

This report is public	
Budget Proposals 2025/26 – 2029/30	
Committee	Budget Planning Committee
Date of Committee	10 December 2024
Portfolio Holder presenting the report	Portfolio Holder for Finance, Property & Regeneration, Councillor McLean
Date Portfolio Holder agreed report	28 November 2024
Report of	Assistant Director of Finance (S151 Officer), Michael Furness

Purpose of report

This report sets out the capital bid, investments, efficiencies and income changes for Cherwell District Council for the period 2025/26 to 2029/30 and proposed Fees & Charges schedule for 2025/26.

1. Recommendations

The Budget Planning Committee resolves:

- 1.1 To provide feedback on the capital bid, investments, efficiencies and income changes and the Fees & Charges schedule to provide to the Executive to consider in finalising its 2025/26 budget proposal.

2. Executive Summary

- 2.1 This report sets out the capital bid, investments, efficiencies and income changes for Cherwell District Council for the period 2025/26 to 2029/30 and proposed Fees & Charges schedule for 2025/26. Feedback on the efficiencies will be taken into account as part of the overall response to the budget consultation. Feedback from the Committee on the investments, capital bids and Fees & Charges will be provided to the Executive to consider in finalising its budget proposals for Council.

Implications & Impact Assessments

Implications	Commentary			
Finance	<p>There are no immediate financial implications associated with this report. It is a consultation on budget proposals for 2025/26 and beyond for which no decisions have yet been taken.</p> <p>Michael Furness, Assistant Director of Finance, 27 November 2024</p>			
Legal	<p>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 22 November 2024, form part of that process.</p> <p>Shiraz Sheikh, Assistant Director of Law and Governance, 27 November 2024</p>			
Risk Management	<p>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.</p> <p>Celia Prado-Teeling, Performance Team Leader, 27 November 2024</p>			
Impact Assessments	Positive	Neutral	Negative	Commentary
Equality Impact				<p>The approach to assessing equality impact of the budget and business planning process is addressed in the body of this report.</p>
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		X		
Climate & Environmental Impact				<p>Climate Impact Assessment at Appendix 5</p>
ICT & Digital Impact				<p>N/A</p>

Data Impact				N/A
Procurement & subsidy				N/A
Council Priorities	All			
Human Resources	N/A			
Property	N/A			
Consultation & Engagement	The council began a consultation on its proposed efficiencies for 2025/26 on 22 November 2024, with the consultation closing on 23 December 2024.			

Supporting Information

3. Background

- 3.1 Cherwell District Council's Medium Term Financial Strategy (MTFS) agreed at Council in February 2024 identified a significant funding gap between its spending plans and forecast available resources of £7.038m in 2025/26. Therefore, the council has been aware that it would be required to identify significant efficiencies for 2025/26.
- 3.2 The uncertainties around government funding, rising costs, and growing demands on our services has made planning for the 2025/26 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 2025/26 have not been announced and there are no indications of the levels of funding that the government will provide the local authority sector beyond 2025/26.
- 3.3 The Autumn Budget 2024 was announced on 30 October 2024. The Budget contained some important funding announcement for local government, including £1.3bn of new grant funding in 2025/26 for local government to deliver core services and increases in other grants including £233m for homeless prevention. In addition to this, local government is expected to receive around £1.1bn of new funding in 2025/26 through the implementation of the Extended Producer Responsibility for packaging scheme. The government has set aside funding to protect local government from changes to employer National Insurance Contributions, and the impact they will have on direct staffing costs. Further details are to be set out in the November Local Government Finance policy statement.
- 3.4 The Government signalled it will reform the local government funding system after 2025-26 and will carry out a broader redistribution of funding to better reflect local need (previously known as Fair Funding) through a multi-year settlement from 2026-27. It is anticipated that the Government will announce a policy statement on local government funding for 2025/26 in early December 2024 and individual local authority allocations for 2025/26 in late December 2024 as part of the Provisional Local Government Finance Settlement. It is likely that any announcements about later years will wait for the outcome of the multi-year spending review in Spring 2025.

- 3.5 The council began a consultation on its proposed efficiencies for 2025/26 on 22 November 2024, with the consultation closing on 23 December 2024. In February 2025, as part of their proposed budget for 2025/26, 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 2025/26, the Executive will also consider the outcome of the Provisional Local Government Finance Settlement and other resources available through Council Tax and Business Rates.

4. Details

Funding Assumptions

- 4.1 The Government signalled it will reform the local government funding system after 2025-26 and will carry out a broader redistribution of funding to better reflect local need (previously known as Fair Funding) through a multi-year settlement from 2026-27. It is anticipated that the Government will announce a policy statement on local government funding for 2025/26 in early December 2024 and individual local authority allocations for 2025/26 in late December 2024 as part of the Provisional Local Government Finance Settlement. It is likely that any announcements about later years will wait for the outcome of the multi-year spending review in Spring 2025.

Government Grants

- 4.2 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 assuming it will receive £0.869m in 2025/26 as the final full year payment and then it will be phased out over 3 years from 2026/27.
- 4.3 In 2024/25 the council received a Funding Guarantee Grant of £3.5m 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. Therefore, the council is assuming this will be phased out over 3 years from 2026/27.
- 4.4 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 one year’s funding for both New Homes Bonus and Funding Guarantee Grant in 2025/26 and phased out from 2026/27. Allocations specific to the council will not be received until the Provisional Local Government Finance Settlement is announced (expected late December 2024).

Business Rates

- 4.5 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 2026 at the earliest.

- 4.6 At the time of writing this report there had been no new announcements on a business rates reset and when this will be implemented. The latest assumption is that a business rates reset will be introduced in April 2026 phased evenly over the three years 2026/27 – 2028/29.
- 4.7 The Autumn budget confirmed a lower 40% relief for eligible Retail, Hospitality and Leisure properties will be in place for 2025/26. The Government intends to introduce permanently lower tax rates for Retail, Hospitality and Leisure properties with rateable values below £500k, to be funded by a higher tax rate for properties over £500k. Local government will be fully compensated for these measures and the cost of administering the changes.

Council Tax

- 4.8 As there have been no specific announcements on council tax, 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 2024/25 Band D Council Tax of £153.50. An additional £5 increase has been assumed in each year of the MTFS.

Corporate Updates

- 4.9 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
- 4.10 In order to address cost pressures relating to inflation, officers have reviewed and reflected inflationary increases within contracts. This has resulted in £2.6m of allowance for inflation in 2025/26. This figure also includes assumptions relating to pay inflation and inflation on our fees and charges (where applicable).
- 4.11 Interest rates have a direct impact on the council's budget. Budgets are set using the councils Treasury advisor's, Link. 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 in July 2022. This has allowed the council to refinance its essentially variable rate short-term borrowing from other Local Authorities when they became due. This has reduced the council's exposure to interest rate refinancing risk in the short term. However, interest rates have remained higher for longer than expected, and future loans will need to be refinanced. Additional interest has been earned on investments due to the higher than forecast interest rates. This has been put into the Interest Volatility Reserve and can be utilised when future loans need to be refinanced at higher than forecast interest rates.

Budget Investments

4.12 In addition to the current uncertainty around future government funding the council has also identified a number of additional budget investments that it is anticipating will need to be funded in 2025/26 and beyond. Investments identified and proposed to be funded in the period 2025/26 – 2028/29 are set out in Table 1. Details are set out in Appendix 1.

Table 1: Budget Investments

Directorate	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Ongoing Impact £m
Communities	0.408	(0.080)	0	0	0	0.328
Resources	0.275	(0.135)	0	0	0	0.140
Total Investments	0.683	(0.215)	0	0	0	0.468

Financial Impact of Budget Investments and Reduced Funding

4.13 After considering the changes in funding, investments and inflation assumptions, in order to set a balanced budget, new efficiencies and income changes of £1.333m have been identified for 2025/26 as shown in Table 2 below.

Table 2: Medium Term Financial Strategy

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Ongoing Impact £m
Feb 2024 Funding Gap/(Surplus)	7.038	4.294	3.198	(0.862)	0.542	14.210
Corporate Items	(6.388)	0.506	2.177	6.358	0.404	3.057
Investment Items	0.683	(0.215)	0.000	0.000	0.000	0.468
Efficiencies & Income Changes	(1.333)	(0.116)	(0.048)	(0.008)	(0.009)	(1.514)
Funding Gap/(Surplus)	0.000	4.469	5.327	5.490	0.937	16.223

Efficiency and Income Changes

4.14 New efficiencies and income changes totalling £1.333m in 2025/26 have been identified and are being consulted upon as set out in Table 3. Details are set out in Appendix 2.

Table 3: Efficiencies and Income Changes

Directorate	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Ongoing Impact £m
Communities	(0.651)	(0.064)	0	0	0	(0.720)
Resources	(0.682)	(0.052)	(0.048)	(0.008)	(0.009)	(0.794)
Total Efficiencies & Income Proposals	(1.333)	(0.116)	(0.048)	(0.008)	(0.009)	(1.514)

Medium Term Financial Forecast

- 4.15 The latest assumption is that the implementation of new funding reforms including a business rates reset will take place in 2026/27. As no specific detail has been issued, the council is also assuming a “roll forward” financial settlement from the Government for 2025/26 therefore we have proposed efficiencies and income changes. This council is assuming it will receive one year’s funding for both New Homes Bonus and Funding Guarantee Grant in 2025/26 to be phased over the period 2026/27 – 2028/29.
- 4.16 After taking into account the assumed phased reduction in a business rates reset from 2026/27 and other corporate updates detailed in sections 4.1 – 4.14, 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 increase in total across the period from £13.1m forecast in Feb 2024 to £16.3m.
- 4.17 Therefore, the council recognises that it has considerably more work to do to identify the additional savings that will be required in 2026/27 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 2025/26

- 4.18 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:
- Quality housing and place making
 - Environmental stewardship
 - Economy prosperity
 - Community Leadership
- 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 2025/26, which will be approved by Executive in February 2025.

Capital Bid

- 4.19 The council has a varied capital programme to deliver on its corporate priorities. The council recognises it is consulting on efficiencies in 2025/26 and with significantly greater levels of efficiencies 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 2025/26, 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.
- 4.20 There is one new capital bid of £0.030m. 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 capital bid is to deliver a ESRI spatial infrastructure upgrade. A summary of the capital bid is set out in Table 4 and Appendix 3.

Table 4: Capital Bid

Directorates	Total Project Cost £m	Grants and other Funding £m	Net Total Project Cost to Council £m
Resources	0.030	0.000	0.030
Grand Total	0.030	0.000	0.030

Budget Approval

- 4.21 Executive will make its budget proposal to Council on 3 February 2025 and will consider comments from BPC and feedback from the public consultation. As well as the capital bids, investments, efficiencies and income this will include:
- Annual Delivery Plan 2025/26
 - 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 24 February 2025.

Fees & Charges

- 4.22 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 2025/26, it was assumed that all fees and charges that can be set by the council will be increased by a minimum of 2% 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 2025/26 can be found in Appendix 4.

Equality Impact

- 4.23 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.'
- 4.24 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 Executive in February 2025 to inform the decision-making process. Appendix 5 details the overall Equality Impact Assessment (EIA) for the efficiency proposals.

5. Alternative Options and Reasons for Rejection

- 5.1 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 2025/26, which will be proposed by the Executive and then considered by council in February 2025.

6 Conclusion and Reasons for Recommendations

- 6.1 Budget Planning Committee is asked to comment and provide feedback to the Executive on the capital bids, investments, efficiencies and income changes and proposed Fees & Charges for 2025/26 and beyond. This will form part of the overall consultation process for the production of the 2025/26 Budget and Annual Delivery Plan.

Decision Information

Key Decision	N/A
Subject to Call in	N/A
If not, why not subject to call in	N/A
Ward(s) Affected	All

Document Information

Appendices	
Appendix 1	Proposed Budget Investments
Appendix 2	Proposed Efficiencies and Income Changes
Appendix 3	Capital Bid
Appendix 4	Proposed Fees & Charges
Appendix 5	Equalities & Climate Impact Assessment
Background Papers	Budget and Business Planning Process 2025-26 Fees and Charges Report 2025-26
Reference Papers	2025/26 Budget Consultation
Report Author	Lynsey Parkinson, Strategic Finance Business Partner – Strategic Budget Setting
Report Author contact details	Lynsey.parkinson@cherwell.dc.gov.uk 01295 221739
Corporate Director Approval (unless Corporate Director or Statutory Officer report)	Stephen Hinds, Corporate Director for Resources, 28 November 2024