

CABINET - 18 AUGUST 2020

Revised Budget 2020/21

Report by Director of Finance

Recommendations

The Cabinet is RECOMMENDED to:

- a) approve the creation of the Council Tax Collection Fund Reserve**

The Cabinet is RECOMMENDED to RECOMMEND COUNCIL TO:

- b) approve the savings set out in Annex 1**
- c) approve the revised revenue budget for 2020/21 set out in Annex 2**

Executive Summary

1. On 21 July 2020 Cabinet agreed to ask officers to identify plans to address the potential overspend in 2020/21 arising from COVID-19 and report back to the next meeting with recommendations for action. This report sets out a proposal for revisions to the budget for 2020/21 which is the outcome of that work. The revised budget will address the risk of overspend and reflects the additional costs incurred by the Council in the response phase to the COVID-19 pandemic and the additional funding that has been received from central government.
2. The revised budget will provide a balanced budget for 2020/21 that includes budgets to meet the additional costs of COVID-19 to enable effective budget management.

Introduction

3. The health, social and economic impacts of COVID-19 have been profoundly felt across Oxfordshire. The devastating impact of the pandemic has represented a challenge to our communities and our services on a scale of which we never seen before in our lifetime.
4. The pandemic has required local authorities to make rapid adjustments to meet new demands and to step up work in critical frontline services. Oxfordshire County Council, as well as the other councils across Oxfordshire have led our communities through the coronavirus lockdown by creating new services and adapting existing services including the shielding of vulnerable residents, adult social care, emergency planning and public health response and ensuring schools are kept open for vulnerable children and those of key workers.

5. These new and increased demands have resulted in significant additional expenditure. At the same time, council income streams – from car parking to income from our cultural services – have been severely damaged by the lockdown and the impact on the local economy.
6. Additional funding has been provided from central Government to help councils with the financial impact of COVID-19, which has been extremely welcome. However, as is the case with other councils across England, this does not match our projected additional expenditure and loss of income and does not address potential increases in demand as lockdown measures are eased.
7. As such, further financial pressures are likely to follow as we restart services in a COVID-safe manner, such as operating Home to School Transport, with staggered school opening times and social distancing measures in place. Furthermore, the possibility of a second wave or a local outbreak of the virus later this year, particularly if combined with a flu epidemic, will place a significant strain on existing resources, especially if further lockdown is required and services have to be stood down (and then up) again.
8. There will also be significant costs in future years arising from COVID-19 as a result of reduced business rates and council tax. Moreover, a deep national recession will not only reduce income but also increase demand for valued public services which will be required in response to local residents and businesses affected.
9. Councils have a legal duty to balance their budgets each year and act to avoid the possibility that expenditure might exceed available income in any year. This means that Oxfordshire County Council, like other councils across the country, has no option but to take significant cost-saving measures to address this unavoidable funding shortfall.
10. Our overall aims when planning these measures have been to minimise the impact on our frontline services, to continue to protect the most vulnerable in our communities, and to prioritise and support the county's recovery from COVID-19.

Impact on Services In-Year

11. The in-year savings proposed are set out in the Annexes that accompany this report. They are drawn from across all service areas, with a focus on protecting frontline services and activities that support those who are most vulnerable.
12. A combination of government funding, reprofiling projects (for example IT investments, capital projects and their funding arrangements), holding vacant posts empty for an extended period, reducing costs associated with travel and facilities management as our buildings have been closed and underspends in some service areas means that the in-year savings proposals can be delivered with minimal impact on frontline service delivery.

13. However, potential increases in service demand following the pandemic are not yet fully apparent and the on-going position during the rest of the year will continue to be closely monitored and scrutinised.
14. Furthermore, the impact of scaling back in-year projects may affect the longer-term delivery of objectives and potentially planned savings and income generation. Our long-term focus on our re-start, re-cover and re-new strategy, to stand up our services and plan for a post COVID-19 Oxfordshire will need to consider the budgetary impacts over the medium term. Work is already underway to reprofile our medium-term financial plan and consider the impact on the budget for 2021/22 and beyond.

Financial Position 2020/21

15. As set out in the report to Cabinet on 21 July 2020, the COVID-19 pandemic has had a significant impact on the local government sector and has required authorities to commit expenditure that is outside of their agreed budgets. Councils are also experiencing significant losses in income from fees and charges. The estimated financial pressure arising from this for the county council is currently £50.9m.
16. As reported in the Addenda to Cabinet on 21 July 2020 the total funding received by the Council to meet the forecast pressure is £31.0m of which £30.7m is available to use in 2020/21 after £0.3m was applied in 2019/20. This results in an estimated in year funding gap of £20.2m.
17. On the 2 July 2020 the Secretary of State for Ministry of Housing Communities and Local Government (MHCLG) announced an 'income guarantee scheme for income from sales, fee and charges. Full details of the scheme are not yet available, but it is expected that the scheme will fund losses on sales, fees and charges of 75% of budget after a deduction of 5% to allow for annual variations. This will create a burden share between central and local government. Claims are likely to be made in arrears based on actual losses.
18. In arriving at the revised balanced budget for 2020/21, proposals totalling £14.9m have been put forward by services to reduce expenditure or maximise income in year. The proposals are set out in Annex 1.
19. The revised budget also addresses the underlying forecast overspend of £3.3m on the Corporate Parenting Budget in Children's Services. The overspend is due to the ongoing costs of growth experienced in 2019/20. When the original budget was set in February 2020, a corporate contingency budget of £4.9m was set aside to manage the risk of overspends arising on demand led budgets. The revised budget for 2020/21 includes the transfer for £3.3m from the contingency budget to the Corporate Parenting budget on an ongoing basis. The balance of the contingency budget will be retained corporately to manage other emerging risks including the potential pay award of 2.75% which is 0.75% above the budgeted increase.

20. The revised budget will also include virements agreed or requested to date. In addition, service redesign savings previously held corporately have also been allocated to directorates where they remain deliverable in year after taking into consideration the impact of COVID-19 on timescales.
21. Annex 2 summarises the impact of these changes at directorate level and sets out the latest approved budget for 2020/21, the budget changes proposed in this report, and the resulting revised 2020/21 budget.
22. The proposed virements balance to zero as increases in expenditure and income are equal and opposite. This means that there is no impact on the Council's net operating budget and the Council Tax Requirement remains at £391.4m as set by Council in February 2020.

Revisions to Budget 2020/21 and Savings Proposals

23. The following table summarises the proposals for reduced expenditure and increased income budgets for 2020/21 by directorate:

Directorate	Proposals £m
Children's Services	3.471
Adult Services	4.283
Public Health	1.078
Commercial Development, Assets & Investment	1.654
Customers & Organisational Development	1.426
Community Operations	1.401
Community Safety	0.684
Place & Growth	0.442
Directorate Total	14.519
Remote working savings	0.488
Total Savings	14.927

24. Some of these proposals have the potential to deliver ongoing savings to the Council's budget. Where this is the case, the proposals will be brought forward again in the 2021/22 to 2025/26 Business and Budget Planning Process.

Budgeting for COVID 19

25. In responding to COVID-19, directorates have committed to expenditure outside of the agreed budgets for 2020/21. In setting the revised budget, expenditure budgets will be created for this expenditure where it has already been spent or committed. This will enable managers to monitor against budgets that reflect the actual demands on the budget for the year.
26. Where a decision has not yet been made to commit additional spend the budget will be held corporately as a COVID-19 Contingency budget.
27. The additional expenditure budgets will be partially offset by including grant income budgets to recognise the £30.7m funding from MHCLG announced to date.
28. Income budgets for sales, fees and charges will not be amended as it will be necessary to demonstrate the shortfall in income against the budget to claim the income guarantee grant. Grant income arising from claims will be credited to service income budgets to offset expected losses up to 75% of 95% of the budget. The remaining shortfall will be reported as a pressure at service level but will be offset by the COVID-19 Contingency budget.
29. It is currently estimated that there will be a loss of £6.0m on the Collection Fund Account arising in 2020/21 as a result of increased eligibility for the Council Tax Reduction Scheme. Under current accounting rules this would impact the Council's General Fund in 2020/21. On 2 July the Secretary of State for MHCLG announced that government would work with the Chartered Institute of Public Finance and Accountancy (CIPFA) to agree amendments to statutory guidance to allow councils to manage the impact of this loss over three years (2021/22 to 2023/24).
30. As the loss relates to 2020/21 it is prudent to put aside funding in reserve to manage the impact in future years. Cabinet is asked to approve the creation of the Council Tax Collection Fund Reserve. The budget proposals include a transfer of £6.0m to this new reserve which will be used in future years to offset the shortfall on the Council Tax Collection Fund.

Revised Budget 2020/21

31. As a result of the changes set out in the report a revised budget is required to be approved.

	Original 2020/21 Budget £m	New Savings £m	COVID - 19 Expenditure £m	Other Virements £m	Revised 2020/21 Budget £m
Children's Services	130.7	-3.7	1.7	3.0	131.7
Adult Services	194.0	-4.4	6.9	-0.1	196.4
Public Health	0.0	0.0	0.0	0.0	0.0
Place & Growth	5.3	-0.4	0.0	0.1	5.0
Communities	83.7	-2.1	0.7	0.0	82.3
Customers & Organisational Development	26.6	-1.5	0.4	-0.2	25.3
Commercial Development, Assets & Investment	32.6	-1.7	1.5	-0.2	32.2
Directorate Total	473.0	-13.8	11.1	2.6	472.8
Corporate Measures & Funding	-81.5	-1.1	-0.2	1.4	-81.4
Council Tax Requirement	391.4	-14.9	10.9	4.0	391.4

Legal Implications

32. The virement rules set out in the Financial Regulations as part of the Constitution require that any virement greater than £1m that involves a major change in policy (as assessed by the Section 151 officer) requires Council approval. The virements required as part of the Revised Budget 2020/21 fall within this definition. However, the Revised Budget for 2020/21 does not change the calculation of the Council Tax Requirement or Basic Amount of Council Tax for 2020/21 approved by Council in February 2020 as required under the Local Government Finance Act 1992.

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