



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and date of Committee	CABINET 15 JANUARY 2020
Report Number	Agenda Item No. 11
Subject	2020/21 BUDGET
Wards affected	ALL
Accountable member	Cllr Toby Morris, Deputy Leader and Cabinet Member for Resources Email: toby.morris@westoxon.gov.uk
Accountable officer	Mrs Jenny Poole, Chief Finance Officer Tel: 01285 623313 Email: Jenny.Poole@westoxon.gov.uk
Summary/Purpose	To consider: <ol style="list-style-type: none">(1) The initial draft base budgets for 2020/21;(2) The Medium Term Financial Strategy for the period 2020/21 to 2029/30;(3) Fees and charges for 2020/21(4) The revised Capital Programme for 2019/20(5) The Capital Programme 2020/21 to 2029/30;(6) Adoption of the Council Tax Base for 2020/21;(7) Delegation of business rate returns.
Annexes	Annex A – Draft Revenue Budgets 2020/21 Annex B – Medium Term Financial Strategy Annex C – Proposed Fees and Charges 2020/21 Annex D – Capital Programme Annex E - Council Tax Base Annex F – Extract from unconfirmed Minutes of the Overview and Scrutiny Committees with feedback on budget proposals for 2020/21
Recommendation/s	<i>It is recommended that Cabinet approves:</i> <ol style="list-style-type: none">a) Draft base budgets for 2020/21 totalling £15,835,621 for Net Operating Expenditure and £15,108,523 for Net Expenditure (including investment income) as detailed in Annex A;

	<p>b) <i>Draft Medium Term Financial Strategy for the period 2020/21 to 2029/30, subject to the final version being considered by Cabinet in February 2020 as detailed in Annex B;</i></p> <p>c) <i>Fees and charges for 2020/21 as detailed in Annex C;</i></p> <p><i>It is recommended that Cabinet requests Council to approve:</i></p> <p>d) <i>The revised Capital Programme for 2019/20 totalling £35,027,700 as detailed in Annex D;</i></p> <p>e) <i>The Capital Programme for 2020/21 to 2029/30 totalling £37,281,000 as detailed in Annex D;</i></p> <p>f) <i>The Council Tax Base shown in Annex E, calculated at £44,285.22 for the year 2020/21.</i></p> <p>g) <i>That the National Non-Domestic Rates Return 1 (NNDRI) for submission to Ministry of Housing, Communities and Local Government is delegated to the Council's Chief Finance Officer (s.151) prior to its submission date of 31st January 2020.</i></p>
Corporate priorities	The Council Plan is currently in preparation and is expected to be approved by Council in January 2020. The budget supports the emerging priority themes.
Key Decision	No
Exempt	No
Consultees/ Consultation	Consultation has taken place with management from Publica and Ubico to inform the draft budgets. The Council Overview and Scrutiny Committees have considered the draft budget proposals and feedback is included for consideration at Annex F. Further consultation will be undertaken during January with residents, businesses and town and parish councils.

1. BACKGROUND

- 1.1. Council approved the budget parameters to be used in the 2020/21 budget process at its meeting on 23rd October 2019. The draft budgets for 2020/21 were produced in accordance with the Budget Parameters.
- 1.2. The Council's Overview and Scrutiny Committees have considered the draft budget proposals and feedback from each of the Committees is included for consideration at Annex F, except the Finance and Management Overview and Scrutiny Committee Minutes which are still in preparation; however feedback was similar to that from the Environment and Economic and Social Scrutiny Committees. The Committees commented upon a number of inconsistencies in the budget between 2019/20 and 2020/21. The points raised by the Scrutiny Committees have been addressed in the detailed budget papers at Annex A. The Cabinet is now asked to make initial recommendations to Council on 22nd January 2020 whilst final budget matters for 2020/21 will be resolved by Council on 26th February 2020.
- 1.3. A summary of the draft base revenue budget for 2020/21 together with detailed revenue budget pages are attached at Annex A.
- 1.4. An update to the Council's Medium Term Financial Strategy (MTFS) was considered by the Finance and Management Overview and Scrutiny Committee on 27 November 2019. The MTFS has been updated to reflect the announcement of the Provisional Local Government Finance Settlement for 2020/21, which included the provisional allocation of New Homes Bonus for the Council, and other changes to the revenue budget as set out in 2.20. The Finance and Management Overview and Scrutiny Committee will have a further opportunity to consider the updated MTFS at the meeting on 29th January 2020. Feedback from this meeting will be considered by Cabinet in February 2020.

2. MAIN POINTS

Original Budget 2020/2021

- 2.1. The complete budget position is still to be finalised.

Business Rates Retention Scheme

- 2.2. This will be the eighth year of the Business Rate Retention Scheme. The Council will continue the existing pooling arrangement with Cherwell District Council and the County Council as this is still the optimum position for the 50% pool. The governance arrangement within which the 50% Pool operates set out how financial benefit will be distributed across the Oxfordshire Councils. Each Council undertakes to take the benefit of business rate growth as well as sharing the risk of unforeseen decline in business rates.
- 2.3. Detailed work will be on-going over the coming weeks to finalise a forecast of Business Rates income for 2020/21. The Chief Finance Officer will be submitting the statutory National Non-Domestic Rates return (NNDRI) by the 31 January incorporating the outstanding appeals provision and provision for new appeals to the 2017 list. The estimate of income from Business Rates for 2020/21 will be reported to Cabinet in February and will inform the final budget proposals to be considered by Council.

- 2.4. The impact of the Business Rates appeals is still a concern with the Valuation Office making slow progress on the appeals to the 2010 list. However, the Council has made significant provisions for appeals against the 2010 list in its financial statements in previous years. The level of appeals provision will be reviewed over the coming weeks. A new system of Check, Challenge and Appeal has also been introduced from April 2017, the impact of the new system will also be considered over the coming weeks as the part of the detailed modelling of Business Rates income for 2020/21.
- 2.5. The 2020/21 draft budget includes does not include any windfall gain from the business rates pool.

National Funding Position

- 2.6. The Council's approved Medium Term Financial Strategy discussed the following changes to the way local government is funded which were due to come into effect from April 2020:
- the Government will have completed a new Spending Review to establish its spending priorities post 2020;
 - the Government will implement the outcome of the Local Government Fairer Funding Review, which will establish how the funding for local government (from the Spending Review) will be allocated to individual local authorities;
 - the new 75% Business Rates Retention system will come into effect; and
 - the Business Rate baseline will be reset and there is the potential for the Council to lose its share of the financial benefit from growth in business rates in the District since 2013.
- 2.7. On 4th September, the Chancellor of the Exchequer announced the outcome of the Spending Review 2019. The key announcements, for district councils included:
- Funding (known as the funding baseline) would be increased in line with inflation;
 - New Homes Bonus funding will continue for 2020/21 but the grant will be for one year only, as opposed to the current grant which is awarded for four years;
 - The proposed changes to local government funding set out at 2.6 were delayed for a year to April 2021.
- 2.8. On the 19th December 2019, the provisional local government settlement was announced. The Draft Budget for 2020/21 has been updated to reflect the provisional figure for New Homes Bonus. The New Homes Bonus is £283,652 higher than stated in the draft 2020/21 Budget considered by the Overview and Scrutiny Committees.

Growth/Budget Pressures

- 2.9. Budget growth pressures are set out in the table below, together with savings which will help to mitigate the cost pressures.

2.10.

Budget pressures	£
Inflation provision	470,746
Climate Change Manager Position	60,000
Provision for investment in climate change action plan £200,000 for 3 years - £100,000 in 2020/21 from existing revenue reserves or capital programme. Funding in years 2021/22 to 2022/23 to come from existing revenue reserves or existing capital programme	200,000
Pension fund lump sum contribution	4,000,000
Funding of lump sum payment to Pension Fund from earmarked reserves	(4,000,000)
Pension fund increase to annual contributions	120,000
Provision for financing capital expenditure to be funded from borrowing	269,070
Oxfordshire Health and Wellbeing Board – Healthy Place Shaping to fund investment for 2020/21 to 2022/23 £45,000 in revenue budget 2020/21 plus £80,000 to earmarked reserves to fund budget of £40,000 in both 2021/22 and 2022/23	125,000
Publica Transformation Fund	329,200
Recycling Campaign	36,000
Total	1,610,016
Ubico contract savings	(198,075)
Savings from Publica lead transformation programme	(164,000)
Savings from leisure contract	(275,000)
Change in use of earmarked reserves to fund expenditure	(895,600)
Net Increase in budget requirement	77,341

2.11. The most significant cost pressure is the requirement to make a lump sum payment of £4,000,000 to the Local Government Pension Scheme as a result of the recent actuarial valuation. There is also a requirement to increase annual contributions to the Local Government Pension Scheme by £120,000 for each of the next five years.

Savings

2.12. The approved MTFs has assumed 'Efficiency Savings of £1,224,000 over the next three years, with a sum of £637,000 to be achieved in 2020/21. Of these savings, £164,000 are linked to the 2020 Programme and will be delivered through Publica Group (Support) Ltd. Work is progressing on the Publica business plan and Publica is expecting to be able to deliver these savings for 2020/21 through work on the change programme.

- 2.13. Savings of £275,000 are expected from the Council's contract with GLL for provision of leisure services.
- 2.14. The 2019/20 budget included a significant increase in the cost of service provision by Ubico for environmental services. Officers have been working with Ubico on the contract sum for 2020/21. Savings of £198,075 are expected from the Ubico environmental services contract as Ubico implements changes and one-off funding provided in 2019/20 is withdrawn. The proposed contract sum reflects the efficiency savings expected from Ubico.

Grants Budgets

- 2.15. Over the last several years the Council made the decision to maintain its revenue grants at their current levels. The draft budget for 2020/21 has also maintained that position.

Fees and Charges

- 2.16. Draft fees and charges for 2020/21 (and detailed revenue budget pages) can be found in Annex C. These are the required fees and charges to support the budgeted income being proposed for 2020/21. They are generally based on 2.5% uplift for inflation in accordance with Budget Parameters previously set. There will be some charges which will remain the same or which have been increased by a different percentage to reflect market forces. Also some charges will have been rounded for ease of administration.
- 2.17. The Environmental and Regulatory Services Team are currently reviewing the fees and charges which are highlighted in yellow in Annex C. Any changes to these fees and charges will be subject to separate approval.

Investment Interest

- 2.18. The budget for 2020/21 investment interest returns is set at £727,098 an increase of £91,278 from the 2019/20 base budget of £635,820. The budget assumes the council will achieve an average return of 1.25% on cash investments during 2020/21.
- 2.19. The Council has also invested £13m in a diverse portfolio of pooled funds including bonds, equities and property. The budget assumes a return on 3.25% on the pooled funds.
- 2.20. The budget for 2020/21 will be reviewed as part of the update of the Council's Capital, Investment and Treasury Management Strategies which will take place over the coming weeks. Any changes to the revenue budget from this review will be included in the budget report considered by Cabinet in February 2020.

Changes since review by Overview and Scrutiny Committees

- 2.21. Since the Overview and Scrutiny Committees considered the draft budget for 2020/21 there have been a number of changes in the revenue account that have impacted on the Total Cost of Services, and other budget movements that have changed the Net Operating Expenditure as set out below.
- £50,000 has been included, for the 2020/21 financial year only, to reflect the cost of replacement/additional waste collection containers.
 - £21,000 has been included in the base budget to fund existing Officers which support the Oxfordshire Growth Board. The cost of these resources is shared by all of the Oxfordshire local authorities. Previously, this Council's share of the

costs has been funded through the use of earmarked reserves. As these are permanent posts, it is more appropriate to fund the costs as part of the base budget.

- £40,000 has been included, for the 2020/21 financial year only, to reflect the projected costs of the Transformation Programme being implemented by Publica. This one-off budget will be funded by earmarked reserves.
- An increase to the income from New Homes Bonus of £283,652

Collection Fund

- 2.22.** The MTFs assumes a Collection Fund surplus of £50,000 relating to Council Tax. The actual position for 2019/20 is currently being calculated and will be reported to Cabinet in February 2020. The calculation of Business Rates surplus or deficit will form part of the work discussed at 2.3.

Summary of 2020/21 Revenue Budget

- 2.23.** The draft base revenue budget for 2020/21 (Net Operating Expenditure) is £15,835,621, £11,835,621 excluding the one-off £4,000,000 lump sum contribution to the Local Government Pension Scheme, this compares with £11,647,280 for 2019/20 and, is an increase of £188,341 or 1.6%.
- 2.24.** In summary, there is a significant unavoidable increase in spending arising from the valuation of the Local Government Pension Scheme. Other budget pressures are largely being managed through savings as described in 2.11 to 2.13. Retained Business Rates income will be updated once the National Non-Domestic Rating Return is completed later in January 2020.
- 2.25.** The summary position of the budget and the impact on use of general fund balances is discussed below within paragraphs 2.25 and 2.26.

Medium Term Financial Strategy

- 2.26.** The Medium Term Financial Strategy has been updated and was presented to Finance and Management Overview and Scrutiny on 27th November 2019. Forecasting central government income from 2021/22 onwards is difficult as the following elements of central government funding are under review and will be implemented from April 2021:
- Spending Review 2020 – which allocates government resources to Departments;
 - Local Government Fairer Funding Review – which allocates funding from Ministry of Housing, Communities and Local Government to individual local authorities;
 - Implementation of 75% Business Rates Retention Scheme – which will include the impact of a reset of the business rates funding baseline;
 - Review of New Homes Bonus grant.
- 2.27.** Changes to the revenue budget for 2020/21, which have been identified since the Council's Overview and Scrutiny Committees considered the draft budget, have now been included in the MTFs. The MTFs has also been updated to include the additional

New Homes Bonus allocation, announced in the Provisional Local Government Finance Settlement on 19th December 2019. The revised MTFs is shown at Annex B. As a result, the estimated contribution to the General Fund Balance in 2020/21 has increased from £4,086 to £6,738.

- 2.28. The MTFs sets out the potential for significant reductions to central government funding to the Council from 2021/22 onwards. In 2021/22, the Council is facing a budget gap of around £2 million. The Council is working with Publica to develop a Commercialisation Strategy which will set out plans to enable the Council to increase other income streams or reduce expenditure to address the budget gap over a number of years. The aim being to achieve a minimum level of General Fund Balance of £10 million over the life of the MTFs.

Capital Programme

- 2.29. The proposed capital programme is attached at Annex D and includes details of the current 2019/20 budget. The 2020/21 budget includes a number of significant schemes including:

- Investment in the Ubico Fleet with the aim of reducing hire vehicle costs;
- Replacement street sweeper vehicles;
- Upgrades to CCTV equipment;
- Continuation of the Community Grants fund;
- Housing improvement grants/Disabled Facilities Grants
- Provision for investment in electric vehicle charging points across the District;
- Investment in Council property assets, ICT equipment, replacement litter bins;
- Provision for the development of a site which is currently subject to a Compulsory Purchase Order.

- 2.30. At the end of the financial year the 2019/20 actual spend will be reviewed and an assessment made on what schemes (if any) require 'slipping' into 2020/21 or re-profiling into later years. Approval for any slippage will be formally taken as a recommendation to Cabinet as part of the 2019/20 outturn report.

Council Tax Base and Parish Precepts

- 2.31. The town and parish councils have been provided with their tax base information and the amount of grant that is being allocated to compensate for the impact of the Council Tax Support system will have on their tax base. The total amount of grant being awarded is £66,005.

3. FINANCIAL IMPLICATIONS

- 3.1. Given the value of unavoidable budget growth, and the potential for a significant reduction in government funding from 2021/21, it is proposed to increase council tax at the referendum limit of £5.00 (5%) per band D equivalent. This increase is higher than in the approved MTFs, which assumes a 2% increase. The increase in Council Tax is a formal decision for Council to agree, however any variation from this strategy will impact upon

the Council's finances and its aim to set a balanced budget without the need to use general fund balances.

- 3.2. The draft budget shows a contribution of £6,738 to General Fund balances in 2020/21. It should be noted that at this present time, the significant funding source of Retained Business Rates is still to be confirmed.
- 3.3. The current MTFS forecast a use of £695,000 of general fund balances in 2020/21. This improvement of £0.7 million reflects the deferral of the changes to local government funding from April 2020 to April 2021.
- 3.4. Cabinet will be presented with any final adjustments to the 2020/21 Budget in February and will make recommendations to Council meeting on 26th February 2020.

4. RISK ASSESSMENT

- 4.1. A full risk analysis will be incorporated into the final budget setting report to Cabinet and Council in February 2020. At this stage the key risk to the budget is related to the Retained Business Rates income for 2020/21. Further risks include any additional unavoidable growth demands, the deliverability of the savings targets set out in the financial strategy and the outcome of feedback from public consultation on the budget proposals.

5. CLIMATE CHANGE IMPLICATIONS

- 5.1. The budget includes financial provision for a Climate Change Manager role and funding of up to £200,000 in 2020/21 to support the development and implementation of a climate change action plan.

6. ALTERNATIVE OPTIONS

- 6.1. The Council will be able to consider alternative budget proposals at the meeting on 26th February 2020.

7. BACKGROUND PAPERS

- 7.1. None