



WEST OXFORDSHIRE
DISTRICT COUNCIL

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IMPORTANT NOTE:

Councillors are reminded that the report on the Budget for 2020/2021 is to be considered at the undermentioned meetings and, having been circulated under separate cover, will not be reproduced as part of the agenda. Accordingly, Members are requested to remember to bring their copies of the report and the associated appendices with them to the relevant meetings.

Name and date of Committee	ECONOMIC AND SOCIAL OVERVIEW AND SCRUTINY COMMITTEE THURSDAY 21 NOVEMBER 2019 FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE WEDNESDAY 27TH NOVEMBER 2019 ENVIRONMENT OVERVIEW AND SCRUTINY COMMITTEE THURSDAY 5TH DECEMBER 2019
Report Number	AGENDA ITEM No. 9
Subject	2020/21 BUDGET
Wards affected	ALL
Accountable member	Cllr Toby Morris, Deputy Leader and Cabinet Member for Resources Email: toby.morris@cloud.westoxon.gov.uk
Accountable officer	Mrs Jenny Poole, Chief Finance Officer Tel: 01285 623313 Email: Jenny.Poole@westoxon.gov.uk
Summary/Purpose	To consider the initial draft base budgets for 2020/21, draft fees and charges for 2020/21 and the latest revised Capital Programme for 2019/20 and future years. The Cabinet is required to consult Overview and Scrutiny Committees on its budget proposals in accordance with the Council's Constitution.
Annexes	Annex A – Draft Revenue Budgets 2020/21 Annex B – Draft Fees and Charges 2020/21 Annex C - Latest Capital Programme – Revised 2019/20 and future years
Recommendation/s	<i>That consideration is given to the following and comments submitted to Cabinet:</i> <i>a) The initial draft base budget for 2020/21 totalling £15,724,621 as summarised in Annex A;</i> <i>b) Draft fees and charges for 2020/21 at Annex B; and</i> <i>c) The latest Capital Programme for 2019/20 revised and future years at Annex C.</i>

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. Further consultation will be undertaken during December and January with residents, businesses and town and parish councils.

1. BACKGROUND

- 1.1. Cabinet approved budget parameters to be used in the 2020/21 budget process at its meeting on 18th September 2019. This included:
- (i) *inflation on pay budgets of 2.5% 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;*
 - (v) *Fees and charges increase- target of 2.5% where discretionary and market will bear and administratively efficient to do so.*
- 1.2. 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 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.

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 current 50% pool. The governance arrangement within the 50% Pool to distribute growth across the Oxfordshire Councils who undertake to take the benefit of business rate growth as well as the risk of unforeseen decline in business rates will continue.
- 2.3. Detailed work will be on-going over the coming weeks to finalise a forecast of Business Rates income for 2020/21.
- 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 3.9 were delayed for a year to April 2021.

2.8. The draft budget retains a sum for New Homes Bonus of around £1.8 million which is based upon the scheme in place in 2019/20. Further information will be published at the time of the Local Government Provisional Settlement and the New Homes Bonus income figure will be updated accordingly.

2.9. The draft base revenue budget for 2020/21 (Net Operating Expenditure) is £15,724,621, £11,724,621 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 £77,341 or 0.67%. The lump sum payment of £4,000,000 to the Local Government Pension Scheme is required 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.

2.10. A breakdown of cost pressures are set out in the table below together with the savings which will help to mitigate the cost pressures:

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.	200,000
Funding in years 2021/22 to 2022/23 to come from existing revenue reserves or existing capital programme	

Pension fund lump sum contribution	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
Accounting adjustment re leisure contract	(261,000)
Reverse one-off costs 2019/20	(634,600)
Funding of lump sum payment to Pension Fund from earmarked reserves	(4,000,000)
Total	714,416
Ubico contract savings	(198,075)
Savings from Publica lead transformation programme	(164,000)
Savings from leisure contract	(275,000)
Net Increase in budget requirement	77,341

2.11. The MTFs is currently being updated and will initially be presented to Finance and Management Overview and Scrutiny on 27th November 2019 prior to consideration by Cabinet and Council. 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.

Growth/Budget Pressures

2.12. 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. At the time of writing this report, the proposed contract sum reflects the efficiency savings except from Ubico.

2.13. The finance team have reviewed the Council's revenue budget provision for the capital financing costs associated with capital expenditure funded from borrowing. The provision requires an increase of £269,070.

- 2.14.** In 2019/20, the Council has provided for one-off cost pressures of £634,600. Of this £270,000 was for economic development. The balance of £364,600 was funded through earmarked reserves.
- 2.15.** For 2020/21, one-off costs have increased to £4,429,200. The majority of this relates to the £4 million contribution to the Local Government Pension Scheme, which is being funded from revenue reserves. In addition, the Publica transformation programme will be funded by a contribution of £329,200 from earmarked reserves and £36,000 of earmarked reserves will be used to fund a recycling campaign. The bulk of the leisure contract savings, £261,000 will be transferred in to earmarked reserves to be used as a contribution towards the Council's investment in leisure services. Funding of £125,000 will be used to provide for work associated with the Healthy Place Shaping Agenda promoted by the Oxfordshire Health and Wellbeing Board and the Growth Board over the next three years; £45,000 for 2020/21 and £80,000 will be set aside in to an earmarked reserve to fund £40,000 in 2021/22 and 2022/23. £200,000 has been included in the budget as a provision for investment in the Climate Change Action Plan. £100,000 of this will be funded from either revenue reserves or existing capital programme resources depending upon the requirements of the action plan.
- 2.16.** 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.
- 2.17.** Savings of £275,000 are expected from the Council's contract with GLL for provision of leisure services.
- 2.18.** 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.
- 2.19.** Overview and Scrutiny Committees are being asked to support these draft budgets before presentation to Cabinet on 15th January 2020.
- 2.20.** Draft fees and charges for 2020/21 (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 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.
- 2.21.** 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 (if it is available).
- 2.22.** 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 3.18 to 3.20. New Homes Bonus and Retained Business Rates income will be reviewed as part of the January budget report.
- 2.23.** The summary position of the budget and the impact on use of general fund balances is discussed below within paragraphs 3.2 and 3.3.

Grants Budgets

- 2.24. 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.

Investment Interest

- 2.25. 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.
- 2.26. 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.
- 2.27. 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 January 2020.

Capital Programme

- 2.28. The proposed capital programme is attached at Appendix C 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.
- 2.29. 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.

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 partially fund the increased costs by increasing 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 £4,086 to General Fund balances in 2020/21. 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.
- 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. The draft budget includes a grant budget of £66,005 to pass on grant to the Town and Parish Councils to compensate the impact of the Council Tax Support Scheme. This is has been maintained at the level awarded in 2019/20.
- 3.5. Following consideration by Overview and Scrutiny Committees, the Cabinet will receive a further report at its meeting on 15th January 2020. 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. Hopefully, this will also include the provisional local government finance settlement; the timetable is currently uncertain due to the General Election which will take place on 12th December and may impact upon the government's timetable for providing local authorities with details of their financial settlement. Final Budget and Council Tax decisions will be made at the 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 risks to the budget are related to the government's decision of how New Homes Bonus will be distributed for 2020/21 (and on-going) plus finalising the Business Rates position for 2020/21. 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.

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. 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 Local Government Pension Scheme and is unavoidable.

7. BACKGROUND PAPERS

- 7.1. None