

Cherwell District Council

Budget Planning Committee

Date of Meeting 15 December 2020

Budget Proposals 2021/22 – 2025/26

Report of the Director of Finance

This report is public

Purpose of report

This report sets out the savings proposals and budget pressures for Cherwell District Council for the period 2021/22 to 2025/26 which are included in the 2021/22 Budget Consultation. It provides the opportunity for Budget Planning Committee to comment on the savings proposals and budget pressures alongside the financial context in which these proposals are made.

1.0 Recommendations

The meeting is recommended:

- 1.1 Note the proposals which form part of the 2021/22 Budget Consultation
- 1.2 Provide comments on savings proposals and budget pressures included within the consultation to the Executive.

2.0 Introduction

- 2.1 Cherwell District Council's (CDC's) MTFs agreed at Council in February 2020 identified a significant funding gap between its spending plans and forecast available resources of £16.3m in 2021/22. Therefore, CDC has been aware that it would be required to identify significant savings proposals for 2021/22.
- 2.2 The effects of Covid-19 and the associated financial impacts and uncertainty this has caused have made planning for the 2021/22 budget and updated Medium Term Financial Strategy very challenging. At the time of publishing this report, details of Government funding at individual local authority level for 2021/22 have not been announced and there are no indications of the levels of funding that the Government will provide local authorities beyond 2021/22. The Spending Review published on 25 November 2020, set out sector wide funding levels for 2021/22 but does not provide the necessary detail for individual local authority allocations. It is anticipated that the Government will announce individual local authority allocations for 2021/22 in the week commencing 14 December as part of the Provisional Local Government Finance Settlement.

- 2.3 In January 2021, as part of their proposed budget for 2021/22, the Executive will consider feedback from Budget Planning Committee on the budget proposals being consulted upon, along with feedback from the public, businesses and other stakeholders. In determining which of the budget proposals will be included in the proposed budget for 2021/22, the Executive will also consider the outcome of the Provisional Local Government Finance Settlement and other resources available through Council Tax and Business Rates.

3.0 Report Details

Funding Assumptions

- 3.1 The Spending Review for 2021/22 was announced on 25 November 2020. This set out that:
- there will be a freeze of public sector pay cost of living awards for those earning £24,000 and above; those earning below £24,000 will receive at least a £250 cost of living increase.
 - There will not be a reset of the business rates system in 2021/22
 - The New Homes Bonus scheme will be continued for a further year in 2021/22, but there will be no legacy payments.
 - Revenue Support Grant will increase in line with inflation
 - There will be a further £3bn of funding to help address Covid-19 pressures in 2021/22 including:
 - £1.55bn for general additional pressures resulting from Covid-19
 - Extending the current 75% Covid-19 sales fees and charges reimbursement scheme for a further 3 months in 2021.
 - £0.8bn to compensate local authorities for 75% losses against irrecoverable business rates and council tax income
 - £0.7bn for local authorities to support residents claiming Council Tax Support.
- 3.2 Whilst the Spending Review confirms a 'roll forward' of funding from 2020/21 plus some temporary support for the financial impact of Covid-19, the provisional Local Government Finance Settlement for 2021/22, which sets out the specific levels of funding for councils is not expected to be published until week commencing 14 December. Any allocation that CDC receives from the Covid-19 funding will only be available for 2021/22 and will not be available to assist with budgetary issues identified in 2022/23 and beyond.

Government Grants

- 3.3 In line with the government's Settlement Funding Assessment, Revenue Support Grant was expected to reduce to zero in 2021/22. It is now anticipated that the funding of £0.1m received in 2020/21 will also be received in 2021/22. This funding is not expected to continue into 2022/23.
- 3.4 The Government has previously announced that New Homes Bonus (NHB) Grant funding will be phased out and this was CDC's assumption in the existing MTFS. The Spending Review confirmed that a further year's payment will be made in 2021/22 (but with no legacy payments) along with previous legacy payments for

2018/19 and 2019/20 and therefore the Council is assuming it will receive an additional one-off allocation of £1.7m, which would result in total NHB of £4.3m being received in 2021/22.

Business Rates

- 3.5 CDC has been extremely successful in supporting the local economy to grow since the introduction of the Business Rates Retention Scheme in 2013/14. The existing MTFS assumed that the Business Rates reset would take place in April 2020 and that the income CDC would be able to retain in 2021/22 was £5.8m. Whilst the estimated Business Rates baseline for 2021/22 was £3.8m, it was also assumed that there would be growth above the baseline retained in 2021/22 of £2.0m. The Government has now announced that the Business Rates reset will not take place in April 2021 and the assumption is that it will now take place in April 2022. Therefore the currently forecast of income CDC will retain from business rates in 2021/22 is £10.4m. Due to the economic impacts of Covid-19, there is an expectation that the amount of business rates related income retained by CDC will reduce by £2.0m compared to 2020/21
- 3.6 The reset of business rates now expected in 2022/23 will reduce the amount of business rates related income retained by CDC by £6.2m.

Council Tax

- 3.7 Due to the economic impact of Covid-19, there has been an increase in the levels of those eligible for the Council Tax Reduction Scheme during 2020/21. Furthermore, the level of housebuilding has been lower than assumed due to restrictions in the early part of the first lockdown. These both have the impact of reducing the Council Tax Base and the levels of Council Tax that will be received by CDC compared to the assumptions in the existing MTFS. It is currently assumed that Council Tax related income will reduce by £0.3m compared to forecasts made in February 2020.
- 3.8 As in previous years, it is anticipated that the Government will place a referendum limit of a £5 increase on Band D Council Tax. Confirmation of the referendum limit is expected as part of the Local Government Finance Settlement. An additional £5 increase has been assumed in each year of the MTFS.

Collection Funds

- 3.9 The Business Rates and Council Tax collection funds are expected to record significant deficits in 2020/21. Deficits ordinarily need to be repaid in the following year, but the Government has introduced legislation requiring deficits to be spread over the following three years. CDC currently anticipates that it will have a deficit on the Council Tax collection fund of £0.2m, and a deficit on the Business Rates collection fund of £1.3m, after taking account of compensatory Government grants.

Budget Pressures

- 3.10 In addition to the uncertain outlook in funding, CDC has also identified a number of budget pressures that it is anticipating it will need to fund in 2021/22 and beyond. A large proportion of these relate to potential losses of income due to Covid-19 and health and safety/repairs and maintenance.

3.11 Pressures identified and proposed to be funded in the period 2021/22 – 2025/26 are set out in Table 1. Details are set out in Appendix 1.

Table 1: Budget Pressures

Directorate	2021/22	2022/23	2023/24	2024/25	2025/26	Ongoing Impact
	£000	£000	£000	£000	£000	£000
Communities	263	0	0	0	0	263
Place & Growth	275	(275)	0	0	0	0
Public Health and Wellbeing	700	(700)	0	0	0	0
Commercial Development, Assets and Investment	2,716	(1,876)	(389)	370	12	833
Executive Matters	62	0	(52)	0	0	10
Total	4,016	(2,851)	(441)	370	12	1,106

Financial Impact of Reduced Funding and Budget Pressures

3.12 After considering the changes in funding, pressures and inflation assumptions, in order to set a balanced budget, savings of £4.5m will be required in 2021/22. Table 2 sets out the latest Medium Term Financial Strategy and shows how the savings requirement of £4.5m is arrived at. As set out in paragraph 3.13, CDC is consulting on £4.3m savings for 2021/22. If all of these savings are accepted this would mean that the Council would also need to apply £0.2m reserves to balance the budget.

Table 2: Medium Term Financial Strategy

MTFS Update	2021/22	2022/23	2023/24	2024/25	2025/26	Ongoing Impact
	£000	£000	£000	£000	£000	£000
MTFS Gap Feb 2020	7.7	0.3	(0.3)	(0.5)	1.4	8.6
Impact of Funding Roll Forward						
Revenue Support Grant	(0.1)	0.1	0.0	0.0	0.0	0.0
Business Rates delayed reset	(6.6)	6.8	0.2	0.2	(1.3)	(0.8)
New Homes Bonus	(1.7)	1.7	0.0	0.0	0.0	0.0
MTFS Assuming Funding Roll Forward	(0.7)	8.8	(0.1)	(0.3)	0.1	7.8
Covid Impact						
Business Rates	2.0	0.0	0.0	0.0	0.0	2.0
Council Tax	0.3	0.1	0.1	0.2	0.2	0.9
Collection Fund Deficits	21.3	(20.8)	0.0	(0.4)	0.0	0.0
Other Covid Pressures	3.1	(2.4)	(0.4)	0.4	0.0	0.8
S31 Grants - use of reserve	(20.7)	20.7	0.0	0.0	0.0	0.0
Covid Impact	6.0	(2.4)	(0.3)	0.1	0.2	3.6
Other						
Other Pressures	0.9	(0.5)	(0.1)	0.0	0.0	0.4
Executive Matters	(1.7)	3.1	(0.3)	(0.6)	(0.5)	(0.0)
Other	(0.8)	2.6	(0.3)	(0.6)	(0.5)	0.3
MTFS Potential Gap	4.5	9.0	(0.7)	(0.8)	(0.2)	11.8
Potential Savings	(4.3)	(0.4)	(0.0)	(0.1)	0.0	(4.8)
Additional Gap/(Surplus)	0.2	8.6	(0.7)	(0.8)	(0.2)	7.0

Savings Proposals

3.13 Savings proposals totalling £4.3m in 2021/22 rising to £4.8m by 2025/26 have been identified and are being consulted upon as set out in Table 3. Details are set out in Appendix 2.

Table 3: Savings Proposals

Directorate	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Ongoing Impact £000
Adults and Housing	(631)	110	0	0	0	(521)
Communities	(483)	(636)	(210)	(77)	0	(1,406)
Place and Growth	(621)	(117)	0	0	0	(738)
Regulatory Services	(30)	0	0	0	0	(30)
Public Health & Wellbeing	(827)	391	0	0	0	(436)
Commercial Development, Assets & Investments	(713)	(21)	168	1	1	(564)
Customers & Organisational Development	(973)	(109)	0	0	0	(1,082)
Total Savings Proposals	(4,278)	(382)	(42)	(76)	1	(4,777)

Medium Term Financial Forecast

3.14 Whilst the Spending Review confirmed that the business rates reset will not take place in 2021/22, the revised assumption is that it will take place in 2022/23. The additional funding announced for New Homes Bonus is also expected to be one-off. Therefore, CDC anticipates that it will have £9.7m less funding in 2022/23 compared to 2021/22. This significant reduction is driving the overall need to identify a further £10.5m of savings in 2022/23. Therefore, CDC has considerably more work to do to identify the additional savings that will be required in 2022/23. At the same time, CDC will need to lobby the Government on how it intends to introduce the business rates reset to see if there is any opportunity to introduce a more phased approach.

Council Priorities 2021

3.15 The budget proposals being consulted upon take into consideration the ability for CDC to continue to progress its priorities. CDC's Vision is to be a place where communities thrive, and businesses grow. Its four key strategic priorities are:

- Housing that meets your needs
- Leading on environmental sustainability
- An enterprising economy with strong and vibrant local centres
- Healthy, resilient and engaged communities

In addition to the above strategic priorities, CDC will continue to make progress against the themes supporting all that we do. The following Climate Action, Including Everyone and the Covid-19 Recovery strategy will also be key in supporting the four overarching strategic priorities and delivering the vision.

Budget Approval

- 3.16 Executive will propose its budget on 1 February 2021 taking into account comments from BPC and feedback from the public consultation. As well as the revenue pressures and savings to be funded, this will include:
- Capital Strategy
 - Treasury Management Strategy incorporating the Investment Strategy
 - Capital proposals and draft Capital Programme
 - Earmarked Reserves and General Balances Policy
 - Business Plan 2021 on a page
 - Leadership Risk Register
 - Fees and Charges Schedule
 - Review of charges
 - Pay Policy Statement
- 3.17 Council will then consider the Budget at its meeting on 22 February 2021.

Equality Impact

- 3.18 The Equality Act 2010 imposes a duty on local authorities that, when making decisions of a strategic nature, decision makers must exercise 'due regard to the need to eliminate unlawful discrimination... advance equality of opportunity... and foster good relations.'
- 3.19 In developing budget proposals, services have considered the potential impact of change with respect to equality, diversity and inclusion, in line with our new framework: *Including Everyone*. The budget consultation document summarises each service proposal and the response to the consultation will help inform the final assessment of equality impact. Following the public consultation, where a potential material service impact has been identified, an Equality Impact Assessment will be finalised. Individual assessments and an overarching summary impact assessment, taking into account the overall impact of the budget proposals, will be included within the Business & Budget Planning Report to Cabinet on Executive in February 2021 to inform the decision-making process.

4.0 Conclusion and Reasons for Recommendations

- 4.1 Budget Planning Committee is asked to comment and provide feedback to the Executive on the revenue savings and pressures proposals for 2021/22 and beyond. This will form part of the overall consultation process for the production of the 2021/22 Budget.

5.0 Consultation

Budget Planning Committee is meeting to discuss the budget proposals as part of the overall consultation on CDC's budget for 2021/22.

6.0 Alternative Options and Reasons for Rejection

- 6.1 There are no alternative options. This report consists of budget proposals which are being consulted on and no decisions have taken place at this stage. CDC is looking for responses to the budget proposals to be considered in finalising the budget for 2021/22, which will be proposed by the Executive and then considered by Council in February 2021.

7.0 Implications

Financial and Resource Implications

- 7.1 There are no immediate financial implications associated with this report. It is a consultation on budget proposals for 2021/22 and beyond for which no decisions have yet been taken.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk

Legal Implications

- 7.2 The provisions of the Local Government Finance Act 1992 set out what the council has to base its budget calculations upon, and require the council to set a balance budget with regard to the advice of its section 151 officer. The setting of the budget is a function reserved to full Council, who will consider the draft budget as prepared by the Executive. This report, alongside the consultation document issued on 7 December, form part of that process.

Comments checked by: Richard Hawtin, Team Leader – Non-contentious, Email:
richard.hawtin@cherwell-dc.gov.uk; Tel: 01295 221695

Risk Implications

- 7.3 There are no risk implications arising directly from this report. The budget consultation alongside this report for part of the process the Council must go through in setting its budget for 2021/22.

Comments checked by:

Louise Tustian, Head of Insight and Corporate Programmes 01295 221786
Louise.tustian@cherwell-dc.gov.uk

Equality and Diversity

- 7.4 The approach to assessing equality impact of the budget and business planning process is addressed in the body of this report.

To support the delivery of the Council's Climate Action Framework, work is being undertaken to assess the potential impact of budget proposals on the council's ability to meet climate commitments. An overall assessment will be included within the February report to Executive.

Comments checked by:

Robin Rogers, Head of Strategy, Email robin.rogers@oxfordshire.gov.uk

8.0 Decision Information

Key Decision N/A as not an Executive report

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

Links to all areas of the Corporate Plan.

Lead Councillor

N/A

Document Information

Appendix number and title

- Appendix 1 – Proposed Budget Pressures
- Appendix 2 – Savings Proposals

Background papers

None

Report Author and contact details

Michael Furness, Assistant Director of Finance, 01295 221845,
michael.furness@cherwell-dc.gov.uk