

Divisions Affected – N/A

Performance Scrutiny Committee

18 December 2020

Budget Proposals 2021/22 to 2025/26

Corporate Plan Refresh

Report by Director of Finance and

Corporate Director Customers and Organisational Development

RECOMMENDATION

The Performance Scrutiny Committee is invited to consider and comment on:

- The revenue savings, pressures and investment proposals for 2021/22 to 2025/26 (as set out in Annex 1)
- The proposed themes for inclusion within the refreshed corporate plan (as set out in Annex 2).

Executive Summary

1. This report sets out the savings proposals, budget pressures and investments for the period 2021/22 to 2025/26 which are included in the 2021/22 Budget Consultation. It provides the opportunity for the Performance Scrutiny Committee to comment on the savings proposals and budget pressures and investments alongside the financial context and the corporate priorities in which these proposals are made.
2. The following annexes are attached to this report:
 - Annex 1 – Budget Pressures and Savings Proposals
 - Annex 2 – Updating the Corporate Plan for 2021/22

Introduction

3. Performance Scrutiny Committee is invited to comment on the budget proposals included in this report. The Committee's comments will be included in the Budget and Business Planning report to Cabinet on 19 January 2021, along with the

outcome of the public consultation. These will be taken into consideration by Cabinet in setting out their proposed revenue budget for 2021/22 and Medium Term Financial Strategy to 2025/26. In determining which of the budget proposals will be included in the proposed budget for 2021/22 Cabinet will also consider the outcome of the Provisional Local Government Finance Settlement and other resources available through Council Tax and Business Rates.

4. The public consultation on the 2021/22 budget proposals was launched on 16 December 2020 and will run for four weeks to 13 January 2021. The full consultation is available on the Council's website: [Consultation | Oxfordshire County Council](#). This report sets out the financial context in which these proposals are made, including the latest planning assumptions for government funding and estimated income from Council Tax and Business Rates.
5. 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.
6. 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. The final settlement is expected to be received in early February.

Medium Term Financial Strategy 2021/22 to 2025/26

7. The following paragraphs set out the latest planning assumptions compared to the current MTFS.

Funding Assumptions

8. 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
 - An additional £3bn Social Care grant in addition to the continuation of the existing Social Care Grant, Winter Pressures Grant and iBCF.

- County Councils and Unitary authorities can raise an Adult Social Care Precept of up to 3% over 2021/22 and 2022/23. This is in addition to the council tax increase of 1.99% permitted without holding a referendum.
 - 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.
9. 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 Local Government Finance Settlement for 2021/22, which sets out the specific funding for Councils is not expected to be concluded until early February 2021 following the commencement of the consultation expected to be published in the week commencing 14 December. Any allocation that the Council receives from the COVID-19 funding will only be available for 2021/22 and will not be available to support the longer sustainability of the Council over the medium term.

Government Grants

10. The current MTFs assumed that the implementation of the Fairer Funding Review would result in a number of grants falling out in 2021/22 which, combined with business rate reset, would create a funding gap of £24.4m. The impact of the roll forward for 2021/22 confirmed by the Spending Review means that the starting point for the planning assumptions for 2021/22 is a broadly balanced budget with a small excess of £1.2m.
11. In addition, the Council's allocation of the new Social Care Grant, assuming a large proportion is used for equalisation, is estimated to be £1.3m and can be used to support both Children's and Adults social care.
12. It is now assumed that the Fairer Funding Review and Business Rate Reset will be implemented from 2022/23 creating a shortfall of funding of £12.2m in that year.

Business Rates

13. The current MTFs assumed that the Business Rates reset would take place in April 2021 and that locally retained business rate growth of £4.7m would fall out. The Government has now confirmed that the Business Rates reset will not take place in April 2021 and the assumption is that this will now take place in April 2022. This moves the budget pressure from 2021/22 to 2022/23. Due to the

economic impacts of COVID-19, there is an expectation that the amount of business rates related income will reduce by £2.0m compared to 2020/21. Final notification of Business Rates for 2021/22 will not be received from the City and District Councils until 31 January.

Council Tax

14. The current MTFs assumes Council tax increases of 1.99% for every year. The Spending Review confirmed that the referendum limit will remain at 2% for 2021/22.
15. The Spending Review included the option for the Council to raise Council Tax by up to an additional 3% to fund Adult Social Care which can be spread across 2021/22 and 2022/23. The Budget Consultation seeks views from residents on the level of Council Tax increase. Each 1% increase in Council Tax generates additional funding of £4.0m for Council services and increases Band D Council tax by £15.27.
16. 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 across Oxfordshire 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 the Council compared to the assumptions in the existing MTFs. It is currently assumed that Council Tax related income will reduce by £4.0m compared to forecasts made in February 2020.

Collection Funds

17. 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.
18. As part of the additional support for the financial impact of COVID-19, compensate local authorities for 75% losses against irrecoverable business rates and council tax income in 2021/22.
19. The existing MTFs assumes surpluses on the Council Tax Collection Fund of £5.0m per year. It is currently estimated that this will not be achieved and there will be a loss of £1.0m that the Council has to bear in 2021/22. The £6.0m Collection Fund Reserve created as part of the revised budget in 2020/21 is expected to be sufficient to manage this pressure although information on Collection Fund balances will not be received from the City and District Councils until mid-January 2021.
20. A deficit on the Business Rate Collection Fund is also expected. The Council has a Business Rate reserve of £1.0m which can be used to help manage any pressure the Council has to bear from a deficit on the Business Rate Collection Fund.

Pay Inflation

21. The existing MTFS assumed a pay award of 2.5% for 2021/22. The Spending Review confirmed a pause in pay rises for all local government employees except those earning under £24,000 per year who are guaranteed an increase of at least £250. This releases funding of approximately £4.0m.

Budget Pressures and Investments

22. The Council has also identified budget pressures of £5.5m within services that will need to be funded in 2021/22 and opportunities to invest in Council priorities of £4.0m. The detailed pressures are set out in Annex 1 and a summary is provided in Table 1 below.
23. The total proposed for reinvestment in services is £9.5m in 2021/22.

Table 1:

	2021/22 £m	2022/23 £m	2 year total £m
Pressures			
Children's Services	1.4	0.0	1.4
Adult Services	2.0	1.8	3.8
CDAI	0.6	-0.6	0.0
COD&R	1.5	-0.9	0.6
Total Pressures	5.5	0.3	5.8
Investments			
Children's Services	1.8	-0.5	1.3
Adult Services	1.3	0.0	1.3
Public Health	0.2	0.0	0.2
Environment & Place	0.4	0.0	0.4
COD&R	0.3	0.0	0.3
Total Investments	4.0	-0.5	3.5
Total Pressures and Investments	9.5	-0.2	9.3

Updated Medium Term Financial Strategy

24. As set out in Table 2 below, the net result of the expected funding changes and forecast pressures set out above is a potential gap of £23.6m.

Table 2:

	2021/22	2022/23	2 year total
	£m	£m	£m
MTFS Gap February 2020	24.4	0.0	24.4
Impact of Funding Roll Forward:			
Negative Revenue Support Grant not implemented	-6.5	6.5	0.0
Business Rate not reset	-4.7	4.7	0.0
New Homes Bonus	-1.0	1.0	0.0
Social Care Support Grant	-12.0	0.0	-12.0
Fire Pension Grant	-1.4	0.0	-1.4
	-25.6	12.2	-13.4
Impact of Spending Review:			
Social Care Grant	-1.3	0.0	-1.3
Pay inflation	-4.0	0.0	-4.0
	-5.3	0.0	-5.3
Service Redesign Savings already in MTFS:			
Savings in MTFS 2021/22	10.5	0.0	10.5
Savings not delivered in 2020/21	4.1	0.0	4.1
	14.6	0.0	14.6
COVID-19 Impact:			
Business Rates	2.0	0.0	2.0
Council Tax	4.0	0.0	4.0
	6.0	0.0	6.0
New Pressures and Investments:	9.5	-0.2	9.3
MTFS Potential Gap before Savings Proposals	23.6	12.0	35.6

25. In order to set a balanced budget for 2021/22 savings are required to be made. Savings proposals of £19.6m and a further £2.6m have been included in the consultation for 2021/22 and 2022/23 respectively. If all proposals are taken forward this leaves a potential funding gap of £4.0m in 2021/22 and a further £9.4m gap in 2022/23.

Savings Proposals

26. Table 3 below provides a summary of savings by directorate. The detailed savings proposals are set out in Annex 1.

Table 3:

	2021/22	2022/23	2 year total
Directorate	£m	£m	£m
Children's Services	-3.5	-0.2	-3.7
Adult Services	-5.5	-0.1	-5.6
Public Health	-0.3	0.0	-0.3
Environment & Place	-3.7	-0.9	-4.6
CDAI	-2.2	-1.6	-3.8
COD&R	-1.1	0.2	-0.9
Strategic and Corporate Measures	-3.3	0.0	-3.3
Total	-19.6	-2.6	-22.2

2021/22 Budget and Medium Term Financial Strategy

27. The proposals outlined above result in a shortfall of £4.0m in 2021/22. This will need to be addressed as part of the proposed budget which will be presented to Cabinet on 19 January 2021.
28. A number of strands of information remains outstanding which will have an impact on the proposed budget for 2021/22 including
- The Final Local Government Finance Settlement
 - Confirmation of Council Tax base and the collection fund position
 - Confirmation of Business Rates income including the collection fund position
 - Decision on the Adult Social Care precept
 - Outcome of the Public Consultation
29. The MTFs for 2021/22 to 2025/26 will be set out in full in the Business and Budget Planning Report to Cabinet on 19 January 2021.

Corporate Plan

30. The budget proposals being consulted upon are closely linked to Council's priorities.
31. The 2021/2022 Corporate Plan will reflect on this year's challenges and look to refresh the supporting outcomes of the six overarching priorities listed below. Officers will be working closely with directorates to review and refine their specific performance indicators and measures to ensure that they are SMART, support the agreed priorities and are aligned to their budgets and risks.
- We listen to residents so we can continuously improve our services and provide value for money
 - We help people live safe and healthy lives and play an active part in their community

- We provide services that enhance the quality of life and protect the local environment
 - We strive to give every child a good start in life and protect everyone from neglect
 - We enable older and disabled people to live independently and care those in greatest need
 - We support a thriving local economy by improving transport links to create jobs and homes for the future
32. In addition to the overarching priorities, the corporate plan 2021/2022 will incorporate four themes, which reflect local priorities and the national context. These are: our commitment to climate action, an enhanced focus on addressing inequality, developing our youth offer, and our COVID-19 recovery strategy. The performance indicators and measures within the performance management framework will not only support the overarching priorities but they will also support and connect to these additional key themes. Annex 2 sets these out in more detail.
33. The Business and Budget Planning Report to Cabinet on 13 October 2020 set out the approach to updating the Corporate Plan, Outcomes Framework and Leadership Register. The outcome of this work will be reported to Cabinet on 19 January 2021 alongside the budget and MTFS.

Business and Budget Planning Timetable

34. Cabinet will propose their budget on 19 January 2021 taking into account comments from Performance Scrutiny Committee and feedback from the public consultation. This will include:
- Review of charges
 - Capital and Investment Strategy incorporating the Property Investment Strategy and Treasury Management Strategy
 - Capital proposals and draft ten-year Capital Programme
 - Earmarked Reserves and General Balances Policy
 - Financial Strategy and MTFS

Financial Implications

35. 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:

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Legal Implications

36. There are no legal implications arising directly from this report. The Council is required under the Localism Act 2011 to set a council tax requirement for the authority. This report provides information which, when taken together with the future reports up to January 2021, will lead to the council tax requirement being agreed in February 2021, together with a budget for 2021/22, five-year medium term financial strategy and ten year capital programme.

Comments checked by:

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Equality Implications

37. 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.'
38. 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. Where a potential material service impact has been identified, an initial Equality Impact Assessment has been completed and these are published as Annex 2 of this report. Following the public consultation, impact assessments will be reviewed and updated as necessary to take into account consultation responses. 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 19 January 2021 to inform the decision-making process.

Environmental Implications

39. 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 January report to Cabinet.

Lorna Baxter, Director of Finance

Claire Taylor, Corporate Director of Customers and Organisational Development

Annexes: Annex 1 – Budget Pressures and Savings Proposals
Annex 2 – Updating the Corporate Plan for 2021/22

Background papers: Equality Inclusion and Climate Impact Assessments
(ECIAs):

- Highways – Routine and Reactive Maintenance
- Highways – Winter Maintenance
- ASC 22AS11 & 22AS12 – Care Home Activity
- ASC 22AS15 – Individual Reviews
- ASC 22AS10 – BCF and ACSN Pool 1% saving

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