposed budget to Council.

- 3.34 The provisional local government finance settlement is not expected until mid-late December 2020, with the final settlement not expected until early late January/early February 2021. This will confirm the general funding available to the Council for 2021/22 and the Council Tax referendum limit to be applied.
- 3.35 The Council meeting to agree the 2021/22 revenue budget, MTFS and capital programme will take place on 22 February 2021.
- 3.36 A timetable for the Budget and Business Planning process is attached at Annex 2.

Capital Programme Planning

- 3.37 The Council considers capital investment and programming activity as an integral part of the Budget and Business Planning process. This ensures that the creation of a new asset or investment in existing assets is justified through detailed business cases and delivery models for the service, and implications for MTFS are clearly identified. Existing capital schemes are being reviewed alongside emerging investment pressures and priorities. These will be brought forward over the autumn to inform the capital planning process.
- 3.38 Full Council is required to approve annually the Capital & Investment Strategy in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability, affordability and appetite for risk. The overall Capital & Investment Strategy incorporates the Treasury Management Strategy and the Investment Strategy.

4.0 Conclusion and Reasons for Recommendations

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

5.0 Consultation

None required

6.0 Alternative Options and Reasons for Rejection

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

7.0 Implications

Financial and Resource Implications

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

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

Legal Implications

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

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, 01295 221695
richard.hawtin@cherwell-dc.gov.uk

Risk Implications

- 7.3 The Council faces significant risks given the scale of the financial challenge for 2021/22. Having a robust process in place to develop budget proposals and the associated Corporate Plan will help to mitigate these. These risks are managed as part of the operational and leadership risk register.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes 01295 221786
louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision No

Financial Threshold Met: No

Community Impact Threshold Met: No

Wards Affected

None

Links to Corporate Plan and Policy Framework

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

Lead Councillor

Cllr Ilott, Finance

Document Information**Appendix number and title**

- Appendix 1 - Previously agreed budget changes 2020/21 – 2024/25
- Appendix 2 - Budget and Business Planning timetable for 2020/21

Background papers

None

Report Author and contact details

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

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Appendix 1

| Growth, Savings and Spend to Save Bids and Revenue Impact of Capital | | | | | Incremental Spend / Savings Profile | | | | |
|--|--------------------------|---|---|-----------------------|-------------------------------------|----------|----------------|----------|----------|
| Reference | Strategic Priority | Project | Brief Description | Value over the period | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| GRW011 | Best Council to work for | Finance "Growing Our Own" | The Finance Team are seeking to develop a business plan around developing and growing the team from within, building a strategy that is underpinned by bringing graduates and apprentices into the team at the beginning of their career aiming to see them develop through the team at the Council and on occasions into the wider local government community. | 24,000 | 12,000 | 0 | -12,000 | 0 | 0 |
| GRW045 | Best Council to work for | HR Apprentice | £11,875 (inclusive of on-costs) is requested to employ an HR apprentice. | 23,750 | 11,875 | 0 | -11,875 | 0 | 0 |
| Best Council to work for Total | | | | 47,750 | 23,875 | 0 | -23,875 | 0 | 0 |
| CAP028 | Clean, Green and Safe | On Street Recycling container provision | The aim is to purchase around 60 more on street recycling bins. This will collect litter on one side of the bin and recycling (largely plastic bottles & cans). They will be located in places such as bus tops and to replace some freestanding litter bins | -10,000 | -2,000 | 0 | 0 | 0 | 0 |
| Page 17 CAP029 | Clean, Green and Safe | Depot fuel system renewal | There are two fuel tanks – one at Highfield depot and one at Thorpe Lane. The fuel is dispensed via pumps which are becoming increasingly unreliable. The pumps at Thorpe Lane are very heavily used and the pumps are ten years old and need of replacement. Spare parts are becoming more difficult to source as the pumps are obsolete. The main pump at Highfield also needs replacement. The fuel system itself is also old, over ten years and better systems are on the market. The system needs replacing during 2020/21 | -10,000 | -2,000 | 0 | 0 | 0 | 0 |
| CAP030 | Clean, Green and Safe | Horsefair Public Conveniences | Horsefair public conveniences is located in a main visitor area. Adjacent to Banbury Cross and the Fine Lady statue. The coach drop off point is nearby. The public conveniences are twenty years old, tired and there are no facilities near by. The public conveniences will be refurbished to unisex cubicles and a disabled facility | -25,000 | -5,000 | 0 | 0 | 0 | 0 |
| GRW013 | Clean, Green and Safe | Waste Collection | The growth of the district means more properties being occupied. Each 4000 properties requires a new crew. Each crew covers around 6000 properties with one & half crews needed for each property. This has been in the business plan for several years. A new crew will commence in 2020/21 with a further crew likely to be required in 2023/24 | 1,090,000 | 70,000 | 100,000 | 0 | 170,000 | 0 |

| Growth, Savings and Spend to Save Bids and Revenue Impact of Capital | | | | | Incremental Spend / Savings Profile | | | | |
|--|----------------------------------|---|--|-----------------------|-------------------------------------|----------------|----------|----------------|----------|
| Reference | Strategic Priority | Project | Brief Description | Value over the period | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| GRW040 | Clean, Green and Safe | Waste Collection – Recycling gate fee | The value of recyclables can be highly volatile. Three years ago recyclables were bringing in £300k/year income. The gate fees have change to having to pay due to price changes on the individual materials. The gate is fee is over £40/tonne which means a change of £700k/year over the last three years. The deal the Council is still favourable compared to most Councils | 417,776 | 177,776 | -117,776 | 0 | 0 | 0 |
| SAV027 | Clean, Green and Safe | Commercial Waste | This proposal is to grow the Commercial Waste Service. The Commercial Waste Service has grown over recent years from a very small service bringing in around £50k of income per year to a service bring in around £300k/year. The service is planning to continue to expand at around £100k/year additional income for each of the following three years, resulting in a net £30k pa surplus | -150,000 | -30,000 | 0 | 0 | 0 | 0 |
| Clean, Green and Safe Total | | | | 1,312,776 | 208,776 | -17,776 | 0 | 170,000 | 0 |
| Page 1 CAP031 | District of Opportunity & Growth | Car Parking Action Plan Delivery | A new car parking strategy with an action plan is being developed. It is expected that the strategy & action plan will be approved by the Executive in early 2020. The action plan will aim to improve signage to and from the car parks. It will enhance facilities including signage and direction boards. More car parks will move over to pay on exit. In addition issues such as changing lighting over to LED lights to make the car even more safe but also energy efficient The action plan will commence in 2020 and should be largely completed in early 2021/22 | -75,000 | 0 | -30,000 | -15,000 | 45,000 | 0 |
| CAP032 | District of Opportunity & Growth | Street scene fencing, street furniture and railings | This project aims to ensure play areas, open spaces and areas on CDC land and areas where CDC is responsible so areas are safe for children and other people. Work will include replacing fences, railings and other street furniture which is either in poor condition or no longer safe | -5,000 | -1,000 | 0 | 0 | 0 | 0 |

| Growth, Savings and Spend to Save Bids and Revenue Impact of Capital | | | | | Incremental Spend / Savings Profile | | | | |
|--|----------------------------------|--|--|-----------------------|-------------------------------------|----------|---------|----------|---------|
| Reference | Strategic Priority | Project | Brief Description | Value over the period | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| GRW002 | District of Opportunity & Growth | Growth Deal – Year 3 CDC Plan Resourcing | <p>Following the establishment of the CDC Growth Deal programme board a resourced Year 2 delivery plan was created and approved by CEDR. This growth proposal identifies the required resources to continue the programme through Year 3.</p> <p>The Programme is made up of four workstreams: Affordable Housing; Homes from Infrastructure; Productivity and the Oxfordshire Plan 2050. These are supported by a Programme Management function within the Transformation team.</p> | 972,047 | 336,978 | -23,034 | 7,181 | -321,125 | 0 |
| GRW017 | District of Opportunity & Growth | Canalside Regeneration Feasibility | The budget proposal would allow the appointment of external consultants to work with staff to unlock, design and engage stakeholders to ensure a delivery plan to achieve the Councils aspirations in delivering the Canalside Redevelopment. | 230,000 | 230,000 | -230,000 | 0 | 0 | 0 |
| GRW021 | District of Opportunity & Growth | Planning Policy Conservation Design | <p>Net cost for 20/21 for staff changes : Required for Planning Policy, Conservation & Design Business Case to achieve:</p> <ul style="list-style-type: none"> -Introduction of team leaders and provide capacity for the service manager -To build capacity in Planning Policy to fulfil project requirements of the Local Development Scheme -To re-introduce Urban Design resource to support healthy place shaping and raise design standards | 266,307 | 61,095 | -9,792 | 0 | 0 | 0 |
| GRW033 | District of Opportunity & Growth | Kidlington masterplan delivery project | This project will deliver the projects identified in the action plan and next steps for Kidlington masterplan. The priority projects include the village centre, Exeter Close, sport and recreation improvement. The Growth Proposal will support a Project Delivery Officer/Manager (£50,000) and funding (£75,000) for specific projects and strategy development for an employment cluster, Oxford Road corridor transformation and canal improvement. | 175,000 | 125,000 | -75,000 | -50,000 | 0 | 0 |
| GRW036 | District of Opportunity & Growth | Landscape architects | <p>The growth of the district means more and more planning applications are being received. The Landscape architects (1.5 FTE) comment of planning applications and inspect after developments are complete.</p> <p>The level of planning applications particularly on major developments mean most of the resource is tied up on planning applications and other projects such as the design and development of Banbury Country Park and Bicester Country Park are adversely affected due to lack of resource.</p> <p>The intention is to fill another post to deal with the growth in planning applications.</p> | 100,000 | 20,000 | 0 | 0 | 0 | 0 |

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| | Growth, Savings and Spend to Save Bids and Revenue Impact of Capital | | | | Incremental Spend / Savings Profile | | | | |
|-----------|--|--|--|-----------------------|-------------------------------------|-----------------|----------------|-----------------|----------|
| Reference | Strategic Priority | Project | Brief Description | Value over the period | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| GRW038 | District of Opportunity & Growth | Planning Fee income reduction | Negative growth bid to compensate for expected net reduction in planning fee income. Some saving from the introduction of DEF software (£22,500.00) taken into account. | 512,500 | 102,500 | 0 | 0 | 0 | 0 |
| SAV003 | District of Opportunity & Growth | Rental Income - Tramway and Antelope Garage, Banbury | CDC acquired Tramway industrial Estate on the 29th March 2019. The income from that property was not reflected in our 2019/20 revenue budgets due to the timing of the acquisition. Rent free periods in some of our other commercial properties have also come to an end during 2019/20 and this means that we are anticipating additional income due to the council that needs to be reflected in our budgets. | -2,508,750 | -501,750 | 0 | 0 | 0 | 0 |
| SAV011 | District of Opportunity & Growth | Miscellaneous | Small adjustments based on correction from previous years; including CQ1 consultancy | -457,595 | -91,519 | 0 | 0 | 0 | 0 |
| SAV028 | District of Opportunity & Growth | Christmas Lights | Following discussions prompted by the capital bid of the same name, the town centres will be asked to accept capital and/or revenue responsibility for the provision of Christmas Lights, resulting in a corresponding revenue saving for the council. | -146,000 | -29,200 | 0 | 0 | 0 | 0 |
| Page 20 | District of Opportunity & Growth Total | | | -936,491 | 252,104 | -367,826 | -57,819 | -276,125 | 0 |
| CAP004 | Operational Excellence | Procurement of joint performance system with OCC | Implementation of this proposal will ultimately deliver a much improved data capture and reporting system for the services inputting and for the audiences CEDR/members and our residents. This proposal will also enable shared working across CDC & OCC, expanding resilience across the areas, one version of the truth through reporting and an improved end to end process. | 40,000 | 0 | 10,000 | 0 | 0 | 0 |
| CAP024 | Operational Excellence | Bodicote House Meeting Room Audio Visual Systems | There is a growing demand within the council to make use of audio & visual (AV) facilities within meeting rooms at Bodicote House. Historically, to provide additional capacity, a temporary projector has been used. In order to eliminate the inefficient temporary approach, the proposal is to install an AV system in a further 3 meeting rooms within Bodicote House. | 4,000 | 2,000 | 0 | -2,000 | 0 | 0 |
| CAP025 | Operational Excellence | Legacy Iworld System Migration | The proposal is for the councils IT service to work with CSN resources and a third party specialist provider to migrate the data from the I World system into a supported, sustainable environment and develop an appropriate interface to enable access to the data. | 12,000 | 12,000 | -12,000 | 0 | 0 | 0 |

| Growth, Savings and Spend to Save Bids and Revenue Impact of Capital | | | | | Incremental Spend / Savings Profile | | | | |
|--|------------------------|---------------------------------|--|-----------------------|-------------------------------------|---------|---------|---------|---------|
| Reference | Strategic Priority | Project | Brief Description | Value over the period | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| GRW014 | Operational Excellence | Land Charges – Income Reduction | The current level of expected income was reduced to £262,000 in 19-20. The forecast income for the 2019-20 year is £235,000. This uncertainty is expected to continue and therefore it is prudent to reduce the level of expected income to £250,000 for 2020-21. This is considered realistic given current forecasts and the proposed increase in fees and charges. | 60,000 | 12,000 | 0 | 0 | 0 | 0 |
| SAV001 | Operational Excellence | Increasing licensing income | Increase in income from licensing activities | -100,000 | -20,000 | 0 | 0 | 0 | 0 |
| SAV002 | Operational Excellence | Rationalised FM Operations | Cleaning and security service contracts for our properties have been renegotiated which have resulted in favourable rates but without a reduction in service or quality as part of the tendered specification. We continue to monitor the contracts using KPIs agreed as part of that specification, to assure quality and cost-efficiencies are maintained. | -841,435 | -142,751 | -31,920 | 0 | 0 | 0 |
| SAV004 | Operational Excellence | Finance – Consultancy | The Finance team has previously had a budgetary requirement of £72k to fund the costs of consultancy across a number of projects, including the establishment of new companies, major capital schemes, closure of the accounts and system and process improvements. However a change in approach and the completion of some of the projects reduces this requirement considerably to £10k, releasing £62k per annum. The remaining £10k would be held as a small contingency for the occasional exploratory opportunity where a specific project proposal as detailed below has not yet progressed to the stage required to submit a proposal. | -310,000 | -62,000 | 0 | 0 | 0 | 0 |
| SAV006 | Operational Excellence | Finance – Recruitment | The Finance team has previously had a budgetary requirement of £30k to fund the costs of recruitment. However now that the majority of posts have been filled the assumption is that normal levels of turnover will resume, and lower level of budgetary allocations will be needed reducing the requirement. It is suggested this be reduced to zero, with a focus on developing and growing the team locally. Should there be a requirement for recruitment costs this would be managed from the process of vacancy management, holding posts vacant for a sufficient period to cover the required recruitment costs. This releases £40k. | -150,000 | -30,000 | 0 | 0 | 0 | 0 |
| SAV012 | Operational Excellence | EDM Software | New Electronic Document Management system has resulted in savings | -60,000 | -12,000 | 0 | 0 | 0 | 0 |
| SAV016 | Operational Excellence | Spiceball Management contract | Reduction in management costs to reflect year on year movements in the unitary fee. | -140,000 | -28,000 | 0 | 0 | 0 | 0 |

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| Growth, Savings and Spend to Save Bids and Revenue Impact of Capital | | | | | Incremental Spend / Savings Profile | | | | |
|--|-------------------------------------|---|---|-----------------------|-------------------------------------|-----------------|---------------|-----------------|----------------|
| Reference | Strategic Priority | Project | Brief Description | Value over the period | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| SAV017 | Operational Excellence | Democratic Services – Review of Parish Charges | A full review of parish charges should see an increase in income generation to the Elections team to ensure that we can continue with the proper administrations of elections for Parish and Town Councils. | -25,000 | -5,000 | 0 | 0 | 0 | 0 |
| SAV018 | Operational Excellence | Democratic Services - Canvass reform | With the reform of the annual canvass arrangements it is anticipated this will reduce the administrative burden on Councils generally and CDC should see a reduction in the administrative burden on electoral registration. | -25,000 | -5,000 | 0 | 0 | 0 | 0 |
| SAV019 | Operational Excellence | Legal Charges | The proposal is simply to (a) review legal spend, (b) establish a procedure through the Director of Law & Governance for authorisation of external legal spend, (c) consider in the first instance whether internal support can be utilised through the joint legal service and (d) review the legal charges as part of the framework contract. | -150,000 | -30,000 | 0 | 0 | 0 | 0 |
| SAV020 | Operational Excellence | Increased income | It is anticipated that with the full implementation of the Growth Deal there will be an increase in development proposals within CDC's area and developers pay a premium rate for the legal support provided to facilitate those developments. (Hence the importance of savings proposal 1 to ensure where possible this work is kept in-house.) This should result in increased income. | -400,000 | -80,000 | 0 | 0 | 0 | 0 |
| SAV024 | Operational Excellence | Delete vacant Senior Estate and Valuation Officer | Following separation, the post is no longer required. | -310,115 | -62,023 | 0 | 0 | 0 | 0 |
| SAV025 | Operational Excellence | Increasing car parking charges | This proposal is to increase car parking charges for the first time since 2011. | -1,560,000 | -120,000 | -175,000 | -5,000 | -100,000 | -45,000 |
| | Operational Excellence Total | | | -3,955,550 | -570,774 | -208,920 | -7,000 | -100,000 | -45,000 |
| GRW006 | Response to Climate Emergency | Responding to Climate Emergency | Additional resource to ensure CDC responds to the Climate Emergency with pace and a structured programme management approach. This resource will enable CDC to recruit additional expertise and capacity to lead on this project. The intention is to create a shared team with Oxfordshire County Council to make the most of expertise, knowledge, efficiencies of scale and resilience of a larger team working across Cherwell and Oxfordshire. Working in this way will enable us to get the most value from the resource. | 250,000 | 50,000 | 0 | 0 | 0 | 0 |
| S2S002 | Response to climate Emergency | LED Lighting across corporate properties | Cherwell District Council has a wide and diverse property portfolio, these properties are generally of an age where traditional light fittings are used. To reduce energy consumption which will lead to a reduction in energy billing it is proposed to replace existing traditional fluorescent / filament lamps across the council's corporate portfolio to LED lamps with proximity sensors. | 105,000 | 69,000 | 0 | 0 | -120,000 | 0 |

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| Growth, Savings and Spend to Save Bids and Revenue Impact of Capital | | | | | Incremental Spend / Savings Profile | | | | |
|--|--|--|--|-----------------------|-------------------------------------|----------|----------|-----------------|----------|
| Reference | Strategic Priority | Project | Brief Description | Value over the period | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| | Response to Climate Emergency Total | | | 355,000 | 119,000 | 0 | 0 | -120,000 | 0 |
| CAP006 | Thriving Communities & Wellbeing | Community Centre - Works | Many of the community centres have not received any major replacement works and after the property having had condition reviews undertaken by Gleeds it has been identified that many of the roofs are in a poor condition which is leading to significant damage to the internal elements of the building. Rustcote Arcade and Chasewell Grange have experienced persistent roof problems that need to be resolved. Generally the tenants liability does not extend to the structural parts of the buildings. | 13,860 | 6,930 | 0 | -6,930 | 0 | 0 |
| GRW004 | Thriving Communities & Wellbeing | Growth Deal – Affordable Housing “Top Up Funding” | To provide sufficient funding to deliver the Affordable Housing (AH) numbers specified in the Growth Deal (GD). | 880,000 | 880,000 | -880,000 | 0 | 0 | 0 |
| GRW019 | Thriving Communities & Wellbeing | Contribution to the Young People’s Supported Housing Pathway (YPSHP) | This is CDC’s proposed contribution to the Young People’s Supported Housing Pathway being recommissioned by Oxfordshire County Council in partnership with the 5 district/city councils. New contracts will start on 1/10/20 and run for 5 years. | 538,303 | 59,811 | 59,812 | 0 | 0 | 0 |
| GRW026 | Thriving Communities & Wellbeing | FAST programme – Wellbeing Service | Grant income that will have a corresponding expenditure not accounted for in 2019/2020. Part of a much larger grant from Sport England that will not yield an income to Cherwell District Council | 79,560 | 26,520 | 0 | 0 | -26,520 | 0 |
| GRW028 | Thriving Communities & Wellbeing | Social Prescribing | This additional contribution is essential to continue our commitment to prevention and improving residents’ wellbeing through a supported system of care navigators. This is a contracted out service supported by Cherwell, West Oxfordshire DC and OCCG underwritten by the Department of Health. | 1,500 | 13,500 | 0 | -22,000 | 0 | 0 |
| GRW029 | Thriving Communities & Wellbeing | Spiceball Leisure Centre Contract Compensation | The Leisure Centre contract has provision for compensation payments due to the operator of Spiceball Leisure Centre should Cherwell change the context of the operation. The closure of the pedestrian footbridge to Spiceball Leisure Centre is essential during the completion of extension works to Castle Quay. It is anticipated that this will conclude at the end of the 2020/2021 financial year and compensation will need to be paid against the agreed benchmark throughput. | 330,000 | 330,000 | -330,000 | 0 | 0 | 0 |

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| Growth, Savings and Spend to Save Bids and Revenue Impact of Capital | | | | | Incremental Spend / Savings Profile | | | | |
|--|---|--|--|-----------------------|-------------------------------------|-------------------|-----------------|-----------------|----------------|
| Reference | Strategic Priority | Project | Brief Description | Value over the period | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
| SAV007 | Thriving Communities & Wellbeing | Cherwell Bond Scheme Revenue Budget | This a long standing revenue budget that funds the setting up of new private rented sector tenancies for homeless households. The budget is used to set up deposit bonds which underwrite a tenancy i.e. no money is passed across to the landlord or tenant but the bond acts as a security for the landlord. The Bond is only paid out once the tenancy ends and only if there has been damage to the property beyond reasonable wear and tear. The £30,600 recurring budget has been underspent year on year and underspend carried in to a Bond Scheme reserve that now stands at £100k. This is enough to cover any costs incurred by the Scheme in to the medium to long term. As and when it is dissipated a growth bid will be submitted in the future. | -153,000 | -30,600 | 0 | 0 | 0 | 0 |
| SAV008 | Thriving Communities & Wellbeing | Potential saving from joint commissioning of debt and money advice | The proposal is to reduce the spend available for debt and money advice commissioning but without sacrificing the level of service and possibly enhancing it through the joint commissioning process. This could be done by taking out 10% from 1/11/20 or tapering the saving e.g. -5% in year 1, -10% in year 2 and -15% in year 3. This could be done on the basis of seeking funding bids from providers that demonstrate complementary funding will be attracted from other sources in order to maintain and invest in services i.e. that demonstrate the provider will lever in other funding. | -111,339 | -10,503 | -14,706 | 0 | 0 | 0 |
| SAV015 | Thriving Communities & Wellbeing | Homelessness Support Grants | Owing to continued grant funding from central Government it is now possible to reduce Cherwell's contribution whilst maintaining the same services for those facing homelessness. | -40,000 | -8,000 | 0 | 0 | 0 | 0 |
| SAV022 | Thriving Communities & Wellbeing | Reduce Banbury Museum Funding | Reduce the support to the Museum to reflect their ability to begin charging for events | -12,500 | 0 | 0 | 0 | 0 | -12,500 |
| SAV023 | Thriving Communities & Wellbeing | Health Buses | Reduce the spend on the health buses by consolidating provision | -55,000 | -11,000 | 0 | 0 | 0 | 0 |
| SAV026 | Thriving Communities & Wellbeing | Build Rental Income Increase | Increase rental income by 2%, remove vacant FTE from salary budget | -425,000 | -85,000 | 0 | 0 | 0 | 0 |
| | Thriving Communities & Wellbeing Total | | | 1,046,384 | 1,171,658 | -1,164,894 | -28,930 | -26,520 | -12,500 |
| | Grand Total | | | -2,130,131 | 1,204,639 | -1,759,416 | -117,624 | -352,645 | -57,500 |

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Budget and Business Planning Process High Level Timetable

| Action | Date |
|---|------------------------|
| Budget and Business Planning Process Report considered by Executive | 5 October 2020 |
| Spending Review | Mid-Late November 2020 |
| Budget Consultation Published | 26 November 2020 |
| Budget Consultation considered by Executive | 7 December 2020 |
| Budget Consultation considered by BPC | 15 December 2020 |
| Council Tax Reduction Scheme considered by Council | 14 December 2020 |
| Provisional Local Government Finance Settlement | Mid-December 2020 |
| Council Tax Base considered by Executive | 4 January 2021 |
| Draft Treasury Management Strategy considered by BPC | 19 January 2021 |
| Treasury Management, Investment and Capital Strategies considered by AARC | 20 January 2021 |
| Proposed Budget from Executive | 1 February 2021 |
| Council to agree 2021/22 Budget | 22 February 2021 |

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Cherwell District Council

Budget Planning Committee

29 September 2020

Draft Reserves Policy

Report of Director of Finance

This report is public

Purpose of report

To present a Draft Reserves Policy to Budget Planning Committee and for its comments to feed into the development of the final policy to be adopted by the Executive later in the financial year.

1.0 Recommendations

The meeting is recommended:

- 1.1 to provide feedback on the Draft Reserves Policy to be considered in its future development and associated review of reserves in line with the policy.

2.0 Introduction

- 2.1 Cherwell District Council (CDC) had reserves of £28.6m of reserves on 31 March 2020. These are held across over 60 different reserves, ranging from £263 to £5.1m. Some reserves have been held for a significant period of time with little specific purpose for what they will be used.
- 2.2 The intention of the Draft Reserves Policy is to introduce some rigor around why reserves are held by the Council and ensure they are used strategically to meet the Council's strategic aims and objectives. It is also to ensure there is transparency in reporting their proposed use throughout the year when there is a proposed change from that assumed as part of the budget agreed by Council.

3.0 Report Details

- 3.1 CDC does not currently have a defined policy on reserves and their use. The Draft Reserves Policy attached at Appendix 1 aims to make it clear why reserves are being held and what authorisations are necessary for their use or contributions to when not agreed as part of the budget.
- 3.2 The Draft Reserves Policy proposes that reserves are held in four main categories:

- General balances
- Earmarked reserves
- Revenue grant related reserves
- Capital reserves

- 3.3 Far tighter restrictions on the ability to use these reserves is proposed with the Executive being required to approve contributions to and from reserves where there is not a specific ringfence around how the money must be spent. In this case the S151 Officer is proposed to be able to authorise expenditure in line with the specific ringfence.
- 3.4 The Draft Reserve Policy acknowledges the S151 Officer's legal obligation to report on the adequacy of the level of reserves annually when setting the budget. The Draft Policy also goes on to propose that there be an annual review of reserves to ensure they are being held in line with the Policy. Quarterly reporting and monitoring of reserves will also take place to ensure full transparency of their use. This will assist the Council in complying with CIPFA's Financial Management Code.
- 3.5 It is therefore also proposed that a review of all of the reserves held by the Council is undertaken to ensure they are held in line with the Policy.

4.0 Conclusion and Reasons for Recommendations

- 4.1 The introduction of a reserves policy will allow CDC to be more transparent and strategic in its use of reserves. It will ensure that CDC is aware of how and when reserves should be used in the future.

5.0 Consultation

This report is the beginning of consultation with Budget Planning Committee on the Reserves Policy that the Council should adopt.

6.0 Alternative Options and Reasons for Rejection

- 6.1 There are no alternative options

7.0 Implications

Financial and Resource Implications

- 7.1 There are no immediate resource implications in the development of a reserves policy for CDC. Once finalised the reserves policy will help to improve the financial controls of the Council.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

Legal Implications

- 7.2 Sections 31A and 42A of the Local Government Finance Act 1992 require authorities to have regard to the level of balances and reserves needed for meeting estimated future expenditure when calculating the council tax requirement.

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

Introducing a clear reserves policy will assist the Council in complying with these legal requirements.

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, 01295 221695

richard.hawtin@cherwell-dc.gov.uk

Risk Implications

- 7.3 Having a clear reserves policy in place will help the Council to mitigate against strategic risks that may occur. This will be managed as part of the operational risk for this service and escalated as and when necessary.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes 01295 221786

louise.tustian@cherwell-dc.gov.uk

8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

None

Links to Corporate Plan and Policy Framework

Continuous improvement and making the best use of our resources.

Document Information

Appendix number and title

- Appendix 1 Draft Reserves Policy
- Appendix 2 Current Reserves Position

Background papers

None

Report Author and contact details

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

CHERWELL DISTRICT COUNCIL RESERVES POLICY

1. Background

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

2. General Policy

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

3. Usable Reserves

3.1. General Balances

- 3.1.1. These are funds that do not have restrictions as to their use. CDC can use them for any purpose within the General Fund. The purpose of general

reserves is to manage the impact of exceptional emergencies and unforeseen events. Without such reserves the potential financial impact of these unforeseen events could cause a financial deficit in the General Fund, which would be severely disruptive to the effective operation of the authority.

3.2. Earmarked Reserves

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

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

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

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

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

3.3. Revenue Grant Related Reserves

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

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

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

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

3.4. Capital Reserves:

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

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

4. Determining the Level of General Balances and Earmarked Reserves

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

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

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

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

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

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

5. Governance and Review

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

6. Use of Reserves Approval

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

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

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

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

** Approval required for contribution from reserves only

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Usable Reserves

| Reserve | Opening Balance April 2020 | Budgeted Transfer FROM Reserve 2020/21 | Budgeted Transfer TO Reserve 2020/21 | Budgeted Closing Balance March 2021 | Changes to Budgeted movements TO / FROM reserves | Subsequently Agreed Transfer TO / FROM Reserve | Forecast Balance Mar 2021 |
|---|----------------------------|--|--------------------------------------|-------------------------------------|--|--|---------------------------|
| General Fund Balance | (2,018,282) | | | (2,018,282) | | | (2,018,282) |
| <i>Building Control</i> | (24,000) | | | (24,000) | | | (24,000) |
| <i>Country Park Reserve</i> | (100,000) | | | (100,000) | | | (100,000) |
| <i>Elections</i> | (158,000) | | | (158,000) | | | (158,000) |
| <i>Environmental Warranties</i> | (802,000) | | | (802,000) | | | (802,000) |
| <i>Hanwell Fields Open Space</i> | (79,000) | | | (79,000) | | | (79,000) |
| <i>Housing Reserve</i> | (114,000) | | | (114,000) | | | (114,000) |
| <i>Work in Default reserve</i> | (100,000) | | | (100,000) | | | (100,000) |
| <i>Licensing</i> | (161,000) | | | (161,000) | | | (161,000) |
| <i>Local Plan Charges</i> | (124,000) | | | (124,000) | | | (124,000) |
| <i>NHB - Affordable Housing</i> | (2,337,000) | 43,859 | (1,459,000) | (3,752,141) | | | (3,752,141) |
| <i>NHB - Economic Development</i> | (3,872,184) | | (1,459,000) | (5,331,184) | | | (5,331,184) |
| <i>NHB - Superfast Broadband</i> | (727,000) | | | (727,000) | | | (727,000) |
| <i>Planning Control</i> | (259,000) | | | (259,000) | | | (259,000) |
| <i>Business Rates and Risk reserve</i> | (1,591,500) | | | (1,591,500) | | | (1,591,500) |
| <i>Sainsbury's Primary Authority</i> | (38,000) | | | (38,000) | | | (38,000) |
| <i>Self Insurance</i> | (127,000) | | | (127,000) | | | (127,000) |
| <i>Transformation and Commercial</i> | 0 | | | 0 | | 9,572 | 9,572 |
| <i>VAT Deminimus</i> | (500,000) | | | (500,000) | | | (500,000) |
| <i>Welfare Reform</i> | (99,000) | | | (99,000) | | | (99,000) |
| <i>Horton General Towns</i> | (84,000) | | | (84,000) | | | (84,000) |
| <i>Pensions Deficit</i> | (3,489,392) | | (1,675,000) | (5,164,392) | | 1,675,000 | (3,489,392) |
| <i>Graven Hill</i> | 0 | | | 0 | | | 0 |
| <i>Art Development</i> | (41,000) | | | (41,000) | | | (41,000) |
| <i>CCTV</i> | (55,000) | | | (55,000) | | | (55,000) |
| <i>Broadfield Road Yarnton Sports</i> | 0 | | | 0 | | | 0 |
| <i>Castle Quay</i> | 0 | | | 0 | | | 0 |
| <i>Bicester reserve</i> | (403,447) | 297,232 | | (106,215) | | | (106,215) |
| <i>Eco Town Revenue</i> | (263) | 30,000 | | 29,737 | | | 29,737 |
| <i>Garden Town (Phase 2)</i> | (657,000) | | | (657,000) | | | (657,000) |
| <i>Garden Town (Phase 3)</i> | (320,000) | | | (320,000) | | | (320,000) |
| <i>Corporate and Commercial Reserve</i> | (5,117,000) | | | (5,117,000) | | 1,255,000 | (3,862,000) |
| <i>Brexit</i> | (34,484) | | | (34,484) | | | (34,484) |
| <i>Member Services</i> | (275) | | | (275) | | | (275) |
| <i>Health & Safety - Public Food</i> | (30,000) | | | (30,000) | | | (30,000) |
| <i>Bicester Depot</i> | (100,000) | | | (100,000) | | | (100,000) |
| <i>S31 Reserve</i> | (2,345,640) | | | (2,345,640) | | 2,345,640 | 0 |
| <i>Covid 19 Reserve</i> | (67,257) | | | (67,257) | | 67,257 | 0 |
| <i>Budgeted commitment from unidentified pot re GRW027</i> | | 40,000 | | 40,000 | | | 40,000 |
| <i>Budgeted commitment from unidentified pot re Growth Deal</i> | | 1,217,000 | | 1,217,000 | | | 1,217,000 |
| <i>Budgeted commitment from unidentified pot re Canalside</i> | | 230,000 | | 230,000 | | | 230,000 |

Usable Reserves

| Reserve | Opening Balance April 2020 | Budgeted Transfer FROM Reserve 2020/21 | Budgeted Transfer TO Reserve 2020/21 | Budgeted Closing Balance March 2021 | Changes to Budgeted movements TO / FROM reserves | Subsequently Agreed Transfer TO / FROM Reserve | Forecast Balance Mar 2021 |
|--|----------------------------|--|--------------------------------------|-------------------------------------|--|--|---------------------------|
| LOTTERY GRANT - PLAYWELL IN CHERWELL | (165,353) | | | (165,353) | | | (165,353) |
| Disabled Facilities Grants | 0 | | | 0 | | (12,236) | (12,236) |
| Covid 19 Small Business Grants | 0 | | | 0 | | 60,000 | 60,000 |
| CSGM DOVECOTE MILCOMBE - B/S | (32,000) | | | (32,000) | | | (32,000) |
| BICESTER FIELDS MAIN PARK - B/S | (97,000) | | | (97,000) | | | (97,000) |
| LABURNHAM CRES AMBROSDEN POS | 0 | | | 0 | | | 0 |
| Eco Town Revenue | (4,000) | 10,000 | | 6,000 | (6,000) | | 0 |
| FLOOD RECOVERY GRANT | (40,000) | | | (40,000) | | | (40,000) |
| Homelessness Prevention MRP | (355,464) | | | (355,464) | | | (355,464) |
| Bicester Youth Bus | (35,000) | 30,000 | | (5,000) | | | (5,000) |
| ABG in 10640 | (83,000) | | | (83,000) | | | (83,000) |
| SSCF in 10579 | (64,000) | | | (64,000) | | | (64,000) |
| THAMES VALLEY POLICE | 330 | | | 330 | | | 330 |
| NEW BURDENS GRANT | (248,000) | | | (248,000) | | 125,000 | (123,000) |
| Elections Reserve | 0 | | | 0 | | | 0 |
| Active Women Grant in 15904 | 0 | | | 0 | | | 0 |
| Green Deal Pioneer Places REV | (67,000) | 50,000 | | (17,000) | | | (17,000) |
| Sportivate Grant in 16369 | (55,000) | | | (55,000) | | | (55,000) |
| COURTYARD YOUTH ARTS | (9,000) | | | (9,000) | | | (9,000) |
| BRIGHTER FUTURES - SKILLS REWARD GRANT | (9,000) | | | (9,000) | | | (9,000) |
| HOUSING RESERVE | (322,000) | | | (322,000) | | | (322,000) |
| Home Improvement Agency | (221,000) | | | (221,000) | | 11,000 | (210,000) |
| Bicester Garden Town Phase 1 | (782,349) | 685,223 | | (97,126) | (404,223) | | (501,349) |
| | (28,564,561) | 2,633,314 | (4,593,000) | (30,524,247) | (410,223) | 5,536,233 | (25,398,236) |