



WEST OXFORDSHIRE
DISTRICT COUNCIL

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| Name and date of Committee | Economic and Social Overview and Scrutiny Committee: Thursday 19 November 2020 |
| Report Number | Agenda Item No. 9 |
| Subject | Update on 2021/22 budget |
| Wards affected | All indirectly |
| Accountable member | Councillor Toby Morris, Deputy Leader and Cabinet Member for Resources Email: Toby.Morris@westoxon.gov.uk |
| Accountable officer | Elizabeth Griffiths, Chief Financial Officer Email: Elizabeth.griffiths@westoxon.gov.uk |
| Summary/Purpose | To provide an update on the developing budget for 2021/22 |
| Annex | Annex A – Detail of base budget changes by cost centre |
| Recommendation | That the report be noted and the Committee submits comments to Cabinet as it wishes. |
| Corporate priorities | The Council is committed to delivering excellent modern services whilst ensuring the financial sustainability of the Council. |
| Key Decision | N/A |
| Exempt | No |

1. BACKGROUND

- 1.1. Each year the Council prepares its budget for the following year. The Council's funding will not be determined until the new year so this draft is very much an early indication and subject to change.

2. MAIN POINTS

- 2.1. In the MTFs presented to Council last year, the estimated budget gap in 2021/22 was circa £3m. This included an unidentified savings target of £1m which still left a shortfall of £2m to be funded from general reserves.
- 2.2. The expectation was that business rates would be reset by Central Govt which would reduce WODC's income by £2m and New Homes Bonus would also reduce by £1m so while there was a small expectation of growth in items like Leisure Income, these two funding reductions essentially generated the £3m shortfall.

- 2.3. This £3m shortfall was our forecast position pre Covid and unfortunately the pandemic has had a huge impact on our income and investments.
- 2.4. On a positive note, it now looks like the expected rates reset will be deferred for at least another year but while this is the generally accepted belief across Local Govt, we await confirmation from Central Govt that this is the case. This means that the current reforecast MTFS could still have its funding reduced by up to £2m.
- 2.5. The impact of the current social distancing on our income has called into question projected Leisure income of almost £1.5m as our Leisure Contractor GLL do their best to bring the business back to a break even position, having suffered not one, but two lockdowns this year.
- 2.6. Commercial income has also been impacted with a current projected reduction of £350k next year. While the Authority is doing everything it can to help our local businesses survive, it won't be clear until the furlough scheme ends what the final toll on our local economy is, so while things hopefully improve, this expected income figure also carries a large amount of risk.
- 2.7. The tax base calculation has been initially drafted but the Council Tax figure included in the table below assumes a band D increase of £5 which has yet to be discussed and agreed.
- 2.8. The current draft budget shows a deficit of just over £2m as per the table below:

21/22 budget funding position - first draft

| | |
|----------------------|-------|
| 20/21 budget surplus | 1,395 |
|----------------------|-------|

Movement in budget:

| | |
|---|-------------|
| Inflationary increase in staffing costs | (233,712) |
| Income generation and expenditure cuts | 588,369 |
| Expected Covid related income losses | (1,824,379) |
| Change in one off growth/ funding | 988,902 |

| | |
|---------------------------------------|-----------|
| Budget deficit before funding changes | (480,820) |
|---------------------------------------|-----------|

Changes in funding (estimated and subject to change):

| | |
|---|-------------|
| Potential change in Council Tax (TBD) | 294,886 |
| Reduction in Business Rates income | (904,262) |
| Other funding reductions (RSG, NHB etc) | (1,051,727) |

| | |
|--------------------|-------------|
| Changes in funding | (1,661,103) |
|--------------------|-------------|

| | |
|----------------------------|--------------------|
| 21/22 draft budget deficit | (2,140,528) |
|----------------------------|--------------------|

3. FINANCIAL IMPLICATIONS

- 3.1. Clearly the current projected budget deficit is unwelcome. It should however be apparent that most of that shortfall is being driven by the reduction in income caused by Covid which can be seen on the line detailing Covid related income losses of £1.8m. While the forecast budget places no expectation of income from the Leisure provider, it does not currently allow for the continuation of the financial support the Council has been providing in 2020/21.

- 3.2. The current draft of the budget allows for a 2% pay award across Publica staff, net of savings targets that Publica have been set. It does not allow for fixed term contracts where funding has ended to be incorporated into base budget or for any growth of additional posts.
- 3.3. Small amounts of additional income have been added to the Business Managers' targets but part of this uplift is the contractual increase in Leisure income which we are unlikely to realise in the short to medium term.
- 3.4. It should be recognised that the Publica Business Managers have risen to the challenge and made savings wherever possible, resulting in a £324k reduction in budgeted expenditure. They have been very engaged in the budget setting process and should be commended for doing everything they can to reduce the Council's budget shortfall.
- 3.5. The Ubico 21/22 budget is still being discussed. In the current draft it has been held at 20/21 levels, but while they initially requested a small increase in budget, they have been asked to review and find savings to help our position.
- 3.6. As referenced before, the funding figures are very much subject to change and include a projected £5 band D increase in Council tax.
- 3.7. While we are hopeful that the rates reset has been deferred another year, we are still projecting a large decrease in income from Business Rates. There is a deficit which we are allowed to spread over three years but since we are expecting a further very large reduction next year there seems little point in deferring losses into a year where we face even larger financial challenges.
- 3.8. Other funding is still to be communicated by Central Govt and could move either in our favour or to our detriment. These losses were expected and forecast in last year's MTFs.
- 3.9. The projected shortfall does not include any new funding for the ongoing Covid situation from Central Govt / MHCLG. In the current financial year this support has covered our losses so we are hopeful that there may be some measure of support next year although it's unlikely to cover the full deficit and none has, at this stage, been offered or even referenced.
- 3.10. We are currently forecasting a budget surplus for 20/21 based on this year's additional Govt support so would look to set any surplus created this year aside to help mitigate next year's projected losses.
- 3.11. The Council should recognise three very important decisions that it has taken recently.
 - WODC set aside funding for Covid recovery from its 19/20 outturn which has allowed it, in this time of financial constraints, to fund vital recovery work supported by members to aid our residents and local business community.
 - The Council has formally adopted an important investment strategy meaning that all future projects must contribute positively to the long term financial stability of the Council as well as serving Council priorities.
 - The members have recognised that the Council faces a difficult financial situation and have strategically reviewed all recent proposed expenditure in that context, taking part in budget discussions and critically evaluating the necessity of projects in order to prioritise focus, staff resource and funding on core activities and urgent needs.
- 3.12. The detailed breakdown attached in [Annex A](#) has been reported by Business Manager's budget and not by Service Area. This makes reporting subsequent drafts of the numbers quicker and more efficient and relates them back to meetings that members are having with Officers on those budgets.

Annex A - detail of base budget changes by cost centre

| | 20/21 budget | One-off adj | Pay inflation | BM changes | Covid adj | 21/22 budget |
|---------------------------|--------------|-------------|---------------|------------|-------------|--------------|
| Assets | 2,359,260 | 94,000 | (9,094) | 192,882 | (320,650) | 2,316,398 |
| Commissioning Strategy | (6,254,716) | 86,000 | (8,286) | (175,364) | 0 | (6,352,366) |
| Comms & Marketing | (142,000) | 0 | (2,330) | 14,100 | 0 | (130,230) |
| Contracts | 262,925 | (43,562) | (3,500) | 436,066 | (1,503,729) | (851,800) |
| Corporate Finance | (5,324,100) | 4,000,000 | (12,855) | (50,000) | 0 | (1,386,955) |
| Corporate Responsibility | (1,340,420) | 0 | (12,509) | 71,950 | 0 | (1,280,979) |
| Customer Experience | (962,650) | (100) | (22,635) | (32,250) | 0 | (1,017,635) |
| Development Management | (232,400) | (3,242) | (34,942) | (91,043) | 0 | (361,627) |
| Env & Regulatory Services | (106,200) | 0 | (1,822) | 0 | 0 | (108,022) |
| Finance | (665,100) | 0 | (64,160) | 3,450 | 0 | (725,810) |
| Insight & Intelligence | (455,700) | 0 | (7,696) | 32,250 | 0 | (431,146) |
| Localities | (732,920) | 104,100 | (5,354) | 30,400 | 0 | (603,774) |
| Operational Services | (1,309,300) | 74,300 | (32,493) | 161,928 | 0 | (1,105,565) |
| People | (292,200) | 0 | (5,010) | 14,000 | 0 | (283,210) |
| Technology | (1,052,800) | 0 | (11,026) | (20,000) | 0 | (1,083,826) |
| | (16,248,321) | 4,311,496 | (233,712) | 588,369 | (1,824,379) | (13,406,547) |

Assets:

This cost centre covers our commercial properties and our climate change programme. The expectations around commercial income have significantly reduced due to the pandemic and staff in this department are carefully managing many requests for deferred and reduced rents.

The climate change programme had an original vision of a budget of £200k per year for three years but the funding for this wasn't set aside and we have no additional capacity to do this. We did however add considerable resource to this team and extend the climate manager's post by two years using the Covid recovery funds so the hope is that with over £100k still in earmarked reserves from the initial tranche of funding, this programme can continue to achieve its objectives for the next two years without placing any additional strain on base budget.

Commissioning Strategy:

This budget covers grounds maintenance and waste and contains large parts of the Ubico budget. There has been pressure on the recycling element of the budget due to an increase in the cost of recycling and the team are working to find solutions to reduce this strain.

The Ubico budget has been held at last year's figures for now pending a conversation with them. Various funding was given last year on the basis that it would generate savings this year so that will be discussed. Some of these one off items make up the reduction in one off funding shown in the table above.

Communications and Marketing:

The way that the Communications department approaches its messaging has changed and the budget has altered to reflect that, reallocating budget from more hard copy approaches to electronic and social media. We are also in discussions with other cost centre managers to centralise the marketing budget. Existing Business Managers would still have input into their marketing spend but it allows the specialists in the Comms dept to bring their expertise to each task and find the most cost efficient way to reach the most people. The initial response from BMs has been that this would be a welcome support.

Contracts:

The main item in this budget is the Leisure contract. The expected improvement in budget comes from the uplift in contractual income we would have received had our Leisure Centres been operating as normal. GLL, who have the contract to operate them, are doing their best to return to a profitable operation but until social distancing ends, it's unlikely we'll see sufficient profits generated to enable them to pay management fees so this income has been provided against. This is the single biggest impact on our base budget and the largest ongoing threat to our financial stability related to income within our control.

Corporate Finance:

This section covers centralised services like Legal and Treasury. The large adjustment was caused by a one off pension payment that was required last year but does not form part of the baseline budget ongoing.

Corporate Responsibility:

These are central governance costs, members costs, election costs etc. We're expecting a reduction in this expenditure as travel remains reduced and we are hoping that some of the efficiencies in comms rolled out in other departments can be mirrored in this one.

Customer Experience:

There's a variety of services contained here from customer service and office reception to homelessness services which see an uplift in budget due to the requirement to house more people caused by Covid.

Development Management:

Planning application, appeals, conservation, flood defence and the Growth Board are covered by this budget which has seen a growth in both income and costs. Part of the excess growth in costs is caused by the Growth Board initiative requesting further time to deliver its objectives but since it has no more budget to fund the staff seconded to it, it has asked all participating Councils to cover their costs next year.

Environmental and Regulatory Services:

This is a relatively small budget for ERS services and hasn't changed.

Finance:

The rise in Finance costs is an increase in the contract cost for Internal Audit.

Insight and Intelligence:

The main focus of this budget is planning policy. Some small savings but otherwise no material change.

Localities:

These are the budgets for communities, arts and tourism. Although it looks like the budget has decreased, it's an adjustment for short term initiatives which were funded from reserves for a specific period of time.

Operational Services:

This department covers all aspects of benefit payments and collection, including fraud investigation. It also covers pollution control, food safety and markets. We are hoping to reduce costs in this area next year including a reduction in the Ubico cost for cleaning up on market days which rose tenfold from 19/20 to 20/21. The budget changes are mostly a projected surplus in housing benefit and an expected reduction in court fees.

People:

People covers human resources and training. No significant change to this budget.

Technology:

This budget predominantly covers IT. There is a small increase relating to increased spend on licenses. These are not all new but the previous budget was being overspent. The Business Manager is doing all he can to hold costs to within the current budget, in spite of the sharp increase in reliance on IT caused by lockdowns and the increase in home working. He has however flagged that going forward there is likely to be an increased funding requirement in the capital programme because laptops have a shorter useful life than desktops.