



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and date of Committee	Finance & Management Overview and Scrutiny Committee Wednesday 1 December 2021
Report Number	Agenda Item No. 8
Subject	Update of 2022/23 budget
Wards affected	All
Accountable member	Cllr Suzi Coul, Cabinet Member for Finance Email: suzi.coul@westoxon.gov.uk
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Summary/Purpose	This report provides an update on the developing budget for 2022/23
Annexes	Annex A – Detail of base budget changes by service area Annex B – Prior year comparison
Recommendation	That the report be noted and that the committee submits comments to Cabinet as it wishes
Corporate priorities	Modern Council Services and Sustainable Finance: Delivering excellent modern services whilst ensuring the financial sustainability of the Council
Key Decision	No
Exempt	No

1. BACKGROUND

- 1.1. Each year the Council prepares its budget for the following year. The Council's funding from the government finance settlement will not be known until December 2021 so this first draft of the budget for 2022/23 is an early indication of our revenue position and is subject to change.

2. MAIN POINTS

- 2.1. The current budget has been reviewed and amended in detail to ensure that every expenditure is necessary and every potential source of income has been recognised. While the work has been at a very detailed level, there are several main drivers of the change from last year's position.
 - A £1.7m improvement due to Covid contingencies and one off increases reversing.
 - A £1.8m reduction in funding due to the phasing out of New Homes Bonus
 - A £560k increase in staff costs, in large part due to the increase in NI rates
 - A £380k increase in the cost of the waste contract
 - A £300k increase in the cost of recycling (an uplift of 50%)
 - A one off cost of £650k to review the local plan
- 2.2. The current revenue budget position before growth requests is a deficit of £830k. We are aiming to fund the one off cost of the local plan as much as possible from existing planning grants and the balance may be funded from ear marked reserves such as Council Priorities. This would bring the current deficit down to £180k. Since the current budget draft does not yet include increases in fees and charges, we are hopeful that this gap will be closed.
- 2.3. The budget includes requests for growth. The bulk of these are two year commitments and are requests from the Future Oxfordshire Partnership (FOP). The main cost is to continue the work already in progress by this initiative, formerly called the growth board with additional funding requests for new programmes they would like to pursue. While we would always wish to work in cooperation with our colleagues across the County and it is of benefit to West Oxfordshire District Council that the FOP complete delivery of their agreed programme, we can fund short term initiatives from reserves but should avoid adding longer term funding commitments to our budget until such time as we have sufficient funding to cover our own services.
- 2.4. As usual, the first draft of the budget precedes the Government's Spending Review which will be published in December and will finalise our expected funding. We are always hopeful that additional funding will be given to offset the drastic impact of the removal of New Homes Bonus. We are also hopeful that they may choose to give a three year settlement which would add much sought after clarity to our medium term position.
- 2.5. In the MTFs presented to Council in February 2021 an estimated budget gap of £3m was forecast for 2022/23. This was driven by both the anticipated loss in New Homes Bonus and the expected reduction in rates income. In the main, it's the government's decision to defer the Business Rates reset, which is expected to cost this Council £2m in lost income, which has reduced this gap to just under £1m. Due to the continuing impact of Covid the government has again decided to defer the reset which gives the Council at least a further year of breathing space. Other material changes are explored in more detail below.
- 2.6. New Homes Bonus has been a very valuable funding source but the scheme is now part of the Government's Fairer Funding Review. For 2022/23 the level of funding has reduced from

£2.2m to £485,000. There is a possibility of some kind of replacement funding related to the provision of housing which would tie in with the Government's promise to increase the supply of new homes nationally but as yet nothing has been confirmed.

- 2.7. The most positive impact on the draft budget is the resumption of the full budgeted Management Fee income from GLL of just under £1.5m. In the summary table below, this figure forms part of the reversal of Covid contingencies.
- 2.8. Budget strains this year include a potential £380k increase in the Ubico budget, a £300k increase in recycling costs and an estimated £650k required to review the Local Plan. There may be some available grant funding in the Planning Delivery Grant to fund at least part of the local plan review and we could apply some of the Council Priorities reserve as this would be in line with the purpose of that reserve and is a necessary one off expenditure. The application of reserves to this cost to remove the impact on revenue will be clarified before the final draft of the budget is proposed in February.
- 2.9. The taxbase calculation has been initially drafted with the Council Tax figure in the table below assuming a Band D increase of £5 which has not yet been discussed and agreed
- 2.10. The current draft budget shows a deficit of £830k as per the table below, but this does not include the growth items that are subject to discussion and, if all agreed, would increase the deficit to over £1m. The air quality work is a one off, as is the extension of the debt advice service, with the remainder being two year requests.

3. 2022/23 BUDGET FUNDING POSITION – FIRST DRAFT

2020/21 budget surplus 0

Budget Movements £ £

Expenditure

Reversal of Covid Contingencies	(1,546,754)	
Reversal of one off items	(200,500)	
New Publica posts	275,446	
Publica savings identified	(54,119)	
Identified savings	(80,329)	
Fixed Term Contract posts	78,041	
Retained Staff Pay Inflation	20,291	
Publica Salary Inflation	593,184	
Ubico Contract Inflation first draft	383,046	
Recycling Contract Inflation	300,000	
Provision for Play Park Maintenance	50,000	
Contract Cleaning Saving	(37,500)	
Inflationary increase in utilities	35,279	
Housing Benefit Subsidy reduction	67,693	
Telephone Rental/Service Charge savings	(59,500)	
Local Plan review	650,000	
		<hr/> 474,278

Income

Garden Waste 2021/22 budget correction	(179,000)	
Additional commercial property income	(280,000)	
Increase in Planning Application Fees	(100,000)	
		<hr/> (559,000)

Funding Changes

Council Tax	(464,674)	
Redistributed NNDR	121,000	
Reduction in New Homes Bonus	1,798,359	
Use of Earmarked Reserves	(539,935)	
		<hr/> 914,750

2022/23 DRAFT BUDGET SHORTFALL **830,028**

Growth Requests £ £

Air Quality	25,000	
Future Oxfordshire Partnership	46,436	
Local Nature Partnership	13,833	
Inclusive Economy Partnership	15,383	
Management/Comms/Admin Support	13,000	
Civic Pride Officer	25,000	
Extension FTC Planning Policy Officer (backfill AT)	27,420	
Extension of CA debt advisor	42,000	
		<hr/> 208,072

2022/23 DRAFT BUDGET SHORTFALL **1,038,100**

FINANCIAL IMPLICATIONS

- 3.1 In 2021/22 contingencies were put into the revenue budget to recognise the loss of income due to Covid in respect of the GLL contract and Investment Property. These contingencies have now been reversed in line with the expectation that we will receive 100% of the budgeted Management Fee income from GLL and no new concessions for Investment Property rent will be required.
- 3.2 The government announced changes to National Insurance contributions in the Autumn budget amounting to an increased contribution of 1.25%. As yet the pay settlement for 2021/22 has not been agreed but has been included in the budget at the last offer of 1.75%. An estimate of 2% has been included for 2022/23.
- 3.3 Ubico contract inflation has been included at the level of the first draft of the Ubico budget. Discussions are ongoing with Ubico regarding meaningful revenue savings that can be delivered in the short to medium term. These have been put forward to portfolio holders for consultation and the Publica commissioners have been asked to prioritise those that can be quickly realised and to investigate the potential impact, both monetary and otherwise on any longer term proposals. The contract inflation figure is therefore subject to change.
- 3.4 Suez are contracted by the Council to manage kerbside recycling. The contract for the next 3 years went out to tender and Suez were the only bidder. Due to the increase in haulage and handling costs and the volatility of the recycle market, inflationary growth of £300,000 has been built into the Suez contract sum.
- 3.5 There are a number of play parks in the District which were built from S106 developer contributions which require annual maintenance and updating. A provisional estimate of £50,000 has been included in the base budget which will be subject to change following the outcome of the review requested by Informal Cabinet on 3rd November 2021. This does not include the capital cost of carrying out initial repairs on the play parks but this will be a capital expenditure which can hopefully be funded through S106 receipts.
- 3.6 We have seen significant rises in Electricity and Gas prices in the last couple of months and these are predicted to increase by 23%. The Property team monitor all corporate building costs very closely and it is hoped that the new agile working arrangements will deliver savings as we reduce the amount of office space needed.
- 3.7 New Fixed Term posts have been agreed for the Saltcross Project, Healthy Place Shaping and the second year of the Covid Workstream. These are all funded from earmarked reserves and grants which contribute to the increase in use of earmarked reserves seen at the bottom of the table.
- 3.8 The agreed £5 increase to Garden Waste licences for 2021/22 was not included in the base budget and this error is corrected here. 2022/23 fees and charges have not yet been agreed and are not included in this draft of the budget.
- 3.9 The purchase of Carterton Industrial Estate Plot 3 was the first investment under our new investment strategy agreed by Council last October and will deliver £280,000 of additional income to the Council. However we have not yet found replacement tenants for Talisman Unit 1 with a current annual rent of £96,000 and Des Roches Square with a current annual rental of £146,000 which both fall vacant in November 2021 as the tenants move out. There is a risk that these properties could remain empty.

- 3.10 Income from Planning Applications continues to be volatile month on month but overall is performing above current budget with some large applications expected in the next 12 months. A £100,000 one off growth in income has been included in the base budget for 2022/23 and this will be reviewed against actual performance before including permanent growth.
- 3.11 The taxbase for 2022/23 has been calculated as an increase of 2.79% or 1,254.46 additional Band D properties on the current year. 1.68% of this increase relates to new properties that are already on the valuation list with 1.1% being the estimated growth during 2022/23. This highlights the difficulty of estimating the timing of new build properties coming onto the valuation list. In 2021/22 we took a prudent approach to growth to allow for delays caused by Covid on the building sector and the delay from the Valuation Office for their part of the process. In reality the sector was not affected as badly as we had anticipated.
- 3.12 The estimated retained Business Rates income is based on the outturn from the Pool in 2020/21 and a prudent approach to collectable rates next year. It is anticipated that there will be more businesses in receipt of Small Business Rate Relief and it is possible the government will either extend existing schemes of rate relief as they have done in 2021/22 to support the recovery from Covid or introduce new schemes to support certain sectors of the economy. At present nothing has been confirmed but it is hoped that announcements will be made with the Local Government Settlement.
- 3.12 There is a possibility that more govt funding will be announced in the Local Government Settlement – particularly through the Lower Tier Grant which may help to smooth the huge reduction in New Homes Bonus. In the unlikely event that we forecast a surplus, the recommendation would be to set up a Major Contracts Pressures Reserve, recognising that within the next few years we need to replace the bulk of the waste fleet, the lease ends on the current waste depot and the Windrush Leisure Centre in Witney is likely to require significant repairs.
- 3.12 The requests for growth are as follows:
- One off additional consultancy of £25k in order to produce an updated air quality plan for Chipping Norton and Witney
 - £46k per annum to carry on funding the Future Oxfordshire Partnership (previously known as the Growth Board). The FOP have also suggested two further initiatives, the Local Nature Partnership (£14k per annum) promoting a County wide approach to nature conservation and the Inclusive Economy Partnership (£15k per annum) which seeks to promote inclusion in access to economic growth. All three would be supported by an admin package costing £13k per annum making the total package ask for all of the councils in the County £89k per annum. This per annum request is for two years.
 - The FOP stopped funding seconded staff in 21/22 adding an additional cost of £50k which was growth in the Council's budget last year. There is also a growth request to extend the contract of the secondment backfill costing £27k. This brings the total cost of the FOP to £166k per annum.
 - Contribution to a County wide coordinator role of £6k per Council. WODC has made a one off contribution to this role in the past but this would add it as growth to the revenue budget. The role would work closely with the FOP.

- A request has been made to allocate funding to the Citizens Advice Bureau (CAB) who received funds during lockdown to train a debt advisor but have no further funding to retain them beyond March. This request is made on the basis that this service is likely to be incredibly important to residents in the district in the coming year and that the CAB are the best people to deliver it.
- The final growth request is £25k per annum for an environmental office to increase enforcement activities around fly tipping and respond to issues raised.

4. LEGAL IMPLICATIONS

4.1. None

5. RISK ASSESSMENT

5.1. None

6. ALTERNATIVE OPTIONS

6.1. None

7. BACKGROUND PAPERS

7.1. None