



WEST OXFORDSHIRE
DISTRICT COUNCIL

WEST OXFORDSHIRE DISTRICT COUNCIL

Name and date of Committee	Cabinet Wednesday 19th of January
Report Number	Agenda Item No. 6
Subject	2022/23 budget
Wards affected	All
Accountable member	Cllr Suzi Coul, Cabinet Member for Finance Email: suzi.coul@westoxon.gov.uk
Accountable officer	Elizabeth Griffiths, Section 151 Officer Tel: (01993) 861188 Email: elizabeth.griffiths@westoxon.gov.uk
Summary/Purpose	To consider: (1) The initial draft base budgets for 2021/22: (2) Fees and charges for 2021/22 (3) Adoption of the Council Tax Base for 2021/22 (4) The submission of the business rates return
Annexes	Annex A – Detail of base budget changes by service area Annex B – Prior year comparison Annex C – Medium Term Financial Strategy Annex D – Proposed Fees and Charges 2022/23 Annex E – Council Tax Base
Recommendation	a) That Cabinet approves: (i) The draft base budgets for 2022/23 as detailed in Annex A; and (ii) The proposals for budget growth included in the table below (iii) Draft fees and charges for 2022/23, as detailed in Annex D, for inclusion as part of the Budget recommendations to Council on 23rd February 2022; b) That Council be recommended to approve: (i) The Council Tax Base shown in Annex E, calculated as £46,172.42 for the year 2022/23;

	<p>(ii) Authorising the Chief Finance Officer to submit the National Non Domestic Rates Return I (NNDRI) to the Ministry of Housing, Communities and Local Government by the submission date of 31 January 2022; and</p> <p>(iii) Authorising the Chief Finance Officer to approve the annual uprating of allowances and non-dependant deductions in the Local Council Tax Support Scheme in line with national regulations.</p>
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
Consultees / Consultation	<p>Consultation has taken place with management from Publica and Ubico to inform the draft budgets. The Council's Finance and Management Overview and Scrutiny Committee has considered the draft budget proposals but raised no specific issues requiring consideration by Cabinet at this time.</p> <p>Further consultation is currently underway with residents, businesses and town and parish councils.</p>

I. BACKGROUND

- 1.1. The initial draft budget was presented to the Council's Financial Management Overview and Scrutiny Committee with no issues raised.
- 1.2. A summary of the draft base revenue budget for 2022/23 is attached at Annex A together with detailed revenue budget breakdowns at Annex B and the Medium Term Financial Strategy at Annex C
- 1.3. Since the budget was presented to Scrutiny, we have received the Provisional Local Finance Settlement and have updated the budget and forecast accordingly. The report below covers much of what was reported to Scrutiny as this is the first time it has come to Cabinet but also looks forward over the Medium Term Financial Strategy and outlines the Council's approach to addressing the challenges ahead.
- 1.4. Residents have responded well to the annual budget consultation which gives them an opportunity to input directly into the budget planning process. The results of this will be published in the next budget report.

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 £1.8m improvement due to Covid contingencies and one off increases reversing.
 - A £480k 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 first draft revenue budget position before growth requests was a deficit of £830k. The Govt spending review extended New Homes Bonus by one further year turning the deficit into a considerable surplus. This is very much a one year gift however and the expectation is that by limiting the settlement to one year instead of the hoped for three year view, the Govt is signalling that some of the anticipated funding cuts that have been postponed in very recent years could finally hit us in 2023/24. Any increases in expenditure that are approved as recurring will exacerbate the expected budget shortfall next year and in years to come.
- 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. Neither the draft budget in Annex A nor the MTFS in Annex C include the growth items listed in the table below. The air quality work is a one off, as is the extension of the debt advice service, with the remainder being two year requests.
- 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 almost £2m in lost income, and to continue the New Homes Bonus for this year that has allowed us a projected surplus but these are expected to be one year reprieves with the full anticipated loss of income severely impacting our funding in 2023/24 and ongoing in the MTFS. Other material changes are explored in more detail below.
- 2.6. 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. While this is our current contractual position it should not be assumed that this means that the Leisure Service sector has recovered completely and returned to pre Covid levels of income generation.
- 2.7. 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. Funding is available through 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. Inflation is also expected to increase many costs, with an unprecedented rise in utility bills. These expectations have been discussed with budget holders in setting the budget and added to individual line items as opposed to a blanket uplift. Future expectations have been estimated and will be kept under review.
- 2.1. 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 agreed. The town and Parish Councils have been provided with their tax base information which is set out in detail in Annex E. We are still awaiting confirmation from 19 parishes, of which 6 had a zero precept last year. The larger councils have advised their expected figures, even if for logistical reasons they are yet to meet and formally confirm them.
- 2.2. The positive effect of the spending review on our position is shown in the second table. Any surpluses from 2022/23 should be put aside to help mitigate the shortfall in the coming years. The MTFS shows that we are several years from recovering the current funding position and further savings will need to be found if we are to be able to balance the budget in the coming years.

3. 2022/23 BUDGET FUNDING POSITION – AS PRESENTED TO SCRUTINY

2020/21 budget surplus		0
Budget Movements	£	£
<u>Expenditure</u>		
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	
		474,278
<u>Income</u>		
Garden Waste 2021/22 budget correction	(179,000)	
Additional commercial property income	(280,000)	
Increase in Planning Application Fees	(100,000)	
		(559,000)
<u>Funding Changes</u>		
Council Tax	(464,674)	
Redistributed NNDR	121,000	
Reduction in New Homes Bonus	1,798,359	
Use of Earmarked Reserves	(539,935)	
		914,750
2022/23 DRAFT BUDGET SHORTFALL		830,028
<u>Growth Requests</u>		
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	
		208,072
2022/23 DRAFT BUDGET SHORTFALL		1,038,100

1st draft shortfall 830,028

BUDGET MOVEMENTS SINCE THE PRESENTATION TO SCRUTINY £ £

Expenditure

Amendment to Publica salary inflation	(133,844)	
Adjustment to Publica savings	3,375	
Reversal of Investment Property Covid Contingencies	(223,350)	
		<hr/>
		(353,819)

Income

Garden Waste increase of £5	(215,360)	
Recycling Credits	(18,000)	
Overhead charges to Publica	(4,830)	
Building Control & Pre Application Advice fees	(22,830)	
		<hr/>
		(261,020)

Funding Changes

Council Tax	36,015	
New Homes Bonus	(1,892,389)	
Lower Tier Grant	(4,605)	
22/23 Service Grant	(148,000)	
Increase in Minimum Revenue Provision (MRP)	178,081	
		<hr/>
		(1,830,898)

2022/23 REVISED DRAFT BUDGET SURPLUS **(1,615,709)**

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 REVISED DRAFT BUDGET SURPLUS INCL GROWTH REQUESTS **(1,407,637)**

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. Most of 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 that no additional concessions for Investment Property rent will be required. GLL have confirmed that they are expecting us to bill for the management fee in 2022/23 but as with many operators, their position is far from robust with attendance and corresponding revenues still significantly below pre Covid levels - so while they have a contractual obligation to deliver this income, there is a strong possibility they may struggle to.
- 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 2.5% has been included for 2022/23. While not yet finalised, an update on these calculations has reduced the cost to the Council by £130k.
- 3.3 Ubico contract inflation has been included at the level of the first draft of the Ubico budget. Discussions are ongoing with Ubico and the Publica commissioning team regarding meaningful revenue savings that can be delivered in the short to medium term. The main drivers of the cost increase this year are expected inflationary increases, a need to increase payments to drivers in order to attract and retain staff and several other smaller expenditures that have been postponed from 2021/22. There will be a greater emphasis on joint projects this year between Ubico and the Council's contract team to prioritise finding ways to make significant efficiency savings in the contract cost. This is discussed in more detail below.
- 3.4 Suez are contracted by the Council to process recycle from 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. Options are being explored to mitigate and reduce this increased cost.
- 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 per annum 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 which will be a capital expenditure that 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. The reduction in use of space by the Council's staff should also allow the space newly identified as surplus to be rented out which will generate much needed additional income.
- 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 previously agreed £5 increase to Garden Waste licences for 2021/22 was charged to customers but not included in the base budget and this error is corrected here. The uplift in 2022/23 fees and charges has been added in the second table which shows the changes since the first draft was presented to Scrutiny.
- 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. We have not yet found replacement tenants for Talisman Unit 1 with a current annual rent of £96,000 but this is under repair following a dilapidations settlement and will be marketed imminently. Des Roches Square with a current annual rental of £146,000, which fell vacant in November 2021, has potentially found a replacement tenant for part of the building. The remainder is also being marketed.
- 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 of course be monitored against actual performance.
- 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 There was hope that the spending review would provide longer term clarity but the decision by the Government to only confirm one year of funding leads many to believe that the additional income awarded will not continue beyond the current year and that next year will see detrimental changes such as the final loss of New Homes Bonus and the rates reset, which has been expected for many years but deferred each time, finally come to pass. The 22/23 settlement has left us with a one year surplus but an expectation of significant funding shortages from 23/24 onwards. A strong recommendation would be that as part of setting aside surplus funds this year to offset the budget shortfalls in the medium term, we 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.
- 3.13 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 a "Civic Pride Officer" to increase enforcement activities around fly tipping and respond to issues raised.

- 3.14 The draft budget was presented to the Finance and Management Overview and Scrutiny committee on Wednesday the 1st of December. It was well received and understood to be what it was, an initial draft. Cllr Dent asked that his strong support for the Civic Pride officer be noted.
- 3.15 Detailed work will be on-going over the coming weeks to finalise a forecast of Business Rates income for 2022/23 and, as is usual, it is proposed that Cabinet delegates authority to the Chief Finance Officer to submit the statutory National Non-Domestic Rates return (NNDRI) by 31 January incorporating the outstanding appeals provision to the 2017 list. The estimate of Business Rates for 2022/23 will be reported to Cabinet in February and will be fed into the final budget proposals to be considered by Council.
- 3.16 It has been announced that there will be an Extended Retail Discount scheme in operation for 2022/23. This scheme will provide 50% Business Rates relief for all eligible businesses; which will result in a reduction in collectable Business Rates of around £9,000,000. However, as in 2020/21 & 2021/22 the Government will pay the Council additional S31 Grant to cover the amount of uncollectible rates which will support our cashflow position. There will be no net loss in income to the Council in the year.
- 3.17 Each year the Council has to decide whether to make changes to its council tax support scheme for working age customers. The current scheme was adopted in 2020/2021 with the support of Citizens Advice, West Oxfordshire, which ensured an increase in support to the most vulnerable residents within the district. Keeping the council tax support scheme unchanged for 2022/2023 will continue to support the Council's key priorities and principles. The only changes required to the scheme are the annual uplift of allowances (which provides an increase in financial support) and non-dependent deductions. Non-dependent deductions reduce support and are based on the number of adults living within the household who are financially independent from the council taxpayer. The annual uplift to allowances to non-dependent deductions will be set by Government and it is proposed that, again, Cabinet delegates authority to the Chief Finance Officer to approve the respective changes to the Council's Local Council Tax Support scheme for 2022/23.

MEDIUM TERM OUTLOOK

- 4.1 As has been previously noted, the settlement provides us with security for the coming year but would seem a stronger than ever indicator that the anticipated reduction in government funding will actually happen in the following year. Several things have affected our longer term outlook:
- The lack of even short to medium term certainty around our funding and the anticipated reduction in government settlements
 - The difficulty in finding suitable projects to invest in in order to generate additional income for the Council
 - The steep increase in the cost of delivering some of our services
- 4.2 We cannot control the lack of funding clarity. All we can do is to project a prudent expectation in order to recognise the risk, maintain our appeals to Govt that longer term sight is crucial to every Authority's ability to securely plan and deliver core services and to constantly seek ways to reduce our reliance on uncertain Govt funds.
- 4.3 The restrictions around PWLB borrowing mean that it is increasingly difficult to find suitable projects to invest in. That restriction notwithstanding, there is still a lack currently of suitable opportunities with a demonstrable yield for the Council to invest in. More emphasis is being placed this year with the Publica Group Managers on generating options where we can and ensuring that they recognise this as a key deliverable and prioritise their work in this area where possible. In 21/22 we were only able to invest £2.4m in assets delivering long term revenue streams. This was well below the hoped for levels and this change in expectation is recognised in the reduction of additional income projections in the MTFS. We are currently exploring options around investment in solar, housing, and in office space to encourage economic stimulation in the district.
- 4.3 The cost of the waste service in particular has risen steeply this year. While some additional income has been generated by increasing the cost of the service to paying customers, this has been dwarfed by an increase of almost seven hundred thousand pounds between the increase in the base budget and the cost of recycling. A project is running to explore possibilities for efficiency savings in the general delivery of the service and an overhaul of the trade waste service which has run at a loss for several years now. A detailed project plan for these high priority areas within the overall programme is due to be delivered by the end of January which will allow us to monitor progress against time bounded milestones and ensure that any measures which can be implemented to generate significant savings are implemented quickly so that benefits can be realised in the 23/24 budget.
- 4.4 The MTFS shows a projected deficit of £1.94m for 2023/24, driven, as noted above, by the expected removal of key funding streams by government. Even with an assumption that investments will be found that are compliant and generate income, and that some replacement Govt funding will be forthcoming, the MTFS still shows us moving to a position where we are constantly consuming our reserves, which we can afford to do in the short term, but is ultimately unsustainable. The MTFS as presented does not include the potential growth items. Approval of these would worsen our position by £210k per annum for the next two years. The following approaches to our longer term position are recommended:

- All capital projects that aren't designed to deliver statutory services should be either cost neutral or preferably income generating. We need to ensure that the return to the Council from any new activities is as favourable as possible to avoid jeopardising core services.
- Long term budget growth should be avoided where possible. The growth items in the current paper are restricted to two years and this approach needs to be maintained to avoid worsening our long term position till further funding can be secured.
- More emphasis must be placed on finding long term revenue generating investments. These have proved difficult to generate in the current year but the identification and development of them should be prioritised by Publica managers in their ad hoc project work.
- Savings must be found in the overall service budget. Publica has already made significant savings in terms of staffing budget and while it may not be advisable to try to deliver current services with any further reduction in resource, we need to explore any possibilities for transformation and efficiency. Ubico is yet to deliver budget savings but are keen to explore options and are working collaboratively with us through the waste review to deliver those.
- Any current surpluses should be added to reserves to fund future predicted shortfalls and mitigate the uncertainty around funding.

FEES AND CHARGES

- 5.1 Proposed increases to Fees & Charges are shown in Annex D with a proposed increase of 5% with the exception of certain items, which are subject to external factors. Certain fees, for example Parking Charges, Premises Licences and Planning Application fees are set by Central Government and Taxi licences and other licences that fall under Environmental & Regulatory Services are required to be calculated on a cost recovery basis so the fee is no more than the actual cost to the council.
- Fees relating to Pre Planning advice and Building Control are proposed to increase by 5% and a review of Land Charges is currently underway. The Planning Application fee budget has been increased by £100,000 for 2022/23 in light of known major applications that will be coming forward. This is not proposed as a permanent increase in the budget and will be reviewed as part of the 2023/24 budget setting process.
 - A proposed increase in Taxi licence fees is required to go out to consultation and is subject to Portfolio holder approval before inclusion in the budget. This will be updated ahead of the final Budget papers that will be presented to Full Council in February.
 - Water Supply testing, Animal Welfare, Taxi licences, Street Trading, Caravan & Campsites, Gambling, and miscellaneous licences relating to Alcohol, Scrap metal, Piercing, Tattoo & Houses of Multiple occupancy are all proposed to increase by 5%.
 - Food Export Health Certificates are proposed to increase by 14%. This is based on an analysis that was done around the cost of resourcing which has led to proposals to increase some fees and decrease others - although the overall effect is negligible. The analysis is still being reviewed but this will be completed before the final draft of the budget.
 - The proposal for a further £5 increase in green waste licenses for 22/23 is expected to yield and additional £215,000.

- Pest & Dog Control, Street Naming & Numbering and Prepaid sacks and container delivery are proposed to increase by 5%.
- Trade Waste fees are proposed to increase by 10% which will reduce the gap between current income levels and the base budget but difficulties in collection are likely to reduce the benefit of this increase in real terms. The whole trade waste service is currently under review to address its loss making status.
- Bulky Waste is proposed to increase by 8.4% to £30.
- Fees for Woodstock Fair would increase by £250 and the Chipping Norton Mop Fair by £125

6. LEGAL IMPLICATIONS

- 6.1. None

7. RISK ASSESSMENT

- 7.1. At this stage, the main risks are growing inflation, the timescales involved in identifying and delivering further efficiency savings, the difficulty in finding suitable investments and the uncertainty around our long term funding.

8. CLIMATE CHANGE IMPLICATIONS

- 8.1. The Climate Change team continue to benefit from short term project funding which has enabled multiple posts. The challenge for these posts is to embed good practice across all service areas, enabling the Council to change the way it works in regard to Climate issues permanently.

9. BACKGROUND PAPERS

- 9.1. None