

Cherwell District Council

Budget Planning Committee

Date of Meeting 5 December 2023

Budget Proposals 2024/25 – 2028/29

Report of the Assistant Director of Finance (S151 Officer)

This report is public, with the exception of Appendix 2b which is exempt by virtue of Paragraphs 2 and 3 of Schedule 12a of the Local Government Act 1972.

Purpose of report

This report sets out the capital bids, revenue savings proposals and budget pressures for Cherwell District Council for the period 2024/25 to 2028/29 and proposed Fees & Charges schedule for 2024/25. Feedback on the savings proposals will be taken into account as part of the overall response to the budget consultation. Feedback from the Committee on the revenue pressures, capital bids and Fees & Charges will be provided to the Executive to consider in finalising its budget proposals for Council.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Provide feedback on the capital bids, revenue savings proposals, budget pressures and Fees & Charges schedule to provide to the Executive to consider in finalising its 2024/25 budget proposal.

2.0 Introduction

- 2.1 Cherwell District Council's (the council) Medium Term Financial Strategy (MTFS) agreed at Council in February 2023 identified a significant funding gap between its spending plans and forecast available resources of £4.64m in 2024/25. Therefore, the council has been aware that it would be required to identify significant savings proposals for 2024/25.
- 2.2 The Cost-of-Living Crisis and the associated financial impacts and uncertainty this has caused have made planning for the 2024/25 budget and updated Medium Term Financial Strategy (MTFS) very challenging. At the time of publishing this report, details of Government funding at individual local authority level for 2024/25 have not been announced and there are no indications of the levels of funding that the Government will provide the local authority sector beyond 2024/25 as set out in the 2021 Spending Review.
- 2.3 The Autumn Statement on 22 November 2023, indicated that sector wide funding levels in the Spending Review for 2022/23 – 2024/25, as published in 2021, would be maintained, but did not provide the necessary detail for individual local authority

allocations. No new funding has been announced for local authorities beyond the assumed business rates increases that already assumed in the council's MTFs, despite the inflationary challenges the council faces.

- 2.4 Looking beyond 2024/25, prospects for local government finance settlements in the next spending review period look likely to be constrained. There is no change in the overall planned increase in Resource Departmental Expenditure (RDEL) of 1% in real terms. But that means real-terms cuts for unprotected services, including most of local government. The Chancellor is looking to introduce a target of 0.5% annual productivity improvements. It is anticipated that the Government will announce a policy statement on local government funding for 2024/25 in early December 2023 and individual local authority allocations for 2024/25 in late December 2023 as part of the Provisional Local Government Finance Settlement. It is unlikely that any announcements will be made about later years.
- 2.5 The council began a consultation on its proposed savings for 2024/25 on 24 November 2023, with the consultation closing on 22 December 2023. In February 2024, as part of their proposed budget for 2024/25, the Executive will consider feedback from Budget Planning Committee on the budget proposals; it will also consider feedback from the public on the budget consultation taking place. In determining which of the budget proposals will be included in the proposed budget for 2024/25, the Executive will also consider the outcome of the Provisional Local Government Finance Settlement and other resources available through Council Tax and Business Rates.

3.0 Report Details

Funding Assumptions

- 3.1 The Spending Review for 2022/23 – 2024/25 was announced on 27 October 2021. The Spending Review confirmed the headline Local Government-wide allocations for three years, but no local authority specific allocations have been announced beyond 2023/24. The Chancellor announced the Autumn Statement on 22 November 2023. Whilst no local authority specific allocations were announced for 2024/25, this did reconfirm the final year of the Spending Review headline allocations. A continuation of business rates reliefs has also been announced and it has been confirmed that local authorities will be compensated for these in full.
- 3.2 The provisional Local Government Finance Settlement for 2024/25 sets out the specific levels of funding for councils. This is not expected to be published until late December 2023.

Government Grants

- 3.3 There have been no further announcements about the future of New Homes Bonus (NHB) at the time of writing this report and how any replacement scheme may operate. Therefore, the council is continuing to plan on the basis that NHB will continue to be phased out. As no announcements have been made, the council is assuming it will receive £1.4m in 2024/25 only in line with the previous approach to distribution.

- 3.4 In 2023/24 the council received a one-off Funding Guarantee Grant of £2.8m to ensure that it did not suffer a reduction in Spending Power. There were no announcements as part of the Autumn Statement on whether this grant would continue.
- 3.5 As there have been no specific announcements or consultations in the lead up to the budget and business planning process, the council has assumed that the Government will provide a “roll over settlement” in the same way as has happened in previous years. This means that the council is assuming it will receive 1 year’s funding for both New Homes Bonus and Funding Guarantee Grant in 2024/25. Allocations specific to the council will not be received until the Provisional Local Government Finance Settlement is announced (expected late December 2023).

Business Rates

- 3.6 The council has been extremely successful in supporting the local economy to grow since the introduction of the Business Rates Retention Scheme in 2013/14. This meant that the amount of business rates the council could retain has grown significantly since the scheme was introduced. The government has been planning to review the Business Rates Retention Scheme to redistribute resources across local government. This would result in the council retaining significantly less income than we have in previous years. The government has delayed the reset on a number of occasions, and it is now not expected to be introduced until April 2025 at the earliest.
- 3.7 The MTFS approved in February 2023 assumed that the Business Rates reset would take place in April 2025 and that the business rates related income the council would be able to retain in 2024/25 would reduce from £17.1m to £14.6m as a result of a prior year surplus dropping out and would reduce still further in 2025/26 to just £4.4m.
- 3.8 The Government has indicated the introduction of the Business Rates reset is unlikely to be implemented all in year one and would most likely feature some form of transition. There has been no indication what that would look like, therefore, the new MTFS forecast of income the council will assume a reset phased evenly over the three years 2025/26 – 2027/28. This results in an improved forecast for 2025/26 and 2026/27, but results in no change over the full MTFS period.

Council Tax

- 3.9 Due to the continuing economic impact the Cost-of-Living crisis, the council revised its forecasts of Council Tax income down within the MTFS in February 2023. It is currently assumed that Council Tax related income will remain broadly the same as the forecasts made in February 2023.
- 3.10 As in previous years, the current assumptions are that the Government will place a referendum limit of a £5 increase on Band D Council Tax. This will equate to a 3.4% increase on the council’s 2023/24 Band D Council Tax of £148.50. The Government’s policy statement of December 2022 indicated that “the core council tax referendum principles will continue the same as 2023/24”. The council interprets this to mean that the referendum limit will also continue to be a minimum of a £5 increase in Band D Council Tax as part of the Provisional Local Government Finance Settlement. An additional £5 increase has been assumed in each year of the MTFS.

Corporate Updates

- 3.11 The council has considered a number of items that have been reviewed as part of a corporate assessment that do not form part of the budget consultation as they are unavoidable, or policy decisions have already been taken. These include:
- setting aside a corporate figure for inflation
 - interest rates
 - Minimum Revenue Provision
 - areas where policy decisions have been taken
- 3.12 Inflation remains higher than government targets and the council is not immune to its impact. In order to address cost pressures relating to inflation, officers have reviewed and reflected inflationary increases within contracts. This has resulted in £1.6m of allowance for inflation in 2024/25. This figure also includes assumptions relating to pay inflation and inflation on our fees and charges (where applicable).
- 3.13 Interest rates have also put pressure on the council's borrowing costs. To mitigate this, in July 2022 Officers, in consultation with the council's treasury advisors and the Portfolio Holder for Finance, took out Public Works Loan Board loans ranging from 5 to 10 years. This has allowed the council to refinance its essentially variable rate short-term borrowing from other Local Authorities when they came due. The final local authority loan matured in November 2023. This has reduced the council's exposure to interest rate refinancing risk.
- 3.14 The council has taken a number of policy decisions, such as increasing the fees for Garden Waste. As decisions have already been taken these do not need to be consulted on. There are also a number of operational efficiencies which do not impact on customers so these also do not need to be consulted on.
- 3.15 The council is reviewing all of its buildings to maximise their potential, reduce costs and increase revenue through maximising the space used, including Castle Quay. The MTFS has been updated to reflect the assets owned and used by the council and the income they generate. This is against a backdrop of the council undertaking work to maximise their potential benefit to the council, residents, businesses, and partners which will be reflected in future budget updates.
- 3.16 No assumptions regarding the financial implications of the potential move to CQ have been built into the MTFS as the Executive decision was subject to Council approving the budget. The draft 2024/25 budget is a living document, and as developments proceed, these will then be fed into the MTFS.

Budget Pressures

- 3.17 In addition to the current uncertainty around future government funding the council has also identified a number of additional budget pressures that it is anticipating will need to be funded in 2024/25 and beyond. A large proportion of these relate to supporting the climate agenda and producing the Local Plan. Pressures identified and proposed to be funded in the period 2024/25 – 2028/29 are set out in Table 1. Details are set out in Appendix 1.

Table 1: Budget Pressures

Directorate	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Ongoing Impact £m
Communities	0.325	(0.125)	0	0	0	0.200
Resources	0.268	(0.075)	0	0	0	0.193
Chief Executive	0.066	(0.066)	0	0	0	0
Total Pressures	0.659	(0.266)	0	0	0	0.393

Operational Efficiencies

3.18 As part of the council's commitment to delivering value for money, and through a process of continuous improvement, operational efficiencies of £1.221m have been identified for 2024/25. These do not have an impact on service delivery or impact Cherwell residents and so are not included in the public consultation. Details of the efficiencies can be found in Exempt Appendix 2b. This report is exempt because it contains potential internal impacts which have yet to be finalised. These will be made public prior to budget approval in February 2024.

Financial Impact of Reduced Funding and Budget Pressures

3.19 After considering the changes in funding, pressures and inflation assumptions, in order to set a balanced budget, new savings of £0.300m have been identified for 2024/25 as shown in Table 2 below. As set out in paragraph 3.22, the council is consulting on the new savings for 2024/25 shown in Table 3 and detailed in Appendix 2.

Table 2: Medium Term Financial Strategy

	2024/25	2025/26	2026/27	2027/28	2028/29	Ongoing Impact
	£m	£m	£m	£m	£m	£m
Feb 2023 Funding Gap/(Surplus)	4.674	13.078	0.966	(0.155)	0.537	19.100
Corporate Items	(3.990)	(6.506)	3.230	3.344	(1.083)	(5.005)
Directorate Growth Items	0.659	(0.266)	0.000	0.000	0.000	0.393
Operational Efficiencies	(1.221)	0.184	(0.001)	(0.001)	(0.001)	(1.040)
New Savings Proposals	(0.300)	0.000	0.000	0.000	0.000	(0.300)
Funding Gap/(Surplus)	(0.178)	6.490	4.195	3.188	(0.547)	13.148

Savings Proposals

3.20 New savings proposals totalling £0.300m in 2024/25 have been identified and are being consulted upon as set out in Table 3. Details are set out in Appendix 2. In addition, £1.221m of operational efficiencies have been identified and are also included in Appendix 2.

Table 3: Savings Proposals

Directorate	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	Ongoing Impact £m
Communities	(0.002)	0.000	0.000	0.000	0.000	(0.002)
Chief Executive	(0.298)	0.000	0.000	0.000	0.000	(0.298)
Total Savings Proposals	(0.300)	0.000	0.000	0.000	0.000	(0.300)

Medium Term Financial Forecast

- 3.21 The latest assumption is that the implementation of new funding reforms including a business rates reset will take place in 2025/26. As no specific detail has been issued, the council is also assuming a “roll forward” financial settlement from the Government for 2024/25, the final year of the Spending Review Period. This means that the council has assumed that New Homes Bonus payments based on historic performance will no longer be received but one-year annual payments for current performance will be, along with the continuation of Funding Guarantee Grant for the 2024/25 only.
- 3.22 After taking into account the assumed phased reduction in a business rates reset and other corporate updates detailed in sections 3.1 – 3.16, the savings gap to address in future years has changed to the profile found in Table 2 above. This sees the council’s challenge for future years reduce in total across the period from £19.1m forecast in Feb 2023 to £13.1m. By assuming a phased reset over three years, the scale of the savings currently forecast to be required for 2025/26 has reduced, but still presents a significant challenge to the council. Additionally further savings are required in 2026/27 and 2027/28, but there is additional time to plan for these.
- 3.23 Therefore, the council recognises that it has considerably more work to do to identify the additional savings that will be required in 2025/26 and beyond and has introduced a Transformation Programme to begin the process to identify these. This forecast is carried out at a time of considerable uncertainty surrounding Local Government resources pending the announcement of the Provisional Settlement. The MTFS position will be updated following the Local Government Finance Settlement and taken into consideration when finalising budget proposals. At the same time, the council will continue to lobby the Government on how it intends to introduce the business rates reset to see if there is any opportunity to introduce a more beneficial approach.

Council Priorities 2024/25

- 3.24 The budget proposals being consulted upon take into consideration the ability for the council to continue to progress its priorities. The council’s Vision is to be a place where communities thrive, and businesses grow. Its four key strategic priorities are:
- Housing that meets your needs
 - Leading on environmental sustainability
 - An enterprising economy with strong and vibrant local centres
 - Healthy, resilient and engaged communities
- In addition to the above strategic priorities, the council will continue to make progress against the themes supporting all that we do. The budget proposals will enable the council to deliver its Annual Delivery Plan 2024/25, which will be approved by Executive in February 2024.

Capital Bids

- 3.25 The council has a varied capital programme to deliver on its corporate priorities. The council recognises it is consulting on revenue savings in 2024/25 and with significantly greater levels of savings anticipated in future years. Therefore, the council has sought to maximise capital bids to be funded from external sources of funding and keep the value of new capital bids proposed for 2024/25, which are required to be funded by borrowing, to a minimum. In addition, the current capital programme has been reviewed to ensure the projects previously approved still provide good value for money and meet the council's corporate priorities.
- 3.26 The new capital bids have a total value of £10.5m. Grants and other funding are available amounting to £9.3m, making the council's net capital spend on new bids £1.2m. These have a focus on spend to save, asset management and climate sustainability proposals to keep the additional borrowing costs that will need to be included in the revenue budget to a minimum. The largest individual bids are for £5.4m to deliver a new learner pool at Bicester & Ploughley Leisure Centre, £1.6m to redevelop the 3G pitch at North Oxfordshire Academy, and £1.7m to enable the delivery of additional affordable accommodation across the district in partnership with Registered Providers. A summary of the capital bids by Directorate is set out in Table 4 and the individual bids are set out in Appendix 3.

Table 4: Summary of Capital Bids by Directorate

Directorates	Total Project Cost £m	Grants and other Funding £m	Net Total Project Cost to Council £m
Chief Executive	9.379	(9.267)	0.112
Communities	0.675	0.000	0.675
Resources	0.430	0.000	0.430
Grand Total	10.484	(9.267)	1.217

- 3.27 The capital programme is for 5 years, and some projects have had to make assumptions about when S106 grant income will be received and so the timetable for delivery of these will be reviewed annually to consider the level of grant funding received.

Budget Approval

- 3.28 Executive will make its budget proposal to Council on 5 February 2024 and will consider comments from BPC and feedback from the public consultation. As well as the capital bids and revenue pressures and savings, this will include:
- Annual Delivery Plan 2024/25
 - Capital and Investment Strategy
 - Treasury Management Strategy
 - Capital Programme

- Earmarked Reserves and General Balances Policy
- Fees and Charges Schedule
- Pay Policy Statement

Council will then consider the Budget at its meeting on 26 February 2024.

Fees & Charges

- 3.29 The council also relies on fees and charges for products and services to help balance its net budget. Fees and charges should be set on a full cost recovery basis and reviewed annually. As a base planning assumption for 2024/25, it was assumed that all fees and charges that can be set by the council will be increased by a minimum of 10% to reflect the level of inflation the council has experienced in order to ensure that its costs are recovered for its products and services. A full schedule of the fees and charges proposals for 2024/25 can be found in Appendix 4.

Equality Impact

- 3.30 The Equality Act 2010 imposes a duty on local authorities that, when making decisions of a strategic nature, decision makers must exercise 'due regard to the need to eliminate unlawful discrimination... advance equality of opportunity... and foster good relations.'
- 3.31 In developing budget proposals, services have considered the potential impact of change with respect to equality, diversity and inclusion, in line with our framework: *Including Everyone*. The budget engagement document summarises each service proposal and the response to the engagement will help inform the final assessment of equality impact. Following the public engagement, where a potential material service impact has been identified, an Equality Impact Assessment will be finalised. Individual assessments and an overarching summary impact assessment, taking into account the overall impact of the budget proposals, will be included within the Business & Budget Planning Report to Cabinet on Executive in February 2024 to inform the decision-making process. Appendix 5 details the overall Equality Impact Assessment (EIA) for the savings proposals and Appendix 5b relates specifically to the proposed new bin charges.

4.0 Conclusion and Reasons for Recommendations

- 4.1 Budget Planning Committee is asked to comment and provide feedback to the Executive on the capital bids, revenue savings proposals, budget pressures and proposed Fees & Charges for 2024/25 and beyond. This will form part of the overall consultation process for the production of the 2024/25 Budget and Annual Delivery Plan.

5.0 Consultation

- 5.1 Budget Planning Committee is meeting to discuss the budget proposals as part of the overall consultation on the council's budget for 2024/25.

6.0 Alternative Options and Reasons for Rejection

- 6.1 There are no alternative options. This report consists of budget proposals which are being consulted on and no decisions have taken place at this stage. The council is looking for responses to the budget proposals to be considered in finalising the budget for 2024/25, which will be proposed by the Executive and then considered by council in February 2024.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no immediate financial implications associated with this report. It is a consultation on budget proposals for 2024/25 and beyond for which no decisions have yet been taken.

Comments checked by:

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

Legal Implications

- 7.2 The provisions of the Local Government Finance Act 1992 set out what the council has to base its budget calculations upon and require the council to set a balance budget with regard to the advice of its section 151 officer. The setting of the budget is a function reserved to full Council, who will consider the draft budget as prepared by the Executive. This report, alongside the consultation document issued on 24 November 2023, form part of that process.

Comments checked by:

Shahin Ismail, Legal Services Manager
Shahin.Ismail@cherwell-dc.gov.uk

Risk Implications

- 7.3 There are no risk implications arising directly from this report. The budget consultation alongside this report form part of the process the council must go through in setting its budget for 2024/25.

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556
Celia.prado-teeling@cherwell-dc.gov.uk

Equalities and Inclusion Implications

- 7.4 The approach to assessing equality impact of the budget and business planning process is addressed in the body of this report.

Comments checked by:

Celia Prado-Teeling, Performance & Insight Team Leader, 01295 221556
Celia.prado-teeling@cherwell-dc.gov.uk

Sustainability Implications

- 7.5 To support the delivery of the council's Climate Action Framework, the potential impact of budget proposals on the council's ability to meet climate commitments was assessed. An overarching Climate Impact Assessment will be produced to append to the reports to the Executive and Council in February 2024.
- 7.6 Most of the proposals put forward were deemed by services to not impact the council's ability to meet our climate action commitments.

Comments checked by:
Jo Miskin, Climate Action Manager
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8.0 Decision Information

Key Decision N/A

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

Links to all areas of the Corporate Plan.

Lead Councillor

Councillor Adam Nell

Document Information

Appendix number and title

- Appendix 1 – Proposed Budget Pressures
- Appendix 2 – Savings Proposals
- Exempt Appendix 2b – Operational Efficiencies
- Appendix 3 – Capital Bids
- Appendix 4 – Fees & Charges Schedule
- Appendix 5 – Equality Impact Assessment 2024/25 – Budget Proposals
- Appendix 5b – Equality Impact Assessment 2024/25 – Bin Charges

Public Consultation Link

- [2024/25 Budget Consultation Document](#)

Report Author and contact details

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