



**WEST OXFORDSHIRE
DISTRICT COUNCIL**

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Name and date of Committee	Cabinet: Wednesday 16 February 2022
Report Number	Agenda Item No. 6
Subject	Budget 2022/23
Wards affected	All
Accountable member	Cllr Suzi Coul, Cabinet Member for Finance Email: suzi.coul@westoxon.gov.uk
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Summary/Purpose	<p>The purpose of this report is to consider the following:</p> <ol style="list-style-type: none">(1) The revenue budget proposals for 2022/23(2) The Council's Capital Programme for 2022/23 to 2030/31(3) The level of Council Tax for 2022/23 <p>This report also fulfils the requirements of the Local Government Act 2003 relating to the Council's Treasury Management function and implementation of the Prudential Code Capital Finance System arrangements. Cabinet will recommend the Council's Medium Term Financial Strategy, Capital Programme, Capital Strategy, Investment Strategy and Treasury Management Strategy to Council for approval.</p> <p>The report also includes the Chief Finance Officer's report on the robustness of estimates and the adequacy of the Council's reserves.</p>
Annexes	Annex A – Medium Term Financial Strategy Annex B – Summary of General Fund Revenue Budget 2022/23 Annex C – Forecast Collection Fund Surplus 2021/22 Annex D – Fees and Charges 2022/23 Annex E – Capital Programme 2022/23 to 2030/31 Annex F – Council Pay Policy Statement

	<p>Annex G – Capital Strategy</p> <p>Annex H – Investment Strategy</p> <p>Annex I – Treasury Management Strategy</p> <p>Annex K – Report of the CFO</p> <p>Annex J - Budget consultation feedback</p> <p>Annex L – Estimate of Business Rates 2022/23</p> <p>Annex M – Parish Precepts and Taxbase 2022/23</p> <p>Annex N – Summary of Prudential Indicators</p>
Recommendation	<p>a) Cabinet recommends the following to Council for approval:</p> <ul style="list-style-type: none"> (i) The updated Medium Term Financial Strategy in Annex A (ii) General Fund revenue budgets as summarised in Annex B (iii) The Capital Programme for 2021/22 to 2030/31 set out in Annex E (iv) Fees and Charges for 2022/23 as set out in Annex D (v) The Council's Pay Policy Statement as set out in Annex F (vi) The Council's Capital Strategy 2022/23 as set out in Annex G (vii) The Council's Investment Strategy 2022/23 as set out in Annex H (viii) The Council's Treasury Management Strategy 2022/23 as set out in Annex I (ix) The level of District Council Tax for 2022/23 for a Band D property of £114.38. <p>b) That the estimate of Business Rates income for 2022/23, as set out in the excerpt from the government return NNDRI, in Annex L, and the Parish Precepts and Tax Levels set out in Annex M be noted.</p>
Corporate priorities	The budget supports the priority themes set out in the Council Plan
Key Decision	No
Exempt	No
Consultees/Consultation	<p>Consultation has taken place with management from Publica and Ubico to inform the draft budgets.</p> <p>The Council's Financial Management Overview Scrutiny committee have considered the draft budget proposals.</p> <p>Consultation with residents, businesses and Town and Parish Councils was carried out during January and their feedback in included for consideration in Annex J.</p>

I. BACKGROUND

- 1.1 The draft base budget for 2022/23 was considered by Cabinet on 19 January and Council on 26 January.
- 1.2 This report updates Cabinet on the proposed changes to any expenditure budgets and funding streams. It also includes details of feedback from consultation on the Council's budget proposals and draws together the Council's suite of strategic financial documents for 2022/23 including the Capital Strategy, the Investment Strategy and the Treasury Management Strategy.

2. MAIN POINTS

- 2.1 The Provisional Local Government Finance Settlement 2022/23 was announced on 16 December 2021 and contained some key proposals that affect this Council. Most notably New Homes Bonus funding continues for one more year. A consultation paper on the future of New Homes Bonus is due to be published shortly with an indication of changes taking effect from 2023/24.
- 2.2 The Rural Services Grant continues in 2022/23 and a new one off Services Grant has been announced which includes funding for the national increase to National Insurance contributions. The Lower Tier Services grant, introduced in 2021/22 to ensure that no local authority saw an overall reduction in Core Spending Power continues in 2022/23. Core Spending Power includes income from Retained Business Rates, Council Tax, Lower Tier Support Grant, New Homes Bonus, Rural Services Delivery Grant and the new Services Grant.
- 2.3 The revenue budget remains mainly unchanged from that presented to Cabinet and Council in January. The updates are increased income expectations, an amendment to funding calculated as part of the NNDR I submission and some adjustments to MRP and interest on borrowing.
- 2.4 There is a late addition to the requests for growth which has not previously been reported to Cabinet or Scrutiny. This is an increase to the available budget for Monitoring Officer of £55,000 for one year only to cover the additional cost of an interim officer shared with another Council.
- 2.5 Further detail about Minimum Revenue Provision (MRP) can be found in the Capital Strategy in Annex G but in essence it is the amount charged to the revenue budget to repay internal & external borrowing over the useful life of assets acquired from capital expenditure. The reduction in MRP recognises the re-profiling of the Recovery Strategy from the anticipated budget of £15m in 2021/22 and £10m in 2022/23.
- 2.6 The budget includes provision for the payment of interest on long term loans we expect to enter into in 2022/23. These relate to new capital spend on the investment strategy, budgeted at £15m in 2021/22 of which only £2.4m was spent on the purchase of Plots 1- 3 of the Carterton Industrial Estate. The estimate for 2022/23 is £10m but is dependent on the timing of suitable investment opportunities being found.

Budget Changes

Budgeted surplus at 19 January	(1,615,709)	
	£	£
Expenditure		
Ubico contract	(29,384)	
Adjustment to Publica savings	23,018	
		<u>(6,366)</u>
Funding Changes		
Retained Business Rates	295,580	
Adjustment to MRP	(120,880)	
Interest on long term investments - Pooled Funds	(350,407)	
Interest on long term borrowing	(75,021)	
		<u>(250,728)</u>
2022/23 DRAFT BUDGET SURPLUS		<u>(1,872,803)</u>
	£	£
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	
Environmental Enforcement Officer	25,000	
Extension FTC Planning Policy Officer (backfill AT)	27,420	
Extension of CA Debt Advisor	42,000	
New growth item - additional budget for shared Monitoring Officer	55,000	
		<u>263,072</u>
2022/23 REVISED DRAFT BUDGET SURPLUS INCL GROWTH REQUESTS		<u>(1,609,731)</u>

2.7 The General Fund Revenue Budget is summarised in Annex B. The Revenue Budget shows an expected contribution to General Fund of £1.87m. This is expected to drop to £1.6m if the proposed growth is approved with the inclusion of the monitoring officer. The schedule of Fees & Charges supporting the income in this budget remain unchanged and is included in Annex D. These documents are recommended to Council for approval.

3. BUSINESS RATES

- 3.1 The calculation of forecast retained Business Rates for 2022/23 has been completed and was submitted to the Department of Levelling Up, Housing and Communities on 31 January. The estimate shows a fall in Business Rates income of £419,325. An excerpt from the NNDR 1 form can be found in Annex L.

NNDR 1

	2021/22	2022/23
Rateable Value	101,560,630	101,585,259
	£'000	£'000
Estimated Rates Income (Part 1 Line 13 NNDR 1)	40,636	36,452
WODC Share 40%	16,254	14,581
Plus : S31 Grant	1,844	4,278
Less: Tariff Charge	(12,035)	(12,035)
Sub Total: Equals Pre-Levy Income	6,063	6,824
Less: Levy to Central Government	(1,706)	(2,037)
Plus : Renewables Income	209	211
Plus/(Less) Collection Fund Surplus/(Deficit)	(6,877)	(4,578)
S31 grant transferred from reserves	7,101	3,953
TOTAL: Revenue Budget Business Rates	4,790	4,373

- 3.2 Extended relief for those in the Retail, Hospitality and Leisure sectors continues throughout 2022/23 which will be offset by S31 grant in the same way as 2021/22. This S31 grant will be carried forward through reserves to fund the repayment of the associated deficit in 2023/24.
- 3.3 The provision for business rates appeals has been reviewed taking into account the number of appeals outstanding and the number of appeals settled. The appeals provision calculated for 2021/22 is £3m and it is proposed to retain the provision at this same level for 2022/23. This is partly due to having less than 30 outstanding appeals on the 2010 list and the success of the Check, Challenge, Appeal process in preventing speculative appeals which have little chance of success. The appeals provision is subject to review twice a year – once for the completion of NNDR 1 in January and once for the completion of NNDR 3 at year end.
- 3.4 Changes to the Business Rates Retention scheme were due to come into effect on 1 April 2022 but have been deferred once again because of the pandemic and are now believed to be taking effect from 1 April 2023. The MTFS reflects the significant loss of income resulting from this change. It is hoped that the government will provide District Councils with an element of compensation grant to dampen the effects of this significant change to funding. Should such compensation funding not be made available by the Government, the MTFS will be reforecast to assess the impact.

3.5 The Council remains a member of a Business Rates pool with Cherwell District Council and Oxfordshire County Council. The budget does not include the distribution of any pooling gain as a funding source for operational costs, rather it is treated as a windfall and will be used to help mitigate the effects of the change in funding from 1 April 2023.

4. COUNCIL TAX

4.1 The budget and MTFS assume a £5 per annum increase over the life of the MTFS. If the budget proposals are accepted, this will raise band D Council Tax to £114.38 from £109.38 in 2021/22. The Council falls under the criteria which allow an increase in Council Tax of £5 or 2%, whichever is the higher.

4.2 The Localism Act 2011 introduced a power for the Secretary of State for Communities and Local Government to issue principles that define what should be considered as excessive Council Tax including proposed limits. The principles are subject to approval by the House of Commons. From 2013 onwards, any Council that wishes to raise its Council Tax above the limit that applies to it (in our case, £5) would have to hold a referendum.

4.3 These increases in Council tax are hugely important to the ongoing financial stability of the Council as any decision not to take the full increase cannot be “caught up” in future years without the referendum outlined above. Before reaching a final decision on the level of Council Tax to be recommended for next year, the Cabinet is asked to consider all appropriate annexes, particularly the MTFS.

4.4 The adequacy of reserves, robustness of estimates and medium term risk in the MTFS are considered in the report of the Chief Finance Officer in Annex K. The Local Government Act 2003 requires the Council’s Chief Financial Officer to report on these criteria and the Council to have regard to this report when considering its budget and council tax.

4.5 Where this Council forecasts a surplus on the Collection Fund, the surplus is paid out in the following financial year to the County Council, Police and Crime Commissioner and the District Council in proportion to their respective level of precept for the financial year.

4.6 For 2021/22 there is a forecast surplus for the Council Tax Collection Fund of £2,103,820 of which £210,394 is retained by this Council.

4.7 The schedule of precepts and tax level proposals from town and parish councils has been included as Annex M. Only two parishes have not responded; one is a zero precept parish and the other levied a precept of £149 in 2021/22.

5. CAPITAL PROGRAMME, FINANCING AND PRUDENTIAL INDICATORS

5.1 The capital programme has been included for consideration in Annex E. The majority of capital expenditure in 2022/23 and 2023/24 relates to the Investment Strategy approved by the Council in 2020 but it should be noted that the timing of this expenditure is subject to change based on when appropriate opportunities become available. Capital expenditure for service purposes will primarily be on the rolling programme of vehicle replacement for Ubico.

- 5.2 The Council's capital financing requirement (CFR) is currently £25m and is forecast to rise to £36m by the end of 2022/23, assuming that capital expenditure is in line with the programme. Further details about our capital financing requirement, MRP, external and internal borrowing and cashflow management can be found in the Capital Strategy in Annex G, the Investment Strategy in Annex H and the Treasury Management Strategy in Annex I.
- 5.3 In December 2021, the Chartered Institute of Public Finance and Accountancy (CIPFA) revised the Prudential Code and the Treasury Management Code of Practice. These changes to the Code came in effect from 20 December 2021. Full compliance with the changes to reporting requirements is not required until 2023/24. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 5.4 Prudential indicators must be approved by the Council when setting its budget for the forthcoming year. These indicators provide information about the Council's overall capital expenditure, affordability, external debt and treasury management and, while discussed in detail in their respective strategy papers, can be found summarised for convenience in Annex N.

6. BUDGET CONSULTATION

- 6.1 A budget consultation was conducted from December 2021 to January 2022 and had 357 respondents in total, although 311 completed the majority of questions asked. The survey posed questions about Council Priorities, the proposed rise in Council Tax, funding to voluntary bodies, ways of reducing the funding gap and the potential to reduce our carbon footprint by reducing energy consumption in the Council owned Leisure centres.
- 6.2 When asked to rank Council Priorities in order of importance, the securing of market and affordable housing of a high quality came out on top very closely followed by delivering excellent modern services whilst maintaining the financial sustainability of the Council. This is a marked shift from the budget survey carried out last year where the economy scored highest with healthy towns and villages and climate action coming a close second and third.
- 6.3 When asked about the proposed £5 increase in Council Tax 21% strongly agreed, 30% agreed, 16% neither agreed nor disagreed, 16% disagreed and 17% strongly disagreed.
- 6.4 When asked about maintaining the funding to voluntary bodies at the same level as 2021/22, 22% strongly agreed, 38% agreed, 24% neither agreed nor disagreed, 10% disagreed and 6% strongly disagreed.
- 6.5 When asked how the Council should tackle the fall in central government funding 16% chose cutting services, 12% chose increasing Council Tax, 19% chose increasing fees and 52% chose a mixture of all the options.
- 6.6 When asked if they would support a change in service practice to reduce energy consumption in Council owned leisure centres in order to reduce our carbon footprint 54% said yes, 18% said no and 27% were unsure.

- 6.7 The survey also had a free text box where respondents were able to comment. 157 respondents took to the time to do so and raised a number of issues that some felt very strongly about. Many replies concerned areas that do not fall under the remit of this Council i.e. repairing potholes, bus services, policing, and social care. Overall three main themes dominated, Parking, Planning and Climate Change.
- 6.8 Free parking is supported and unsupported in almost equal measure. It is supported on the grounds that it helps to keep the local economy vibrant with a benefit to local shops and businesses but is equally questioned as it encourages car use which is viewed as the antithesis to our commitment to tackle climate change. Comments linked to free parking and climate change were also made both in favour and against the closing of the High Street in Witney.
- 6.9 There were also some requests to improve leisure facilities to support mental health.
- 6.10 Concerns were raised about the future development of housing throughout the District. The main concerns are the lack of infrastructure put in place to support new housing, a restriction on building on greenbelt land and concerns about the increased pollution.
- 6.11 The review of the Local Plan starts in 2022/23 and will be concerned with shaping where developments can take place in the District to maximise environmental benefits, provide for a variety of homes that meet local needs, develop policies that address the causes and impact of climate change and consider infrastructure requirements to support our Local Plan
- 6.12 Climate change was unsurprisingly supported in most comments but some residents felt that they were facing more immediate concerns which outweighed their longer term concerns on climate.

7. SUMMARY

- 7.1 Overall the Council is in a strong position this year but funding cuts are expected to pose challenges from next year onwards. Our healthy reserves cushion us from the immediate impact of that while plans are in place to mitigate it by generating further income to reduce our reliance on government funding streams that are beyond our control. All of this is discussed in detail in the Strategy papers and CFOs report.