

WEST OXFORDSHIRE DISTRICT COUNCIL
ECONOMIC AND SOCIAL OVERVIEW & SCRUTINY COMMITTEE
THURSDAY 24TH NOVEMBER 2016
ENVIRONMENT OVERVIEW & SCRUTINY COMMITTEE
THURSDAY 1ST DECEMBER 2016
FINANCE AND MANAGEMENT OVERVIEW & SCRUTINY COMMITTEE
WEDNESDAY 7TH DECEMBER 2015
CABINET – WEDNESDAY 14TH DECEMBER 2016
2017/2018 BUDGET
REPORT OF THE STRATEGIC DIRECTOR
(Contact: Frank Wilson, Tel: (01993) 861291)

(The Cabinet decision will be a resolution. Each Overview and Scrutiny Committee is asked to make recommendations to Cabinet for consideration later in the Budget Process)

1. PURPOSE

To consider the initial draft base budgets for 2017/18, draft fees and charges for 2017/18 and the latest Capital Programme for 2016/17 revised and future years. The Cabinet is required to consult Overview and Scrutiny Committees on its budget proposals in accordance with the Council's Constitution.

2. RECOMMENDATIONS

It is recommended that Cabinet and Overview and Scrutiny Committees consider:

- (a) The initial draft base budget for 2017/18 totalling £9,956,100 as summarised in Appendix A;
- (b) Draft fees and charges for 2017/18 with detailed budget pages 12.1 to 12.22 at Appendix B; and
- (c) The latest Capital Programme for 2016/17 revised and future years at Appendix C, pages 13.1 to 13.3

3. BACKGROUND

3.1. Cabinet approved budget parameters to be used in the 2017/18 budget process at its meeting on 16th September 2016. This included:

- (i) Inflation on pay budgets of 1% for all staff;
- (ii) Expenditure on utilities inflated in line with contractual changes;
- (iii) Expenditure on external budgets in line with contractual commitments - where no contractual commitments occur no inflation allowance given; and
- (iv) Fees and charges increase - target of 2% where discretionary and market will bear.

- 3.2. In accordance with the previously agreed timetable for the budget process, the Cabinet will consider initial proposals after consultation with Overview and Scrutiny Committees. Following this consultation, the Cabinet will make initial recommendations to Council on 18th January 2017 whilst final budget matters for 2017/18 will be resolved by Council on 22nd February 2017.
- 3.3. Detailed revenue budget pages have been circulated separately. The narrative within the budget pages is subject to further review following a number of changes within service groups. A summary of the draft base revenue budget for 2017/18 is attached at Appendix A.

Original Budget 2017/2018

- 3.4. The complete budget position is still to be finalised. This will be the fifth 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 pool. However, it will also continue in the governance arrangement within the Pool to distribute growth across a number of the Oxfordshire Councils who undertake to take the benefit of business rate growth as well as the risk of unforeseen decline in business rates. The draft budget has not factored any growth for the pooling distribution at this stage as work is still on-going.
- 3.5. The Business Rates budget being presented shows a fall in income of £27k. This reflects a notional inflationary increase to the 2016/17 base of 1% less a loss of income of £56k for the renewables (solar farms) business rates which have received a reduction in their rateable values as part of the April 2017 revaluation. Consequently there is a reduction of income to be received by the Council. Detailed work will be on-going over the coming weeks to finalise a forecast of Business Rates income for 2017/18.
- 3.6. The impact of the Business Rates appeals is still a concern and will require an increase in provision for this year of over £900k, and although the Collection Fund is likely to show a deficit for 2016/17 it is accounted for in the 2017/18 Budget. The current forecast for the deficit is in the region of £375k for West Oxfordshire. However, the earmarked reserve for Business Rates Movement will cover this level of deficit plus it is anticipated that the 2016/17 Business Rates and Pool distribution will also more than cover this liability in 2017/18.
- 3.7. The Council submitted its efficiency plan to the Department for Communities and Local Government (DCLG) in October 2016 in order to take advantage of the multi-year settlement from 2016/17 to 2019/20. The DCLG have subsequently confirmed acceptance of the efficiency plan and consequently Revenue Support Grant (RSG) figures have already been built into the draft budget showing a fall from £1,057k to £637k. Rural Grant has also diminished from £126k to £102k. These sums had already been built into the current MTFS. It is unlikely that these figures will change once the Government's spending review is presented.
- 3.8. The draft budget includes a sum for New Homes Bonus based on officer's assumptions of a change in the overall sum actually available at a national level and a consequent change in the distribution method. However, these are only the best estimates as the government has not yet responded to the consultation held earlier this year. As a consequence officers remain unclear on what the actual method and amount of distribution in 2017/18 and on-

going. Any significant variance from the current MTFS would have serious consequences to the financial strategy of this Council.

- 3.9. The draft base revenue budget for 2017/18 (Net Operating Expenditure) is £9,956,100 this compares with £10,226,300 for 2016/17 and is a reduction of £270,200 or 2.6%. The main contributory factor to this reduction is the full year impact of Green Waste income in 2017/18 and the new Des Roche investment property rental. It should be noted this additional income is being utilised to fund recurring growth increases and one-off growth for the Waste Service implementation programme. Some of the increased service costs will only be incurred in full in 2018/19.
- 3.10. The efficiency programme is based upon the approved 2020 business case estimates – these have been adjusted in light of some additional earlier delivery against these targets in 2017/18 which had been initially anticipated in 2018/19.
- 3.11. Other factors that impact on the budget are as follows:

	Cost / (Saving) £
Net inflation for Employees, Contractors, Income	147,800
Miscellaneous budget adjustments	(175,500)
Savings Identified	(122,400)
Savings Required to meet MTFS target	(64,400)
Potential Savings above target	(203,900)
One-Off Growth	300,100
Recurring Growth/(Saving)	(103,700)
Capital Financing Adjustment	(117,000)
Total Adjustments	(339,000)

The Miscellaneous adjustments include many minor changes to individual budgets but the most significant adjustments are within investment properties where rent reviews throughout 2017/18 will generate additional rental income.

- 3.12. The MTFS is currently being updated and will initially be presented to Finance and Management Overview and Scrutiny on 7th December 2016 prior to consideration by Cabinet and Council. It is anticipated that an adverse movement will have occurred between the approved and proposed financial strategy.

Growth / Budget Pressures

- 3.13. The revaluation of Business Rates has created an immediate increase in the cost of rates for Council's premises, mainly its offices and car parks. Other items are a mixture of budget adjustments such as income that cannot be achieved or increased costs due to funding or service changes.

- 3.14. The draft budget incorporates recurring growth with a net reduction in costs of £103,700. However, this is due to two new sources of income from the Des Roche investment property and potential fees from the new Green Waste service effective from 1 April 2017, an overall total £1,081,000. Consequently this significant sum is effectively funding the Council's immediate budget pressures plus there is further one-off growth of £300,100 to prepare for the early implementation of the Green Waste Service and Waste Project implementation costs. The income is incorporated into the growth listed below but there is still a net cost of £196,400 in 2017/18.

Growth	Draft Budget 2017/18 £
Business Rates Revaluation from 1 April 2017	108,800
GO Shared Services Procurement	8,200
Building Control Income Adjustment	40,000
Leisure – Loss of Income from School Swimming	25,000
CCTV Funding Shortfall	34,100
Council Tax / Benefits Admin Grant Loss	32,000
Apprenticeship Levy	14,400
Pension – Past Service Base Adjustment	44,000
Des Roche Rental less Capital Financing cost	(259,100)
New Waste Contract	450,700
New Green Waste Income	(645,000)
Waste Inflation Provision	43,200
Total Recurring Growth/(Savings)	(103,700)
New Waste Contract Implementation	164,000
Green Waste Early Implementation	136,100
Total One-Off Growth	300,100
Net Growth for 2017/18	196,400

- 3.15. The MTFs has assumed 'Efficiency Savings of £853k over the next three years, with a sum of £181,000 to be achieved in 2017/18. These savings are linked to the 2020 Programme. At present for 2017/18 only £122,400 savings have been identified, which are mainly the further impact of the new shared service - Environmental and Regulatory Services; a

- vacant post has been released in the Democratic Services and a minor re-structuring at manager level within the Revenues and Benefits Service. Further savings are anticipated from procurement exercises currently in process and some service re-structuring which are currently shown as unallocated on the overall financing budget page.
- 3.16. There is a budget of £657,100 for funding capital items from the revenue budget. Due to increased grant provision for specific capital schemes it is possible to reduce this revenue funding source by £117,000 to £540,100.
 - 3.17. Overview and Scrutiny Committees are being asked to support these draft budgets before presentation to Cabinet on 14th December 2016.
 - 3.18. Draft fees and charges for 2016/17 (and detailed revenue budget pages) can be found in Appendix B. These are the required fees and charges to support the budgeted income being proposed for 2017/18. They are generally based on 2% uplift for inflation in accordance with Budget Parameters previously set, although some fees and charges are still under review at the moment. 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.
 - 3.19. Any other items of additional growth will be presented as part of the January budget report to include the draft central government finance settlement for next year.
 - 3.20. In summary, whilst overall there is a significant reduction in spending arising from the efficiency programme and increased income from fees, charges and property rentals these are more than offset by falls in income from RSG and New Homes Bonus – two of the Councils core financing streams.
 - 3.21. The summary position of the budget and the impact on use of general fund balances is discussed below within paragraphs 5.2 and 5.3.

Grants Budgets

- 3.22. Over the last several years the Council made the decision to maintain its revenue grants at their current levels. The draft budget for 2017/18 has also maintained that position. However, the Council has received representation from West Oxfordshire District Council's representative of the Cotswold Conservation Board highlighting that its grant was reduced from £12,000 to £10,300 in 2012/13 and it has remained at that level ever since that point in time. It is being requested for an enhanced level of revenue grant funding to the Cotswold Conservation Board in 2017/18.
- 3.23. An extract from the request is as follows:
'The Cotswold Conservation Board has captured and is delivering the Leader grant (unlike many areas that are Council led). This award on a pro-rata basis in area is worth £500,000 to WODC. In addition the Board has secured £36,000 of voluntary warden time, £20,000 in Sustainable Development Fund grants and £39,000 in Heritage Lottery Funds for Magnificent Meadows. A good return for WODC's investment.

I would like to suggest that WODC should consider next year in returning to or further increasing its level of support. Whilst we are all fully aware of the funding issues that all local authorities are under, both West Oxfordshire and Cotswold Council are probably better positioned than most (albeit by their own good housekeeping) to help protect the AONB through their continued funding. The landscape is after all the overriding factor that has over the centuries provided the

wealth that has made the Cotswolds possibly the most sought after place to live, work and visit.....tourists now replacing sheep as a major contributor to our economy.'

It is an option for each scrutiny committee as part of the budget process to put forward requests or suggestions in respect of the draft budget for consideration by Cabinet.

- 3.24. A decision is also required on the funding for Citizens Advice Bureau Housing and Debt Support Project which was initially cut to finance the Homelessness Supported Housing pathway (after cuts from Oxfordshire County Council). This cut was deferred for consideration as part of the budget process after a call-in by Economic and Social Scrutiny Committee.

Investment Interest

- 3.25. The budget for 2017/18 investment interest returns is set at £607,300 a decrease of £50,200 from the 2016/17 base budget of £657,500. During 2016/17 the Bank of England cut its base-rate from 0.5% to 0.25%. This rate-cut has therefore had a knock-on impact upon investment returns in 2016/17, but will also impact upon expected returns in 2017/18. While a number of the Council's longer-term Housing Associations fixed-term bonds and pooled funds are performing well, returns overall are expected to fall.
- 3.26. The Council also invest £12m in a range of funds which has a diverse portfolio of pooled funds in respect of bonds and equities which are also performing at around 2.4% to 2.9%
- 3.27. The Council has made further capital investment in investment property of £6.75million during 2016/17 and will be making further capital investment of up to £7million in regard the new Waste service over the coming months. Consequently, the Council will need to borrow resources from both internal balances and longer term externally from the market.
- 3.28. At present the Council's cash flow has been sufficient not to need to borrow as yet, plus the short term borrowing market is very competitive at present, so it may not be necessary to borrow long term in the immediate future. Unfortunately, the combination of all these factors and the unknown element of timing when to borrow have made forecasting an accurate investment return for next financial year quite difficult. At present the forecast is taking into consideration a reduced overall investment balance of £4million and the level of return will be approximately £600,000. The Council also accrues some other minor interest from staff car loans and Ubico which accounts for £7,300. As a result a draft budget of £607,300 has been included at this stage.

Capital Programme

- 3.29. The capital programme for the forthcoming 5-years is attached at Appendix C and includes details of the current 2016/17 budget. The budget includes a number of significant schemes including allocating budget toward the purchase of a new Environmental Services depot, vehicles and waste containers for a total £7m budget.
- 3.30. At the end of the financial year the 2016/17 actual spend will be reviewed and an assessment made on what schemes (if any) require 'slipping' into 2017/18 or re-profiling into later years. Approval for any slippage will be formally taken as a recommendation to Cabinet as part of the 2016/17 outturn report.

4. ALTERNATIVES/OPTIONS

As part of this budget the Council needs to give consideration to whether it should fund these budget pressures or change service levels to mitigate the impact on taxpayers. However, a significant proportion of the growth is related to the implementation of the new Waste Services contract and these costs have already been approved in separate reports during 2016/17. Also, much of the growth is unavoidable loss of income, business rates changes or growth linked to additional resource required to maintain a service or ensure statutory compliance.

5. FINANCIAL IMPLICATIONS

- 5.1. The draft budget presented has assumed an increase in Council Tax of £5 per band D equivalent. This is in line with the approved financial strategy, which assumes a £5 increase per year until 2019/20. 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.
- 5.2. The draft budget shows using general fund balances of £290,160. It should be noted that at this present time elements of the budget are still very subjective. This includes the significant funding sources of Business Rates and New Homes Bonus which have still to be confirmed.
- 5.3. The current MTFS forecast using £564,380 general fund balances in 2017/18 compared to £290,160, a reduction of £274,220. However, it should be noted the phasing of income from Green Waste charges had originally been over two financial years, not fully introduced in 2017/18 and the net rental stream from the Des Roche investment property was not part of the current strategy. Also the full cost of the new Waste Service will not be fully integrated into the budget until 2018/19; consequently there are further costs to accommodate. As a consequence a balanced budget for 2019/20 now looks increasing unlikely but this is considered in more detail in the MTFS.
- 5.4. The draft budget includes a grant budget of £88,000 to pass on grant to the Town and Parish Councils to compensate the impact of the Council Tax Support Scheme. This is a reduction from £126,172 awarded in 2016/17. The reduction has been calculated in line with reductions in the Council's Revenue Support Grant and New Homes Bonus.
- 5.5. Following consideration by Overview and Scrutiny Committees, the Cabinet will receive a further report at its meeting on 11th January 2017. In addition to the results of the consultation with Overview and Scrutiny Committees, this report will address the financing of the Council's revenue budget and capital programme and any additional growth bids or efficiency savings that have been identified. This will follow confirmation of next year's local government finance settlement and will remove a number of the uncertainties within this version of the budget.
- 5.6. Final Budget and Council Tax decisions will be made at the Council meeting on 22nd February 2017.

6. RISKS

A full risk analysis will be incorporated into the final budget setting report to Cabinet and Council in February 2017. At this stage the key risks to the budget are related to the

government's decision of how New Homes Bonus will be distributed for 2017/18 and on-going plus finalising the Business Rates position for 2017/18. Further risks include any additional unavoidable growth demands that may be proposed throughout the budget process and finally the deliverability of the savings targets set out in the financial strategy.

7. REASONS

The Council's Constitution requires the Cabinet to consult with overview and scrutiny committees before making recommendations to the Council on the Budget.

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Background Papers:
None