

# Public Document Pack



**Cherwell**

DISTRICT COUNCIL  
NORTH OXFORDSHIRE

**Committee:** Budget Planning Committee

**Date:** Tuesday 19 January 2021

**Time:** 6.30 pm

**Venue:** Virtual meeting

## Membership

<b>Councillor Nicholas Mawer (Chairman)</b>	<b>Councillor Carmen Griffiths (Vice-Chairman)</b>
Councillor Nathan Bignell	Councillor Phil Chapman
Councillor Conrad Copeland	Councillor David Hughes
Councillor Andrew McHugh	Councillor Barry Richards
Councillor Douglas Webb	Councillor Fraser Webster
Councillor Lucinda Wing	Councillor Sean Woodcock

## AGENDA

### 1. Apologies for Absence and Notification of Substitute Members

### 2. Declarations of Interest

Members are asked to declare any interest and the nature of that interest which they may have in any of the items under consideration at this meeting.

### 3. Minutes (Pages 5 - 10)

To confirm as a correct record the minutes of the meeting held on 5 January 2021.

### 4. Chairman's Announcements

To receive communications from the Chairman.

### 5. Urgent Business

The Chairman to advise whether they have agreed to any item of urgent business being admitted to the agenda.

**6. Provisional Local Government Finance Settlement Update (Pages 11 - 14)**

Report of Director of Finance

**Purpose of report**

To provide Budget Planning Committee with a resource update following the Provisional Local Government Finance Settlement announced on 17 December 2020.

**Recommendations**

The meeting is recommended:

- 1.1 Note the outcome of the Provisional Local Government Finance Settlement.

**7. Reserves Review (Pages 15 - 26)**

Report of Director of Finance

**Purpose of report**

To update Budget Planning Committee (BPC) on the Review of Reserves that has taken place since the Committee was updated about the draft Reserves Policy in September 2020.

**Recommendations**

The meeting is recommended:

- 1.1 to note the proposed outcome of the reserves review
- 1.2 to provide the Executive with feedback on whether the Committee supports the draft reserve allocations

**8. Financial Management Code Assessment (Pages 27 - 34)**

Report of Director of Finance

**Purpose of report**

To provide Budget Planning Committee (BPC) with the Director of Finance's assessment of Cherwell District Council's (CDC's) readiness to implement the Financial Management (FM) Code.

**Recommendations**

The meeting is recommended:

- 1.1 note the assessment of CDC's readiness to implement the FM Code.

## **9. Proposed Fees and Charges for 2021/22**

Report of Director of Finance

\*\*\*Please note this report will be to follow\*\*\*

## **10. Update Staffing and Budget**

Verbal update from the Corporate Director – Customers and Organisational Development.

## **11. Review of Committee Work Plan**

To receive a verbal update regarding the Committee Work Plan.

The next meeting of the Committee is on Tuesday 9 March 2021.

## **Information about this Meeting**

### **Apologies for Absence**

Apologies for absence should be notified to [democracy@cherwell-dc.gov.uk](mailto:democracy@cherwell-dc.gov.uk) or 01295 221953 prior to the start of the meeting.

### **Declarations of Interest**

Members are asked to declare interests at item 2 on the agenda or if arriving after the start of the meeting, at the start of the relevant agenda item.

### **Local Government and Finance Act 1992 – Budget Setting, Contracts & Supplementary Estimates**

Members are reminded that any member who is two months in arrears with Council Tax must declare the fact and may speak but not vote on any decision which involves budget setting, extending or agreeing contracts or incurring expenditure not provided for in the agreed budget for a given year and could affect calculations on the level of Council Tax.

### **Access to Meetings**

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### **Mobile Phones**

Please ensure that any device is switched to silent operation or switched off.

### **Queries Regarding this Agenda**

Please contact Emma Faulkner, Democratic and Elections [democracy@cherwell-dc.gov.uk](mailto:democracy@cherwell-dc.gov.uk), 01295 221953

**Yvonne Rees**  
**Chief Executive**

Published on Monday 11 January 2021

## **Cherwell District Council**

### **Budget Planning Committee**

Minutes of a meeting of the Budget Planning Committee held at Virtual meeting, on 5 January 2021 at 6.30 pm

#### Present:

Councillor Nicholas Mawer (Chairman)  
Councillor Carmen Griffiths (Vice-Chairman)  
Councillor Phil Chapman  
Councillor Conrad Copeland  
Councillor David Hughes  
Councillor Andrew McHugh  
Councillor Barry Richards  
Councillor Lucinda Wing  
Councillor Sean Woodcock

#### Substitute Members:

Councillor Les Sibley (In place of Councillor Fraser Webster)

#### Also Present:

Councillor Barry Wood - Leader of the Council  
Councillor George Reynolds - Deputy Leader of the Council and Lead Member for Leisure and Sport  
Councillor Ian Corkin - Lead Member for Customers and Transformation  
Councillor John Donaldson - Lead Member for Housing  
Councillor Tony Ilott – Lead Member for Financial Management and Governance

#### Apologies for absence:

Councillor Nathan Bignell  
Councillor Douglas Webb  
Councillor Fraser Webster

#### Officers:

Yvonne Rees, Chief Executive  
Ansaf Azhar, Corporate Director of Public Health & Wellbeing  
Stephen Chandler, Corporate Director Adults & Housing Services  
Steve Jorden, Corporate Director Commercial Development, Assets & Investment  
Jason Russell, Corporate Director Communities  
Claire Taylor, Corporate Director Customers and Organisational Development  
Lorna Baxter, Director of Finance & Section 151 Officer  
Anita Bradley, Director Law and Governance & Monitoring Officer  
Michael Furness, Assistant Director Finance

Nicola Riley, Assistant Director: Wellbeing  
Paul Nicol, New Business & Systems Implementation Manager  
Natasha Clark, Governance and Elections Manager  
Emma Faulkner, Democratic and Elections Officer

32 **Declarations of Interest**

There were no declarations of interest.

33 **Minutes**

The Minutes of the meeting of the Committee held on 15 December 2020 were confirmed as a correct record, to be signed by the Chairman in due course.

34 **Chairman's Announcements**

The Chairman welcomed Anita Bradley, Director of Law and Governance and Monitoring Officer, to her first meeting of the Committee.

35 **Urgent Business**

There were no items of urgent business.

36 **2021/22 Capital Bids**

The Committee considered a report from the Director of Finance which detailed proposed Capital Bids for 2021/22, and those schemes which had been planned for 2020/21 which would be delayed until 2021/22 (slippage).

The Assistant Director – Finance explained that if all bids and slippage were approved, the Capital programme for 2021/22 would total £22.8 million.

The Committee then heard more details from each Director regarding bids and slippage in their directorates.

In response to questions regarding bid reference CAP2115 – IT Shared Services, the Business and Systems Implementation Manager explained that the bid would cover a mixture of service implementation, costs of third party providers, a small amount of hardware and cloud based technology.

In connection with bid reference CAP2116 – new chargeable garden & food waste, the Corporate Director - Communities explained that work was ongoing regarding the proposal to introduce food waste collection, but the bid had been included to ensure funding was available to implement the service if the proposal was approved.

In response to questions from the Committee regarding new refuse collections vehicles, the Corporate Director - Communities explained that the policy of the Council was to purchase vehicles rather than lease them, as they were maintained by an in-house Fleet Management team. Electric vehicles were being considered as an alternative to diesel vehicles, however choices were limited as larger capacity vehicles were not yet readily available as electric.

The Committee requested that Executive give consideration to running a pilot food waste collection scheme, to ascertain the level of interest from residents and also any impact on the level of green waste collected.

In relation to the compost resulting from the green waste collections, the Committee asked if consideration could be given to using smaller filters, to give an improved quality of compost that could potentially be used in the domestic market.

With regard to slippage of the vehicle replacement programme, the Committee asked that consideration be given to hydrogen powered vehicles as well as electric vehicles.

In connection with the slippage of the on street recycling bins scheme, the Committee requested that discussions take place with Town/Parish Councils regarding the possibility of siting additional recycling bins across the district, as there were some high usage areas public areas that currently did not have recycling bins.

With regard to bid reference CAP2105 - Bicester Dovecote, the Leader of the Council clarified that the site had come in to the ownership of Cherwell District Council as a result of the transfer of the old library site in Bicester. The Committee felt that as an historical asset Bicester Town Council may wish to take ownership of the Dovecote, and requested that relevant discussions take place.

In relation to bid reference TBC – solar panels at Castle Quay, the Corporate Director – Commercial Development, Assets & Investment explained that the scheme would be funded via an external grant so there would be no cost to the council. The bid did however need to be included on the Capital programme.

Regarding the slippage of the Disabled Facilities Grants (DFG) scheme, the Corporate Director – Adults & Housing Services advised the Committee that a delay of three months was anticipated. This was as a result of the Coronavirus pandemic and the first national lockdown in March 2020 when work on all schemes had stopped. There were also ongoing issues with the supply chain as a result of the pandemic.

The Committee having considered the Capital bids and slippage, the Assistant Director – Finance presented the draft Capital Strategy for 2021/22. It was a requirement of the Prudential Code for Capital Finance for the Council to have a strategy, that gave an overview of the capital programme,

how it would be financed and the overall levels of debt the Council would have.

### **Resolved**

- (1) That the Capital Bids for the 2021/22 Budget, and the schemes that have not been completed or started in 2020/21 and are proposed to be taken into 2021/22, be noted.
- (2) That the Executive be provided with the following feedback in relation to the Capital Bids and 2020/21 schemes not yet started (slippage):
  - Bid CAP2116 – New Chargeable Garden & Food Waste - That consideration be given to a pilot for food waste collections
  - Bid CAP2116 – New Chargeable Garden & Food Waste - The use of smaller filters be considered in relation to compost recycling, to allow use of the compost in the domestic market as well as agriculture
  - On street Recycling Bins (slippage) - That discussions take place with Town/Parish Councils regarding the possibility of siting additional recycling bins across the district
  - Vehicle Replacement Programme (slippage) - That consideration be given to hydrogen powered replacement vehicles, as well as electric vehicles
  - Bid CAP2105 Bicester Dovecote - That discussions take place with Bicester Town Council regarding ownership of the Dovecote
  - Bid TBC – Solar Panels at Castle Quay - Acknowledgement that the proposed solar panels will be externally funded but the item needs to remain on the Capital programme
- (3) That the proposed Capital Strategy for 2021/22 be noted.

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### **Review of Committee Work Plan**

The Assistant Director – Finance gave a verbal update regarding the work plan.

It was anticipated that the following items would be considered at the next meeting of the Committee on 19 January 2021:

- Review of Reserves
- Fees and Charges
- Financial Management Code and Self-Assessment
- Provisional Local Government Finance Settlement

### **Resolved**

- (1) That the verbal update be noted.

The meeting ended at 7.57 pm

Chairman:

Date:

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## **Cherwell District Council**

### **Budget Planning Committee**

**19 January 2021**

### **Provisional Local Government Finance Settlement Update**

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

This report is public

#### **Purpose of report**

To provide Budget Planning Committee with a resource update following the Provisional Local Government Finance Settlement announced on 17 December 2020.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 Note the outcome of the Provisional Local Government Finance Settlement.

#### **2.0 Introduction**

- 2.1 The purpose of this note is to provide an overview of the 2021/22 Provisional Local Government Finance Settlement, which the Government announced on 17 December 2020. This note summarises the key points and provides an assessment of the impact for Cherwell compared to assumptions in the Budget Consultation 2021/22.
- 2.2 The publication of the Provisional Local Government Finance Settlement starts a period of consultation which closes on 16 January 2021. A response will be prepared for submission by the deadline. The Final Settlement is expected to be confirmed in late January/early February 2021.

#### **3.0 Report Details**

##### **Background:**

- 3.1 In November 2020 the Government announced a one-year Spending Review which gave high level indicative spending figures for Local Government. The Provisional Settlement is consistent with the Spending Review in that it is for one year only and is broadly in line with the Spending Review announcement.

##### **Overview:**

- 3.2 A summary of the main financial impacts of the announcement are outlined below. Comparisons have been made between the announcements and current

assumptions in the financial plans in order to evaluate the financial implications. Overall CDC has been allocated **£1.8m additional one-off funding** compared to previous assumptions.

**Table 1 – Overall Summary 2021/22 of un-ringfenced funding**

<b>(Increase)/Reduction in Grant from Current Financial Plans</b>	<b>Assumed £m</b>	<b>Announced £m</b>	<b>Variance £m</b>
New Homes Bonus <b>(one-off)</b>	4.3	4.4	0.1
Revenue Support Grant	0.1	0.1	0.0
NEW – Lower Tier Grant <b>(one-off)</b>	0.0	0.9	0.9
<b>Change in Core Funding</b>	<b>4.4</b>	<b>5.4</b>	<b>1.0</b>
NEW – Covid Grant <b>(one-off)</b>	0.0	0.7	0.7
NEW – LCTS <b>(one-off)</b>	0.0	0.1	0.1
<b>Total Additional Funding</b>	<b>4.4</b>	<b>6.1</b>	<b>1.8</b>

**Detail:**

**3.3 New Homes Bonus (NHB)**

The New Homes Bonus allocations were extended for a further year and are broadly in line with the Council's expectations for 2021/22. The expectation is that NHB will then reduce in line with assumptions in 2022/23.

**3.4 Council Tax Referendum Limit**

The Government has announced that the referendum limit for Shire District Councils will be the greater of:

- 2% or more than 2%
- A £5 increase in the level of Band D Council Tax

This is in line with the Council's planning assumptions.

**3.5 Spending Power**

Spending Power is the Government's estimate of unringfenced grant funding, business rates and council tax available to local authorities. CDC's Spending Power has received a 0% increase. This compares to a national average increase of 4.5%. In order to hold CDC's Spending Power change at 0% the Government has allocated a **one-off** Lower Tier Grant of £0.9m.

**3.6 RSG**

RSG has been rolled forward for a further year to 2021/22 and is increased in line with inflation as expected.

**3.7 2021/22 Covid Funding**

The Spending Review committed to providing local government with £3bn Covid related funding across three funding streams for 2021/22:

- £1.55bn to meet additional pressures in 2021/22

- £670m grant to support LAs that have seen increases in their take up of Council Tax Support (provisional £0.1m **one-off** allocation)
- Compensate LAs for 75% of irrecoverable losses in Council Tax and Business Rates income
- Extending the existing Covid-19 sales, fees and charges reimbursement scheme until 30 June 2021.

Additional Pressures Funding – CDC has been allocated £0.7m **one-off** funding for 2021/22 relating to additional pressures.

- 3.8 The Government has issued a consultation on how it intends to allocate the £670m and calculate the compensation for irrecoverable Council Tax and Business Rates losses. As such, CDC does not know how much funding it will receive from these schemes. The closing date for responses to the consultation is **14 January 2021**.

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

- 4.1 The Provisional Local Government Finance Settlement has allocated Cherwell District Council £1.7m more **one-off** funding for 2021/22 than it had been anticipating, of this £0.7m is for Covid 19 related costs.

#### **5.0 Consultation**

None required

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

- 6.1 There are no alternative options. This report is presenting factual information.

#### **7.0 Implications**

##### **Financial and Resource Implications**

- 7.1 The Provisional Finance Settlement provides a good indication of the funding that will be received by Cherwell District Council in 2021/22. This funding will be taken into account when setting the 2021/22 budget.

Comments checked by:

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

##### **Legal Implications**

- 7.2 There are no legal implications within this report.

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, Tel: 01295 221695, Email:  
[richard.hawtin@cherwell-dc.gov.uk](mailto:richard.hawtin@cherwell-dc.gov.uk)

## **Risk Implications**

7.3 There are no risk implications within this report.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes 01295 221786

[Louise.tustian@cherwell-dc.gov.uk](mailto:Louise.tustian@cherwell-dc.gov.uk)

## **8.0 Decision Information**

**Key Decision** N/A as not an Executive report

**Financial Threshold Met:** N/A

**Community Impact Threshold Met:** N/A

**Wards Affected**

All

**Links to Corporate Plan and Policy Framework**

All

### **Document Information**

**Appendix number and title**

- None

**Background papers**

None

**Report Author and contact details**

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[michael.furness@cherwell-dc.gov.uk](mailto:michael.furness@cherwell-dc.gov.uk)

## **Cherwell District Council**

### **Budget Planning Committee**

**19 January 2021**

### **Reserves Review**

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

This report is public

### **Purpose of report**

To update Budget Planning Committee (BPC) on the Review of Reserves that has taken place since the Committee was updated about the draft Reserves Policy in September 2020.

### **1.0 Recommendations**

The meeting is recommended:

- 1.1 to note the proposed outcome of the reserves review
- 1.2 to provide the Executive with feedback on whether the Committee supports the draft reserve allocations

### **2.0 Introduction**

- 2.1 Following the production of the draft Reserves Policy a review of Cherwell District Council's reserves to propose to bring them into the strategic pots of:
  - General Balances
  - Earmarked Reserves
  - Revenue Grant Related Reserves
  - Capital Reserves

This report delivers the outcome of the review and the proposed reserves that the Council will hold in the future.

### **3.0 Report Details**

- 3.1 BPC considered the draft reserves policy (attached at Appendix 1 for reference) at its meeting in September and was supportive of the policy and its approach. Since then a review has taken place to consider the reserves of the Council and whether they could be held in a more strategic way in the future.

- 3.2 The review was carried out in a number of stages:
1. understanding what plans there were to spend reserves that were held over the next five years. Where clear plans were in place these reserves are proposed to remain.
  2. considering what level of general balances CDC should hold, based on a risk assessment
  3. identifying those reserves that are ringfenced as they have specific grant conditions attached to them
  4. considering what strategic earmarked reserves CDC should hold

- 3.3 After carrying out a risk assessment, it is proposed that the Council increases its level of general balances to £5m. Furthermore, it is proposed that where there were unringfenced reserves without plans to spend the resources that these are combined into new strategic reserves including:
- A commercial risk reserve of £4.4m
  - A capital reserve of £3.0m funded from revenue resources to reduce borrowing costs in the future
  - A projects reserve of £1.5m to fund future projects the Council wishes to pursue. The governance arrangements for this need to be developed but it is anticipated that release of this reserve would require a suitable business case that demonstrated the proposal would deliver savings/avoid costs to the Council in the future.
  - A redundancy reserve of £1.0m to meet future redundancy or pension fund strain costs that may be incurred

A summary of the outcome of the reserves review can be seen in Table 1 and the draft reserves anticipated to be held by the Council can be seen at Appendix 2.

Table 1: Overview of reserves

	Actual Balance 1 April 2020	Forecast Balance 1 April 2021	Forecast Use of (+) or Cont. to (-) Reserves 2021/22	Forecast Use of (+) or Cont. to (-) Reserves 2022/23	Forecast Use of (+) or Cont. to (-) Reserves 2023/24	Forecast Use of (+) or Cont. to (-) Reserves 2024/25	Forecast Use of (+) or Cont. to (-) Reserves 2025/26	Forecast Balance 1 April 2026
	£m	£m	£m	£m	£m	£m	£m	£m
General	-2.018	-5.000	0.000	0.000	0.000	0.000	0.000	-5.000
Earmarked	-21.843	-16.761	2.316	-1.064	3.516	-1.620	-1.620	-15.234
Grants	-4.703	-22.248	21.181	0.350	0.216	0.000	0.000	-0.500
Capital	0.000	-1.717	0.000	0.000	0.000	0.000	0.000	-1.717
<b>TOTAL</b>	<b>-28.564</b>	<b>-45.726</b>	<b>23.497</b>	<b>-0.714</b>	<b>3.732</b>	<b>-1.620</b>	<b>-1.620</b>	<b>-22.451</b>

- 3.4 It should be noted that the uses of reserves for the 2021/22 budget and MTFs are still being finalised so figures may be updated in the final budget proposals.

## 4.0 Conclusion and Reasons for Recommendations

- 4.1 The proposed allocations of reserves will give the Council greater flexibility in how it uses its reserves in the future and also puts in place mitigations for risks the Council may face in the future.

## **5.0 Consultation**

None

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

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: Leave the reserves as they were – this would not have been consistent with the draft reserves policy and would not have given the Council the additional strategic flexibility for using its reserves.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 There are no immediate financial implications associated with this report. The reserves policy and proposed changes to reserves will be considered by the Executive and uses of/contributions to reserves agreed by Council as part of the 2021/22 budget.

Comments checked by:

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

### **Legal Implications**

- 7.2 There are no legal implications associated with this report.

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, Tel 01295 221695, Email:  
[richard.hawtin@cherwell-dc.gov.uk](mailto:richard.hawtin@cherwell-dc.gov.uk)

### **Risk Implications**

- 7.3 The move to introduce a larger general balance and more strategic reserves will help the Council to manage financial risks that materialise in the future. This will be managed within the Leadership Risk Register

Comments checked by:

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

## 8.0 Decision Information

**Key Decision** N/A as not an Executive report

**Financial Threshold Met:** N/A

**Community Impact Threshold Met:** N/A

### **Wards Affected**

All

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

All

## **Document Information**

### **Appendix number and title**

- Appendix 1 – Draft Reserves Policy
- Appendix 2 – Proposed Reserves following Reserves Review

### **Background papers**

None

### **Report Author and contact details**

Michael Furness, Assistant Director of Finance, 01295 221845,  
[michael.furness@cherwell-dc.gov.uk](mailto: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 purpose<sup>1</sup>. 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.

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<sup>1</sup> 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:

<b>Budget Assumptions</b>	<b>Issues to Consider</b>
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.

## Appendix 1

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

<b>Type of Reserves</b>	<b>Level of Approval Required</b>
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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Description			Expected Use over MTFS Period					Forecast Balance 1 April 2026
	Actual Balance 1 April 2020	Forecast Balance 1 April 2021	2021/22	2022/23	2023/24	2024/25	2025/26	
<b>General Balances</b>								
General Fund Balance	(2,018,282)	(5,000,000)						(5,000,000)
<b>Earmarked Reserves</b>								
Building Control	(24,000)	(24,000)		24,000				0
Country Park Reserve	(100,000)	(116,870)	25,000	25,000	25,000			(41,870)
Elections	(158,000)	(158,000)						(158,000)
Licensing	(161,000)	(161,000)	30,000	30,000	30,000	30,000	30,000	(11,000)
Local Plan Charges	(124,000)	(249,000)		100,000	24,000			(125,000)
Planning Control	(259,000)	(259,000)	86,333	86,333	86,334			0
Pensions Deficit	(3,489,391)	(64,391)	(1,675,000)	(1,675,000)	3,325,000	(1,675,000)	(1,675,000)	(3,439,391)
Bicester reserve	(403,447)	(357,215)	50,000	50,000	50,000	50,000	50,000	(107,215)
Health & Safety - Public Food	(30,000)	(30,000)	30,000					0
Cherwell Local Lottery - Playwell in Cherwell	(165,353)	(109,353)						(109,353)
Sportivate Initiatives	(55,000)	(55,000)	55,000					0
Courtyard Youth Arts	(9,000)	(9,000)	9,000					0
Brighter Futures - Skills Reward Grant	(9,000)	(9,000)						(9,000)
Housing Reserve	(322,000)	(322,000)						(322,000)
Home Improvement Agency	(221,000)	(210,000)	111,000					(99,000)
Transformation and Projects Reserve	(5,117,000)	(3,852,428)						(3,852,428)
NEW Dilapidations		(260,000)	250,000	(25,000)	(25,000)	(25,000)	(25,000)	(110,000)
NEW Capital Reserve		(3,000,000)	3,000,000					0
NEW Projects		(1,470,814)	26,000					(1,444,814)
NEW Redundancy Reserve		(1,000,000)						(1,000,000)
NEW Commercial Risk Reserve		(4,404,398)						(4,404,398)
NEW Growth Deal		(640,054)	318,929	321,125				0
<i>Environmental Warranties</i>	(802,000)	0						0
<i>Hanwell Fields Open Space</i>	(79,000)	0						0
<i>Housing Reserve</i>	(114,000)	0						0
<i>Work in Default reserve</i>	(100,000)	0						0
<i>NHB - Affordable Housing</i>	(2,337,000)	0						0
<i>NHB - Economic Development</i>	(3,872,184)	0						0
<i>NHB - Superfast Broadband</i>	(727,000)	0						0
<i>Business Rates and Risk reserve</i>	(1,591,500)	0						0
<i>Sainsbury's Primary Authority</i>	(38,000)	0						0
<i>Self Insurance</i>	(127,000)	0						0
<i>VAT Deminimus</i>	(500,000)	0						0
<i>Welfare Reform</i>	(99,000)	0						0
<i>Horton General Towns</i>	(84,000)	0						0
<i>Art Development</i>	(41,000)	0						0
<i>CCTV</i>	(55,000)	0						0
<i>Brexit</i>	(34,484)	0						0
<i>Member Services</i>	(275)	0						0
<i>Bicester Depot</i>	(100,000)	0						0
<i>Dovecote Milcombe</i>	(32,000)	0						0
<i>Bicester Fields Main Park</i>	(97,000)	0						0
<i>Bicester Youth Bus</i>	(35,000)	0						0
<i>Area Based Grant</i>	(83,000)	0						0
<i>Thames Valley Police</i>	330	0						0
<i>New Burdens Grant</i>	(248,000)	0						0
<b>Revenue Grants</b>								
Covid 19 Reserve	(67,257)	0						0
Eco Town Revenue	(263)	0						0
Garden Town (Phase 2)	(657,000)	0						0
Garden Town (Phase 3)	(320,000)	0						0
Bicester Garden Town	(782,349)	(1,040,321)	474,000	350,000	216,321			0
S31 Reserve	(2,345,640)	(20,677,000)	20,677,000					0
Eco Town Revenue	(4,000)	(4,000)						(4,000)
Flood Recovery Grant	(40,000)	(40,000)						(40,000)
Homelessness Prevention	(355,464)	(355,464)						(355,464)
Police & Crime Commissioner	(64,000)	(64,000)	30,000					(34,000)
Green Deal Pioneer Places	(67,000)	(67,000)						(67,000)
<b>Capital Reserves</b>								
Disabled Facilities Grants		(12,236)						(12,236)
NEW Capital Grants & Contributions		(1,704,596)						(1,704,596)
<b>TOTAL</b>	<b>(28,564,560)</b>	<b>(45,726,140)</b>	<b>23,497,262</b>	<b>(713,542)</b>	<b>3,731,655</b>	<b>(1,620,000)</b>	<b>(1,620,000)</b>	<b>(22,450,765)</b>

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## **Cherwell District Council**

### **Budget Planning Committee**

**19 January 2021**

### **Financial Management Code Assessment**

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

This report is public

#### **Purpose of report**

To provide Budget Planning Committee (BPC) with the Director of Finance's assessment of Cherwell District Council's (CDC's) readiness to implement the Financial Management (FM) Code.

#### **1.0 Recommendations**

The meeting is recommended:

- 1.1 note the assessment of CDC's readiness to implement the FM Code.

#### **2.0 Introduction**

- 2.1 BPC was introduced to the requirements of the FM Code in November 2020. The Chartered Institute of Public Finance and Accountancy (CIPFA) considers that compliance with the FM Code from the 2021/22 financial year is necessary in order for CDC to comply with its requirements under S151 of the Local Government Act 1972. This report contains the Director of Finance's Assessment of CDC's readiness to comply with the FM Code ahead of 2021/22.

#### **3.0 Report Details**

- 3.1 The Director of Finance has carried out an assessment of CDC's readiness to comply with the FM Code in 2021/22, which can be seen at Appendix 1. The assessment considers each standard of the FM Code and provides an assessment of the current position, potential improvements and a RAG rating.
- 3.2 Overall the assessment shows that CDC is in a good position to ensure compliance with the FM Code in 2021/22. Of the 17 standards, 16 have been identified as being green and 1 as amber. The amber standard is an area where CDC has already begun work to introduce regular monitoring of reserves. The introduction of the reserves policy for 2021/22 and the clear authorisation requirements for use of

reserves in the future also improve the process. Further actions required to achieve a green status will be in place for the start of the 2021/22 financial year.

- 3.3 There are also areas of further improvement work identified for a number of the standards that have been identified as green. These actions will strengthen what is already a compliant approach taken by CDC.

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

- 4.1 The FM Code Summary Assessment demonstrates that CDC is in a strong position to fully comply with the FM Code in 2021/22.

## **5.0 Consultation**

None required.

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

- 6.1 If CDC did not carry out a self-assessment then it would not be able to assess compliance with the Code. Therefore, there are no alternative options.

## **7.0 Implications**

### **Financial and Resource Implications**

- 7.1 There are no financial implications arising from this report.

Comments checked by:

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

### **Legal Implications**

- 7.2 The FM Code is not a statutory code, although CIPFA consider compliance with the FM Code necessary in order to comply with S151 of the Local Government Act 1972 to make arrangements for the proper administration of the Council's financial affairs and ensure that one of its officers has responsibility for those financial affairs. As a result there are no direct legal implications associated with this report.

Comments checked by:

Richard Hawtin, Team Leader – Non-contentious, Tel: 01295 221695, Email:  
[richard.hawtin@cherwell-dc.gov.uk](mailto:richard.hawtin@cherwell-dc.gov.uk)

## **Risk Implications**

7.3 There are no risks associated with this report.

Comments checked by:

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

## **8.0 Decision Information**

**Key Decision** N/A as not an Executive report

**Financial Threshold Met:** N/A

**Community Impact Threshold Met:** N/A

**Wards Affected**

All

**Links to Corporate Plan and Policy Framework**

All

## **Document Information**

**Appendix number and title**

- Appendix 1 – Financial Management Code Summary Assessment

**Background papers**

None

**Report Author and contact details**

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## Appendix 1 – Summary Financial Management Code Assessment

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
<b>1.</b>	<b>Responsibilities of the CFO and Leadership Team</b>			
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	All services reviewed to ensure being delivered efficiently and appropriate savings identified. All tenders consider VfM by considering the quality of service and not just price..	Develop a statement of how proposals in Executive Reports will deliver value for money where appropriate	Green
B	The authority complies with the CIPFA “Statement of the Role of the CFO in Local Government”	The CFO is qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of CEDR (Chief Executive Direct Reports) and has an influential role with members of the Cabinet, Audit & Governance Committee and lead opposition members.	Set out clear statement of roles and responsibilities of CFO, CEDR and the Exec.	Green
	<b>Governance and Financial Management Style</b>			
Page 31	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	The Corporate Governance and Assurance Group (CGAG) exists to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Professional Lead Statements and engagement with Corporate Directors.	CGAG to continue to establish itself and enhance its workload including driving consistency across the partnership between the County Council and CDC.	Green
D	The authority applies the CIPFA/SOLACE “Delivering Good Governance in Local Government: Framework (2016)”	Annual Governance Statement includes audit opinion on effectiveness of internal control environment and systems of internal control.	Continue to enhance and develop the AGS through CGAG.	Green
E	The Financial Management style of the authority supports financial sustainability	The Council has adopted a Business Partnering model that supports managers to deliver financially sustainable services by providing strategic advice and support. This is underpinned by a Corporate Function that manages the strategic financing issues and	Continue to develop the skills of managers to ensure that they have access to performance and financial information that enables them to deliver services that are financially sustainable.	Green

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
		provides the budget setting and accounting framework for the organisation.		
<b>3. Long to Medium-Term Financial Management</b>				
F	The authority has carried out a credible and transparent financial resilience assessment	A Financial Resilience assessment is included within the Budget Documents. The assessment is consistent with the Medium-Term Financial Strategy (MTFS) assumptions.		Green
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	MTFS far more transparent than in previous years clearly outlining the financial challenges facing CDC in the Budget and Business Planning Process 2021/22 – 2025/26 Report	Continue to update CEDR and the Executive throughout year and within Budget/MTFS documents	Green
H	The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”	Capital Strategy is produced. Quarterly Treasury Management monitoring considered at the Accounts, Audit and Risk Committee.	Develop a profiled three-year capital programme. Provide quarterly TM and Prudential Indicator updates as part of monitoring reports.	Green
	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	CDC has an Integrated Business Planning and Budget Process with a five year MTFS.	Ensure services aware of future savings plans committed to and savings are implemented.	Green
<b>4. The Annual Budget</b>				
J	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces its annual balanced budget and supporting documentation.		Green
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	S25 report accompanies the suite of Budget documents. Enhanced by including an assessment of readiness for implementing the FM Code		Green
<b>5. Stakeholder Engagement and Business Plans</b>				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Significant consultation on the 2021/22 budget proposals as well as ensuring carry out the statutory business rate payers consultation.	Continue with corporate and directorate consultation – consider developing clear priorities that focus on providing services within resources available.	Green

Ref	CIPFA Financial Management Standards	Current Status	Further Work	Status
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme. All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented.	Agree consistent business case templates from outline through to full across the partnership between the County Council and CDC for both revenue and capital schemes.	Green
<b>6. Monitoring Financial Performance</b>				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The monthly Performance, Risk and Financial Monitoring Report to Executive enables CEDR and Executive to respond to emerging risks – the effectiveness was evidenced during 2020/21 as the Council agreed an in-year budget to respond to the financial impact of COVID-19.	The Capital Programme monitoring element requires enhancement to better reflect performance and the delivery of outcomes linked to the completion of capital schemes.	Green
Page 33.	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	Developing processes to monitor key balance sheet items.	Embed budget monitoring to include key balance sheet items including reserves and balances and debtors.	Amber
	<b>7. External Financial Reporting</b>			
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the “Code of Practice on Local Authority Accounting in the United Kingdom”	The annual accounts are produced in compliance with the CIPFA Code.		Green
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	CEDR and Executive consider outturn report and year end variances enabling strategic financial decisions to be made as necessary.		Green

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