

WEST OXFORDSHIRE DISTRICT COUNCIL
ECONOMIC AND SOCIAL OVERVIEW & SCRUTINY COMMITTEE
THURSDAY 23 NOVEMBER 2017
FINANCE AND MANAGEMENT OVERVIEW & SCRUTINY COMMITTEE
WEDNESDAY 29 NOVEMBER 2017
ENVIRONMENT OVERVIEW & SCRUTINY COMMITTEE
THURSDAY 7 DECEMBER 2017
2018/2019 BUDGET
REPORT OF THE GROUP MANAGER GO SHARED SERVICES

(Contact: Jenny Poole, Tel: (01285) 623313)

(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 2018/19, draft fees and charges for 2018/19 and the latest Capital Programme for 2017/18 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 the Committee considers and makes comments to Cabinet on:

- (a) The initial draft base budget for 2018/19 totalling £10,818,675 as summarised in Appendix A;
- (b) Draft fees and charges for 2018/19 with detailed budget pages 12.1 to 12.22 at Appendix B; and
- (c) The latest Capital Programme for 2017/18 revised and future years at Appendix C, pages 13.1 to 13.3.

3. BACKGROUND

3.1. The Council approved budget parameters to be used in the 2018/19 budget process at its meeting on 25 October 2017. This included:

- (i) Inflation on pay budgets of 2% 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;
- (iv) Expenditure on the Publica contract to be in line with the inflation on pay budgets, less the business case savings; and
- (v) Fees and charges increase - target of 2% where discretionary and market will bear and administratively efficient to do so.

- 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 10 January 2018 whilst final budget matters for 2018/19 will be resolved by Council on 28 February 2018.
- 3.3. A summary of the draft base revenue budget for 2018/19 together with detailed revenue budget pages is attached at Appendix A.

Original Budget 2018/2019

- 3.4. The complete budget position is still to be finalised.
- 3.5. This will be the sixth year of the Business Rate Retention Scheme. The Council has submitted a bid, together with the County Council and the four other Oxfordshire Districts, to become a pilot for 100% business rates retention. The Scrutiny Committees will receive an update on progress with the bid at the meeting. Should the bid not be successful, 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 current 50% pool. The governance arrangement within the 50% 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 would continue for either the 50% or 100% pool. Given the experience of the financial performance of the current pool, the 2018/19 draft budget includes provision for pooling distribution or New Homes Bonus in excess of the £1.6 million target of £500,000.
- 3.6. Detailed work will be on-going over the coming weeks to finalise a forecast of Business Rates income for 2018/19.
- 3.7. 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 2018/19.
- 3.8. 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 £637k to £373k. Rural Grant has also diminished from £102k to £78k. These sums had already been built into the current MTFS. It is unlikely that these figures will change.
- 3.9. The draft budget retains a sum for New Homes Bonus of £1.6 million which is based upon modelling of revised New Homes Bonus Scheme introduced in 2017/18. The government is currently consulting on further changes to the Scheme to reflect housing built as a result of planning appeals. Once the government announces the methodology adopted for the Scheme for 2018/19, the £1.6 million budget can be reviewed accordingly.

- 3.10. The draft base revenue budget for 2018/19 (Net Operating Expenditure) is £10,818,675 this compares with £10,196,000 for 2017/18 and is an increase of £622,675 or 6.1%. The main contributory factor to this increase is the full year impact of the new Waste Service, including the revenue impact of borrowing to fund the new vehicles and equipment.
- 3.11. The efficiency programme is based upon the approved 2020 business case estimates and the outcome of the procurement of the new leisure contract. The MTFS has been updated to reflect the savings from the leisure contract. Other factors that impact on the budget are as follows:

	Cost / (Saving) £
Net inflation for Employees, Contractors, Income	139,820
Savings Identified	(198,400)
Savings Required to meet MTFS target	(39,000)
Savings above target (Leisure)	(165,000)
One-Off Growth	(177,900)
Recurring Growth	744,200
Capital Financing Adjustment	318,955
Total Adjustments	622,675

- 3.12. The MTFS is currently being updated and will initially be presented to Finance and Management Overview and Scrutiny on 29th November 2017 prior to consideration by Cabinet and Council. It is anticipated that an improved long term financial position will be reported due largely to the contribution of the new leisure contract.

Growth / Budget Pressures

- 3.13. 2018/19 is the first full year of the new waste service. The budget has been increased to reflect full year costs and revised cost estimates now that the service is operational and there is greater certainty over the resource requirements.
- 3.14. The draft budget incorporates recurring growth with a net increase in costs of £660,755.

Growth	Draft Budget 2018/19 £
Waste service	649,200
Council Tax / Benefits Admin Grant Loss	32,000
Financing costs for waste service borrowing	318,955
Domestic Abuse Support	10,000
Software licensing costs	40,000
ERS Managing Abandoned Vehicles	13,000
Electricity Procurement Saving	(18,000)

Growth	Draft Budget 2018/19 £
Savings on Greystone site (e.g. business rates)	(32,900)
External Audit Procurement Saving	(8,000)
Increased investment income Des Roches	(115,500)
Leisure contract savings	(165,000)
CAB Housing and Debt Advice savings	(24,000)
Publica/2020 Programme Savings	(39,000)
Total Recurring Growth/(Savings)	660,755
District Elections 2018/19	63,700
Full Building Condition Survey	35,000
ERS Project – Animal Welfare Licensing	10,000
ERS Project – Houses in Multiple Occupation	30,000
Less One-Off Growth 2017/18	(316,600)
Total One-Off Growth	(177,900)
Add Inflationary Growth	139,820
Net Growth for 2018/19	622,675

- 3.15. The MTFS has assumed 'Efficiency Savings of £563k over the next three years, with a sum of £39,000 to be achieved in 2018/19. These savings 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 2018/19 through work on the change programme.
- 3.16. Overview and Scrutiny Committees are being asked to support these draft budgets before presentation to Cabinet on 13th December 2017.
- 3.17. Draft fees and charges for 2018/19 (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 2018/19. They are generally based on 2% 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.
- 3.18. 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.
- 3.19. In summary, there is a significant unavoidable increase in spending arising from the new waste service implemented in October 2017. Other budget pressures are largely being managed through savings identified or increased property rental income. It is assumed that New Homes Bonus will remain in line with MTFS assumptions and RSG will reduce

in line with the four year funding agreement. New Homes Bonus and Retained Business Rates income will be reviewed as part of the January budget report.

- 3.20. The summary position of the budget and the impact on use of general fund balances is discussed below, in paragraphs 5.2 and 5.3.

Grants Budgets

- 3.21. Over the last several years the Council made the decision to maintain its revenue grants at their current levels. The draft budget for 2018/19 has also maintained that position except for a reduction to the Citizens Advice Bureau Housing and Debt Support Project. The draft budget for 2017/18 proposed this cut to finance the Homelessness Supported Housing pathway (after cuts from Oxfordshire County Council). This cut was deferred for a year after re-consideration as part of the budget process subsequent to a call-in by Economic and Social Scrutiny Committee.

Investment Interest

- 3.22. The budget for 2018/19 investment interest returns is set at £509,745 a decrease of £97,555 from the 2017/18 base budget of £607,300. During 2016/17 the Bank of England cut its base-rate from 0.5% to 0.25%. This rate-cut had a knock-on impact upon investment returns in 2016/17, and 2017/18. On 2nd November, the Bank of England increased rates for the first time in ten years to 0.5%. The impact of this on investment returns will be reviewed over the coming weeks and any budget changes will be considered in the January budget report.
- 3.23. 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%
- 3.24. The Council has made further capital investment in investment property of £6.75million during 2016/17 and £4.5 million in 2017/18 in support of the new Waste service. The Council is planning to borrow resources from both internal balances and longer term externally from the market.
- 3.25. 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. The return for 2018/19 will be reviewed for the January budget report.

Capital Programme

- 3.26. The capital programme for the forthcoming five years is attached at Appendix C and includes details of the current 2017/18 budget. The budget includes a number of significant schemes including the funding of the High Speed Broadband Project and investment in Carterton Leisure Centre. The Council will act as the Accountable Body for the High Speed Broadband project and the capital programme therefore includes the gross budget of £3.2 million. £1.6 million will be funded through BDUK and £1.6 million will be funded by this Council. The budget for the acquisition of an Environmental Services depot has been deferred from 2017/18 to the end of the programme reflecting the fact that the depot has been leased rather than purchased in 2017/18 but capital provision may be required at a point in the future.

- 3.27. At the end of the financial year the 2017/18 actual spend will be reviewed and an assessment made on what schemes (if any) require 'slipping' into 2018/19 or re-profiling into later years. Approval for any slippage will be formally taken as a recommendation to Cabinet as part of the 2017/18 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 costs of the new Waste Services contract and are unavoidable.

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 £154,358. 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 £180,165 general fund balances in 2018/19. However, the 2018/19 budget now includes a target of £500,000 of income from retained business rates pooling or New Homes Bonus (in excess of £1.6 million). This target has only been included for 2018/19 due to the uncertainty relating to the move to 100% business rates retention expected in 2020/21. The revised budget assumes the use of £154,358 of General Fund balances in 2018/19
- 5.4. The draft budget includes a grant budget of £77,610 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 £88,000 awarded in 2017/18. 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 10th January 2018. 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 28 February 2018.

6. RISKS

A full risk analysis will be incorporated into the final budget setting report to Cabinet and Council in February 2018. 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 2018/19 and on-

going plus finalising the Business Rates position for 2018/19. 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