

SERVICE & RESOURCE PLANNING 2020/21 – 2023/24 Revenue Budget and Medium Term Financial Plan

Executive Summary

1. This annex sets out the draft council tax precept for 2020/21, the revenue budget for 2020/21 and the Medium Term Financial Plan (MTFP) to 2023/24. It should be read in conjunction with the Corporate Plan annex and Capital & Investment Strategy annex of this report.
2. The Cabinet's budget proposals take into consideration the latest information on the council's financial position outlined in this report and comments from the Performance Scrutiny Committee meeting on 9 January 2020. Information outstanding at the time of the Cabinet meeting will be reported to Council when it considers the budget on 11 February 2020.
3. The public consultation on the budget closes on 29 January 2020. The budget consultation report and any changes to the proposed budget as a result of comments received will be incorporated into the Service & Resource Planning 2020/21 – 2023/24 report to Council on 11 February 2020.
4. The Final Local Government Finance settlement and confirmation of some other funding streams is still awaited, and therefore there may be further changes made to the budget proposals ahead of full Council on 11 February 2020.
5. As a consequence of relevant information to the setting of the budget and Medium-Term Financial Plan only being available after the date of this meeting, it is recommended that Cabinet delegate authority to the Leader of the Council, following consultation with the Director of Finance and the Cabinet Member for Finance, to make appropriate changes to the proposed budget.
6. Charges levied by the council have been reviewed in line with the Corporate Charging Policy and are set out in detail at Appendix 8. Additional income expected for 2020/21 as a result of these changes in price or volume are reflected in the schedule at Appendix 2.

Introduction

7. The service & resource planning report to Council in February will be set out in four sections:
 - Section 1 – Leader of the Council's overview
 - Section 2 – Corporate Plan
 - Section 3 – Chief Finance Officer's statement on the budget
 - Section 4 – Budget Strategy
8. This annex forms part of Section 4 to that report. In addition, this annex sets out for approval the review of charges. The following appendices are included:

Appendix 1	Draft Medium-Term Financial Plan (MTFP) 2020/21 – 2023/24
Appendix 2	Investments and Pressures & Income and Savings proposals 2020/21 – 2023/24 (including those agreed in previous MTFPs)
Appendix 3	Draft Council Tax 2020/21
Appendix 4	Virement Rules for 2020/21
Appendix 5	Financial Strategy 2020/21
Appendix 6	Earmarked Reserves and General Balances Policy Statement 2020/21
Appendix 7	Earmarked Reserves 2019/20 – 2023/24
Appendix 8	Review of Charges 2020/21
Appendix 9	Overarching Social and Community Impact Assessment

Overview and advice from the Chief Finance Officer

9. Under Section 25 of the Local Government Act 2003, the Chief Finance Officer (Director of Finance) is required to report on the robustness of the estimates made in determining the council tax requirement and on the adequacy of the proposed financial reserves. This assessment will be included in Section 3 of the report to Council in February 2020.
10. CIPFA recently published a new Financial Management Code, which authorities are required to comply with by 2021/22. The Code clarifies how Chief Finance Officers should satisfy their statutory responsibility for good financial administration as required in section 151 of the Local Government Act 1972. More details are set out in the Financial Strategy at Appendix 5.

Summary of Draft Budget 2020/21 and Medium Term Financial Plan to 2023/24

11. In September 2019, Cabinet agreed that the Medium Term Financial Plan (MTFP) to be agreed by Council on 11 February 2020 would cover the four years 2020/21 to 2023/24. A draft MTFP for 2020/21 to 2023/24 is set out in Appendix 1, this is based on the latest information on financing available to the Council following the Provisional Local Government Finance Settlement plus the investments and pressures & income and savings proposals as set out in Appendix 2 to this annex.
12. The effect the proposals in this report have on the overall revenue financial position is to provide a balanced budget for 2020/21. The funding position beyond 2020/21 is not known and will be dependent on the Spending Review due in 2020; the implementation of the Fair Funding Formula; the introduction of 75% Business Rates Retention and the reset of Business Rates. As set out in the Financial Strategy, due to the uncertainty, the working assumption is that much of the one-off funding will not continue beyond 2020/21. Therefore, a shortfall of £25.1m is forecast for 2021/22.
13. Appendix 3 provides a draft of the council tax calculation including the council tax requirement for 2020/21 and the Band D council tax equivalent.

Provisional Local Government Finance Settlement

14. The Provisional Local Government Finance Settlement for 2020/21, was announced by the Secretary of State for Housing, Communities and Local Government, Robert Jenrick, on 20 December 2019. The publication of the Draft 2020/21 Local Government Finance Report was the start of a consultation period that will end on 17 January 2020. The final settlement is therefore expected in early February 2020.
15. This year's Local Government Finance Settlement follows the publication of the Spending Round for 2020/21 in early September 2019 and the 2020/21 Local Government Finance Settlement: Technical Consultation which closed in October 2019.
16. The key aspects of the Provisional Local Government Finance Settlement are set out below.

Settlement Funding Assessment

17. The Government has confirmed the outcome of the Technical Consultation to remove negative Revenue Support Grant (RSG). This is reflected in the overall Settlement Funding Assessment figure of £72.0m which comprises RSG and Business Rates. This is £7.3m more than assumed in the MTFP due to the removal of negative RSG.

Social Care Funding

18. The proposals outlined in the technical consultation for Improved Better Care Fund, Winter Pressures Grant, Social Care Support Grant, and the additional Social Care Funding of £1bn have been confirmed.
19. The Government has confirmed the continuation of the Improved Better Care Fund (iBCF) at 2019/20 levels in 2020/21. The Council received £8.1m of iBCF in 2019/20. As set out in the technical consultation, the Winter Pressures Grant has been added to the (iBCF) in order to remove the Winter Pressure Grant ringfence. Allocations are the same as 2019/20. For Oxfordshire this was £2.3m. In total therefore, the iBCF allocation for 2020/21 will be £10.4m. As with 2019/20, the iBCF must be pooled into the Better Care Fund.
20. The distribution of the additional £1bn social care funding allocates £850m based on Adult's Relative Needs Formula, with the remaining £150m used to equalise the distribution of the adult social care precept, using the current improved Better Care Fund equalisation methodology. The Council's share of the £1bn is confirmed at £8.1m. In addition, the £410m Social Care Support Grant received in 2019/20 will continue into 2020/21. The Council's share of this is £3.9m. The total Social Care Grant of £12.0m is un-ringfenced with no conditions attached. There is no prescription regarding the proportions of the grant which should be allocated to children and the proportion allocated to adults.

New Homes Bonus

21. The Local Government Finance Settlement Technical Consultation proposed to continue with the top-slice of revenue Support Grant to fund New Homes Bonus payments for a further year in 2020/21. Legacy payments will continue for payments relating to prior years¹, however allocations for 2020/21 will not result in legacy payments in subsequent years. The existing MTFP assumed income would reduce from £3.6m in 2019/20 to £2.9m in 2020/21. The Provisional Local Government Finance Settlement set out indicative allocations for 2020/21 of £4.1m, £1.2m more than in the existing MTFP.
22. On the assumption that the scheme ceases from 2021/22, with only the remaining legacy payments being made, there is a pressure as the funding falls out, of £1.9m in 2021/22, £0.7m in 2022/23 and £1.1m in 2023/24.

Council Tax Referendum Principles

23. As set out in the Technical Consultation, there will be a 2% Council Tax referendum limit for 2020/21. In addition, an Adult Social Care precept of 2% has been confirmed for 2020/21. Total Council Tax increases can therefore be 3.99% before hitting the referendum level.

Queen's Speech

24. On 19 December 2019 the Queen announced the Government's legislative programme for the upcoming parliamentary session. A Budget is expected in early February 2020 which will set out the financial effect of the reforms. The key areas which have a bearing on the Council are set out below. However, until more details are available, the financial impact of the proposals are not reflected in the proposed budget and MTFP.
 - The Government is providing councils with an additional £1 billion for adults and children's social care in every year of this Parliament and will urgently seeking a cross-party consensus in order to bring forward proposals and legislation for long-term social care reform in England and ensuring that nobody needing care will be forced to sell their home to pay for it.
 - There will be a levelling up of the minimum per-pupil funding for primary schools to £4,000 in 2021/22 and the Government will legally require all local authorities to deliver the minimum per-pupil funding in their local area.
 - The NHS Funding Bill and NHS Long Term Plan will enshrine in law the multi-year funding settlement, agreed in 2019, that will see a £33.9bn increase in cash terms by 2023/24
 - The National Living Wage will increase to reach two-thirds of median earnings within five years (projected to be around £10.50 an hour in 2024), provided economic conditions allow. The Government plans to expand the reach of the National Living Wage which currently applies to people over the ages of 25, to those aged 21 and over within five years.

¹ Reducing from six years to five in 2017/18 and to four years from 2018/19

- The Government will conduct a fundamental review of business rates. In the meantime, the next business rates revaluation will be brought forward by one year from 2022 to 2021 and business rates revaluations will be moved from a five-yearly cycle to a three-yearly cycle. The retail discount will be increased from one-third to 50 per cent.

Outstanding Information

25. There are several areas where information is still provisional and on which assumptions are included in the budget for 2020/21:
- Final local government finance settlement
 - Local business rates forecasts
 - Confirmed surpluses/shortfalls on council tax and business rates collection funds
 - Several grant notifications including Public Health, Independent Living Fund, Extended Rights to Free Travel and Fire Revenue Grant.
26. Once this information is confirmed it could have an impact on the budget. In light of the information outstanding, it is proposed that authority is delegated to the Leader of the Council, following consultation with the Director of Finance and the Cabinet Member for Finance, to make appropriate changes to the Cabinet's proposed budget ahead of the Council meeting on 11 February 2020. All Councillors will be notified of any updated information once it is received.

Draft Budget 2020/21 & Medium Term Financial Plan to 2023/24 – Funding Position

27. The table below sets out the general funding available for 2020/21 and the net operating budget for 2020/21. The net operating budget represents the gross expenditure on council services less specific government grants (such as the Dedicated Schools Grant).

Funding 2020/21	Current MTFP £m	Proposed Budget £m	Difference to MTFP £m
Settlement Funding Assessment			
Business Rates (Top Up and Local Share)	-64.7	-72.0	-7.3
Business Rates growth	0	-3.1	-3.1
Council Tax			
General Precept	-383.9	-383.9	0.0
Adult Social Care Precept	0	-7.5	-7.5
Collection Fund adjustments	-4.5	-8.3	-3.8
NET OPERATING BUDGET	-453.1	-474.8	-21.7

Settlement Funding Assessment – Business Rates & Revenue Support Grant (RSG)

28. The MTFP assumed negative RSG would be implemented in 2020/21, however the Spending Round and Technical Consultation set out that Government was minded paying off negative RSG again in 2020/21, as it did in 2019/20. This approach would be consistent with the Government's previous commitment, made during the implementation of the business rate retention scheme in 2013/14, that authorities' retained business rates baselines, would be fixed in real terms until the business rates system was reset.
29. As part of the Technical Consultation on the Local Government Finance Settlement for 2020/21, the Government proposed that the Settlement Funding Assessments², will be uprated in line with the change in the small business non-domestic rating multiplier. The small business non-domestic rating multiplier will be confirmed by the time of the provisional settlement.
30. Taking into account an estimate of the small business non-domestic rating multiplier and the removal of negative RSG, extra income of £7.3m is expected for 2020/21 compared to the MTFP.

Business Rates Growth

31. As MHCLG confirmed an uplift in the Settlement Funding Assessments, this also then confirms that there will not be a business rates reset in April 2020 as previously planned. Therefore, growth above the 2013/14 baseline is retained for a further year.
32. The district councils are required to provide final estimates of the council's share of the locally retained element of business rates for 2020/21 including the share of growth by 31 January 2020, together with the council's share of any surplus/deficit estimated from 2019/20. The current estimate of business rate growth for 2020/21 is £3.1m³ in line with the 2019/20 position. No surplus/deficit is assumed at this stage. Should there be a deficit, this will be met from the earmarked Business Rates reserve, held for this purpose.
33. The business rate pool established between Cherwell District Council, West Oxfordshire District Council and the County Council in 2014/15 will continue into 2020/21. The pooling arrangement is expected to bring benefits to the area as a whole through reduced levies on business rates growth. This means that Oxfordshire gets to keep more business rate income than it otherwise would have done. The County Council will receive a 10% share of any growth, in return for taking on a 2.5% share of any loss. As the business rates baseline has not been reset, for 2020/21, the financial benefit for the County Council is expected to be £0.5m and is included in the total growth of £3.1m referred to above.

² comprised of Revenue Support Grant (where authorities still receive any) and Business Rates baseline funding levels (i.e. excluding growth above the baseline)

³ Excluding element of s31 grant for Business Rates compensation

Council Tax Requirement

34. A total council tax increase of 3.99% is proposed in 2020/21 just below the council tax referendum threshold of 4.0%. This comprises a general precept of 1.99% and an Adult Social Care precept of 2.0%. The MTFP assumed a 1.99% increase for 2020/21. The additional 2.0% Adult Social Care precept raises extra council tax income of £7.5m in 2020/21.
35. A council tax increase of 1.99% is proposed for 2021/22 and beyond.
36. The existing MTFP includes a taxbase⁴ of 256,290 for 2020/21, based on assumed growth of 2.00%. The taxbase for 2020/21 has now been confirmed by all district councils at 256,276 an increase of 5,011 or 1.99% from 2019/20. Compared to funding assumed in the MTFP, the variation in taxbase is less than £0.1m lower funding than assumed in the MTFP.
37. Beyond 2020/21, an increase in the taxbase of 5,000 is assumed each year, broadly equivalent to a 1.95% increase.
38. The draft council tax calculation including the council tax requirement for 2020/21 and the Band D council tax equivalent is set out in Appendix 3.

Council Tax Surpluses/Deficits

39. The latest estimate for the council's share of income from collection fund surpluses and shortfalls for 2020/21 is £8.3m, £3.8m higher than the MTFP assumption. Each district council must formally notify the County Council of its share of any surpluses or shortfalls on the council tax collection funds within seven working days of 15 January 2020. The final and confirmed position will be notified in due course.
40. As the lowest surplus from collection fund surpluses has been £5.3m since 2013/14, it is proposed that the budget is increased from £4.5m to £5.0m across the MTFP.

Un-Ringfenced and Ringfenced Specific Grants

41. Ringfenced specific grants are included in Directorate budgets and must be used solely for the purposes of that grant. Un-ringfenced grants are held outside of Directorate budgets in corporate measures contribute towards the cost of services in general. As set out in paragraph 25, some allocations for 2020/21 are yet to be confirmed.
42. Due to the expectation of a full Spending Review in 2019 for 2020/21 and beyond, the existing MTFP assumed the loss of a number of specific grants beyond 2019/20. In line with the one-year Spending Round for 2020/21, the Provisional Local Government Finance Settlement confirmed the continuation of a number of grants that had been assumed to cease, these are referred to in paragraphs 18-22 above.

⁴ The taxbase is the number of banded properties that the council uses to set the council tax. It is the total number of properties in the county weighted by reference to council tax bands A to H and takes into account discounts and exemptions.

The table below sets out the impact of these and other specific grant changes that have been announced. Further details are provided in the following paragraphs.

Year	2020/21	2021/22	2022/23	2023/24	Total All
	£m	£m	£m	£m	£m
Change in Ringfenced Grants					
iBCF (incl Winter Pressures) (paragraph 19)	-10.391				-10.391
Additional BCF funding	-1.000				-1.000
Firefighters pension grant	-1.361	1.361			0.000
Change in Un-ringfenced Specific Grants					
Social Care Grant (paragrpah 20)	-12.031	12.031			0.000
New Homes Bonus (paragrapgh 21)	-1.220	1.893	0.686	1.058	2.417
Additional s31 grant for Business Rates compensation	-1.416	1.416			0.000
Total Changes to Specific Grant Funding	-27.419	16.701	0.686	1.058	-8.974

43. The Local Government Finance Settlement: Technical Consultation confirmed the NHS contribution to adult social care through the Better Care Fund will increase by 3.4% in real terms, in line with the overall NHS long-term settlement. This will mean around an extra £1.0m for the Council. Details of the BCF for 2020/21 are expected to be published early in the new year.
44. The Spending Round confirmed that Home Office has been allocated a budget for 2020/21 which includes the fire pension grant. Funding of £115m is to be provided, which is the same as that in 2019/20. The expectation is that the distribution formula will be updated with the most recent data on employer pension contributions. At this stage an estimated grant of £1.3m expected for 2020/21 but that it will be provided for that year alone.
45. To compensate authorities for the loss of business rates due to mandatory reliefs, such as small business rates relief, MHCLG provide a grant under Section 31 of the Local Government Act 2003. As business rates are not being reset in 2020/21, this grant is being continued and has also been inflated in line with the SFA increase. This provides £1.4m more grant than assumed in the MTFP but is expected to be for one year only due to the expected business rates baseline reset in 2021/22.
46. The Public Health grant is expected to increase at least in line with inflation. On this basis it is estimated that the allocation for the Council could be approximately £30.3m in 2020/21, £0.5m more than 2019/20. However, it is possible that local authorities will be expected to fund new burdens from this increase. As grant details and actual allocations are expected to be announced early in the new year, at this stage no change from 2019/20 is assumed.

Dedicated Schools Grant

47. Dedicated Schools Grant (DSG) allocations for 2020/21 were announced on 19 December 2019. Oxfordshire's provisional allocation for 2020/21 is £510.6m.
48. The Government has reiterated its long-term intention that schools' budgets should be set on the basis of a single, National Funding Formula (NFF). To avoid instability in funding, the approach continues to build in further protection in 2020/21 of:
 - An increase in most formula factors of 4%

- A mandatory minimum per pupil level of funding of £5,000 per secondary pupil and £3,750 per primary pupil
- Removing the cap (ceiling) on any gains so full funding can flow to schools subject to affordability

49. During October/November 2019, schools were again consulted on whether to continue with the implementation, as far as is practicable, of the National Funding Formula in 2020/21. The majority of responses were in favour of a continuation of the NFF in the next financial year 2020/21. Schools Forum subsequently agreed and recommended this continuation of funding methodology.
50. Schools Forum did not support the transfer from the Schools block to High Needs block and given the forecast £7.0m to £8.0m overspend within the High Needs block for 2020/21. The forecast of £7.0m to £8.0m overspend is after the additional funding of £700m nationally announced as part of the Spending Round in September 2019, of which Oxfordshire's share is £8.4m, and the second year of the extra funding announced last year of £1.5m.
51. The Council has appealed the Schools Forum decision with the Secretary of State for Education. A disapplication request was submitted to transfer 0.5% or £2.0m from the Schools Block by the Department for Education deadline of 28 November 2019.

Funding Position beyond 2020/21

52. The current assumption in the proposed MTFP is that, excluding the Improved Better Care Fund and Better Care Fund, specific grant funding announced for 2020/21 does not continue, all of the growth in business rates since 2013/14 is lost and the Settlement Funding assessment increase is removed (i.e. negative Revenue Support Grant is implemented). This funding totals £30.2m and is set out in the table below.

Year	2020/21	2021/22	2022/23	2023/24	Total All
	£m	£m	£m	£m	£m
Settlement Funding Assessment & Business Rates Growth					
Settlement Funding Assessment increase	-7.271	7.271			0.000
Business Rates growth - baseline not reset	-3.119	3.119			0.000
Additional year of MTFP - Inflation on Business Rates				-1.172	-1.172
Council Tax					
ASC precept @2% in 2020/21	-7.528	-0.303	-0.296	-0.303	-8.430
Taxbase impact	0.021	0.198	-0.673		-0.454
Draft Council Tax Surplus	-3.759	3.259			-0.500
Additional year of MTFP - Council Tax				-16.217	-16.217
Total Changes to General Funding	-21.656	13.544	-0.969	-17.692	-26.773
Total Changes to Specific Grant Funding (Paragraph 42)	-27.419	16.701	0.686	1.058	-8.974
TOTAL CHANGES TO FUNDING	-49.075	30.245	-0.283	-16.634	-35.747

53. The Budget which is planned for February 2020 may set out further details of the Government's commitments to funding for local government. Therefore, more

information on funding beyond 2020/21 may become available soon after Council sets the budget and MTFP. In addition, the current MTFP includes a £10.2m additional budgeted contribution to contingency in 2021/22. Depending on the impact of the Budget and as further information becomes available through the Spending Review, work will need to be undertaken during 2020/21 to plan for how a shortfall will be addressed. Updates will be provided to Cabinet as information on the Spending Review and new funding formula become available.

54. In relation to the impact of the Fair Funding Review, whilst it is currently assumed the council's assessed need for social care will increase, the council also has relatively high resources – i.e. the tax base which reduces the reliance on government grant. Therefore, the current working assumption is that the Council will neither benefit or lose under the new formula and a neutral funding position is assumed.

Draft Budget 2020/21 & Medium Term Financial Plan to 2023/24 – Planned Spend

Inflation

55. The existing MTFP assumes pay inflation for Green Book staff at 2.5% for 2020/21. Based on latest information, it is assumed that the pay award will be 2.0%. This gives rise to a saving of £0.8m in 2020/21. Beyond 2020/21, 2.5% is still assumed. An increase of 2.2% is currently assumed for Firefighters. There continues to be no provision for non-pay inflation. Inflation of up to 3% has been applied to contracts based on the relevant price indices for each contract. The total amount of inflation applied to budgets is £5.2m for 2020/21, £0.8m less than the budget of £6.0m.

Investments & Pressures and Income & Savings proposals

56. The budget from 2019/20 has been rolled forward and scrutinised on a line by line basis by Directors and their leadership teams along with Finance Business Partners, and then collectively with CEDR and the Director of Finance to ensure budgets aligns to priorities and future requirements. Details of existing and proposed new investments and identified pressures along with proposed additional income and savings are set out in Appendix 2. As referred to in the main report, pressures and investments along with income and savings have been group into themes within each Directorate reflecting the change in emphasis towards investment that will deliver changes that will secure the sustainability of services in the longer term.
57. The table below sets out that investments and savings (both new and previously agreed) by theme total £40.2m in 2020/21. In total, the new budget changes total £30.5m for 2020/21.

Year	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Investment Themes:					
Demographic Pressures	22.967	12.475	12.334	11.650	59.426
Essential Investment	5.834	4.426	-0.067	0.200	10.393
Investment to Manage Demand	9.139	-1.296	0.15	0.25	8.243
Invest to Save	4.776	-4.368	-3.528	-1.652	-4.772
Income Generation	-1.955	-0.510	0.375	0.000	-2.090
Total Net Pressures and Priorities by theme	40.761	10.727	9.264	10.448	71.200
Corporate Measures	-12.356	-12.762	3.530	6.500	-15.088
Total All Net Pressures and Priorities	28.405	-2.035	12.794	16.948	56.112
Of which:					
Budget Changes in existing MTFP	-2.094	0.272	17.803	0.000	15.981
New Budget Changes	30.499	-2.307	-5.009	16.948	40.131

Draft Budget 2020/21 & Medium Term Financial Plan to 2023/24 – Overall Summary

58. The table below sets out a summary of changes from the existing MTFP, after taking into account the changes to funding and proposed new investments, income and savings set out in the report. The table shows a balanced budget for 2020/21 but due to the anticipated funding reductions referred to at paragraph 52, a budget shortfall in 2021/22 of £25.1m. Beyond 2021/22, the current assumption is that the level of government funding will remain stable.
59. Appendix 1 sets out a more detailed view of the proposed MTFP.

Year	2020/21	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m	£m
Total Changes to Funding	-49.075	30.245	-0.283	-16.634	-35.747
Net New Pressures and Priorities					
Children's Services	14.977	-0.500	-1.155	3.076	16.398
Adult Services	11.729	-0.283	0.936	8.782	21.164
Public Health	-0.175	-0.250	0.425	0.000	0.000
Communities	1.076	0.666	-1.945	-0.750	-0.953
Commercial Development, Assets and Investments	1.415	0.761	-0.902	-0.660	0.614
Customers & Organisational Development	0.906	-0.905	0.300	0.000	0.301
Corporate Measures	0.571	-1.796	-2.668	6.500	2.607
Total Net New Pressures and Priorities	30.499	-2.307	-5.009	16.948	40.131
Shortfall in Existing MTFP	15.581	0.180	1.577	0.000	17.338
Overall position (+budget shortfall / -budget surplus)	-2.995	28.118	-3.715	0.314	21.722
Total Contributions to (+) / Use of Reserves (-)	2.995	-2.995	3.715	-0.314	3.401
Overall position (+budget shortfall / -budget surplus) after contributions to and use of reserves	0.000	25.123	0.000	0.000	25.123

Draft Detailed Revenue Budget 2020/21

60. The report to Council in February 2020 will set out a detailed revenue budget for 2020/21 showing the movement in gross expenditure and income from 2019/20, comprising inflation, specific grant funding changes, previously agreed budget changes and proposed virements.

Virement Rules

61. When approving the budget each year the council is required to agree the virement rules. The existing arrangements have been reviewed and are set out for approval in Appendix 4.

Financial Strategy

62. The Financial Strategy set out in Appendix 5 states that in order to continue to deliver for Oxfordshire residents and thrive in the longer term, financial sustainability and resilience is essential. This requires successful delivery of two critical elements which reflect the financial planning principles for the budget and medium-term plan:
- Managing the impact of rising need, caused by population growth and increased complexity, for adult and children's social care through demand management approaches, more effective pathways and commercial improvements.
 - Delivering the programme of service redesign and organisational development which will drive improved outcomes.
63. The strategy sets out the funding context over the medium and long-term plus financial health performance measures for 2020/21.

Corporate Contingency

64. In forming the proposed budget, there is inevitably some risk that estimates are not entirely accurate and that account should be made for this uncertainty. For this reason, the corporate contingency budget is held to cover;
- the risk that demographic pressures are at the higher end of forecasts, rather than the mid-range forecast assumed in the service budgets;
 - the risk that the time or resources required to deliver invest to save or invest to reduce demand is not sufficient; and
 - the risk that proposed savings are not achieved in full, based on the performance targets set out in the Financial Strategy.
65. The proposed level of corporate contingency for 2020/21 is £4.9m and reflects the following:

	£m
Demographic pressures at higher end of forecasts	3.3
Risks identified within investments/pressures & income/savings	1.6
TOTAL	4.9

66. In addition to the corporate contingency, general balances are held to in order to provide a contingency against unplanned or unexpected events. Further details are set out in the paragraph below.

Earmarked Reserves and General Balances

67. The earmarked reserves and general balances policy statement is set out in Appendix 6.
68. The risk assessment for the level of general balances to be held for 2020/21 has determined that an appropriate level to hold is £23.4m. Based on the Business Management & Monitoring Report to Cabinet in January 2020, the projected level of balances at 31 March 2020 is currently £21.8m. It is proposed that £3.0m is added to general balances in 2020/21. In addition, with the planned annual contribution of £1.0m, means the projected level will be £25.8m at 1 April 2020.
69. Details of earmarked reserves and proposed changes to usage over the medium term are set out in Appendix 7. Excluding schools, earmarked reserves are forecast to be £54.1m at 1 April 2020, reducing to £44.9m by 31 March 2024.
70. One new earmarked reserve is proposed for creation in 2020/21. A new Investment Pump Priming reserve is proposed to meet the initial costs of developing business cases and feasibility studies associated with the strategy. It is expected that this will generally work as a revolving fund, with costs being capitalised if projects proceed. It is proposed that a reserve of £2.0m is created for 2020/21, funded from a contribution of £1.0m from the Insurance Reserve and £1.0m from the Budget Priorities Reserve.

Treasury Management Activity

71. The Treasury Management strategy statement and the annual investment strategy for 2020/21 are set out in Annex 3 of this report. The financial impact of the strategy for 2020/21 is reflected in the budget proposals in this Annex of the Service & Resource Planning report.
72. Proposals to increase the longer-term lending level alongside higher cash balances over the medium term, mean that interest earned is expected to be £0.9m more than in the current MTFP for 2020/21 and a further £0.1m in 2021/22.

Review of Charges

73. As part of the Service & Resource Planning process, managers have reviewed their charges for 2020/21. The expectation was that charges would increase by a minimum of the Bank of England CPI target rate of 2.0%, however the proposed increase should be higher where the market allows or where costs are not being fully recovered (except where legislation dictates a maximum charge).
74. The proposed charges are set out in Appendix 8. Cabinet is recommended to agree these charges in the context of the proposed budget. There are no proposed changes to the review of charges policy from that agreed by Cabinet in January 2019.

Comments from Performance Scrutiny Committee

75. The Performance Scrutiny Committee will consider the revenue investments and pressures plus income and savings proposals at its meeting on 9 January 2020. A summary of the comments will be published following the meeting.

Consultation

76. Between 6 January and 29 January 2020, members of the public and stakeholders have been invited to comment through the council's website on the budget proposals and Council Tax increases. As the consultation extends beyond the date of this meeting, any changes to the proposed budget as a result of comments received will be incorporated into the Service & Resource Planning 2020/21 – 2023/24 report to Council on 11 February 2020.

Equality and Inclusion Implications

77. 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.'
78. The potential impacts of the budget proposals will be set out in Service & Community Impact Statements which will be published in due course. The draft overarching Service & Community Impact Statement is attached at Annex 2 – Appendix 9.

LORNA BAXTER
Director of Finance