

Division(s): N/A

## **CABINET – 17 October 2023**

### **Budget and Business Planning Report 2024/25 – 2026/27**

**Report by the Director of Finance**

#### **RECOMMENDATION**

1. **The cabinet is RECOMMENDED to:**
  - a) **Endorse the report and note the assumptions that will form the starting point for the 2024/25 budget as well as updates since the Medium Term Financial Strategy was agreed in February 2023 that need to be considered;**
  - b) **Approve the budget and business planning process for 2024/25;**
  - c) **Approve a three-year period for the medium-term financial strategy to 2026/27 and ten-year period for the capital programme to 2033/34 and;**
  - d) **Note the requirement for the council to set a sustainable balanced budget which shows how income will equal spending plans.**

#### **Executive summary**

2. Oxfordshire County Council provides 80 per cent of local government services in Oxfordshire based on expenditure, including adult and children's social care, some education services, fire and rescue, libraries and museums, public health, roads, trading standards, waste disposal and recycling.
3. The [strategic plan 2022 - 2025](#) sets out the council's vision to lead positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county.
4. The budget and medium term financial strategy (MTFS) support the strategic plan and are reviewed and updated each year through the budget & business planning process. Details of the services that directorates provide, the priorities they support and the planned budgets with which they deliver these, are provided in Annex 1a.
5. Progress on achieving priorities is tracked through the council's outcomes framework with updates shared the Business Management and Monitoring reports to Cabinet. The framework will be reviewed and updated for 2024/25 as part of the annual budget and business planning process.

6. Feedback on budget priorities in the context of the funding available to the council will be sought as part of number of engagement opportunities including activities using a budget simulator from late October to early December 2023. Performance and Corporate Services Overview and Scrutiny Committee will provide feedback in November and December 2023 and January 2024.
7. The Budget & Business Planning process will continue through the autumn and winter. Based on the timetable proposed this report Council will set a budget for 2024/25, a medium-term financial strategy to 2026/27 and capital programme to 2033/34 in February 2024. Performance progress against the budget for 2024/25 will then be monitored through the Business Management & Monitoring reports to Cabinet.
8. This report provides context and background information as well as updates about the wider economic environment since the 2023/24 budget and Medium Term Financial Strategy was agreed in February 2023.

## **Introduction**

9. The council's vision and priorities are supported by the budget and Medium Term Financial Strategy. This report is the starting point for the budget and business planning process for 2024/25. It explains the process for developing and agreeing the budget for 2024/25 and the assumptions on which the current medium term financial strategy (MTFS) agreed in February 2023 is based. It then updates information arising from government and other announcements plus the on-going impact of challenges apparent in 2023/24 and new or emerging financial issues for 2024/25 and beyond which will be incorporated into the new MTFS.
10. Annexes are attached as follows:
  - Annex 1a directorates, priorities and planned budgets for 2024/25
  - Annex 1b General balances and earmarked reserves - 2023/24 forecast position.
  - Annex 1c Planned changes to budgets in 2024/25 – 2025/26 agreed in February 2023.
  - Annex 1d Funding scenarios and updates and MTFS assumptions
  - Annex 2 Budget and Business Planning timetable for 2024/25.
11. It is proposed that the MTFS should be extended by one year to 2026/27 to include the budget for 2024/25 plus the following two years. The capital programme will be extended by one year to cover the 10 - year period to 2033/34.
12. Detailed information about estimated spending pressures and an overview of the proposed approach to savings will be published on 2 November 2023 as part of the agenda for Performance & Corporate Services Overview & Scrutiny Committee on 10 November 2023. The same information will be discussed by Cabinet on 21 November 2023. Proposed savings will be published ahead

of consideration by Performance & Corporate Services Overview & Scrutiny Committee on 8 December 2023.

## **National & Local Context**

13. The council's financial situation remains really challenging and the direct and indirect impacts of the following factors continue to be difficult to predict:

- Reductions in general funding for local government over the last ten years, and the increase in the proportion of the council's spend on social care needs, means the ability to deliver further savings is reduced.
- Continued pressures on demand for social care and the sufficiency of market provision, particularly for Children's Social Care.
- The broader economic environment, including the availability of workforce and the impact of inflation.
- Prolonged uncertainty about the Government's future decisions about local government financing, including a new funding model for adult social care.
- Significant cost of living pressures on communities and residents which, alongside the impacts of inflation now include the impact of higher interest rates on housing costs.
- On-going uncertainty about the future arrangements for the management of past and future overspends against funding for High Needs Dedicated Schools Grant where the deficit built up to date is expected to be £59.4m by the end of 2023/24.

14. As in previous years it is not anticipated that any detailed information about funding for 2024/25 will be received until the Provisional Local Government Settlement which is expected in late December 2023.

15. Information on council tax collection fund surpluses or deficits for 2022/23 needs to be shared by the district councils by mid – January 2024. Information about business rates income and collection fund surpluses or deficits needs to be shared by the districts the end of January 2024. Where information is not received in time to be incorporated into the budget estimates will be included with an update provided to Cabinet in May 2024.

## Current medium-term financial strategy

### Background

16. The Financial Strategy sets out the approach the council will take to ensure it is financially sustainable over the medium and long term and supports the delivery of the council's Greener, Fairer, Healthier vision and Strategic Plan.
17. Financial resilience is the ability, from a financial perspective, to respond to changes in delivery or demand without placing the organisation at risk of financial failure. The budget is underpinned by a financial strategy which aims to ensure the financial sustainability of the Council, deliver essential services to residents and achieve the council's vision to lead positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county.
18. Financial sustainability and resilience requires successful and sustained focus on delivery of four critical elements and financial planning principles for the revenue budget and medium term financial strategy:
  - Transforming the council to become employer, partner and place shaper of choice.
  - Managing the impact of rising need through demand management.
  - Delivering agreed savings and planned outcomes from investments.
  - Ensuring the level of earmarked reserves and general balances is adequate based on the level of risk and financial uncertainty and only using one-off resources for temporary purposes.
19. The key components of the Financial Strategy are the:
  - Medium Term Financial Strategy showing how annual revenue funding and expenditure will be balanced over the medium term;
  - Capital & Investment Strategy;
  - Earmarked Reserves and General Balance Policy Statement ;
  - Treasury Management & Investment Strategy.

### Revenue Plan: Directorate Budgets

20. The council's revenue budget supports a range of service provision which contributes to the council's vision and priorities. Most of these services, which are grouped and managed within the council's five directorates, continue from one year to the next.
21. Due to the continuity of service provision the first step in building the budget for 2024/25 will be to roll forward 2023/24 budgets. This starting point will then be adjusted for changes planned for 2024/25 built into the MTFS agreed in February 2023.

22. Annex 1a provides more information about each directorate and the services contributing to the council's priorities along with the planned budget for 2024/25 and indicative budgets for 2025/26 based on current plans.
23. The net council funded budget for each directorate and changes that are already planned to create the budget for 2024/25 based in on the current MTFS agreed in February 2023 are summarised in the table below.
24. Any new changes agreed as part of the 2024/25 Budget & Business Planning Process will be added to this starting point.

	2023/24 Budget (*)	Add Planned Changes in current MTFS	Indicative Budget 2024/25	Change in Budget
	£m	£m	£m	%
Adult Services	228.6	21.0	249.6	9%
Children's Services	171.3	9.1	180.4	5%
Environment & Place	75.5	0.1	75.6	0%
Public Health & Community Safety	32.3	0.7	33.0	2%
Resources	71.6	-3.5	68.1	-5%
Inflation to allocate		2.9	2.9	
<b>Directorate Total</b>	<b>579.4</b>	<b>30.2</b>	<b>609.6</b>	<b>5%</b>

(\*) 4.5% budgeted pay inflation for 2023/24 has been allocated to directorates in these totals. This will be confirmed once the award is agreed nationally and will be increased using funding held in contingency if the award agreed is higher than 4.5%.

25. After taking account of planned budget increases and changes to savings, the current MTFS includes net new funding totalling £30.2m in 2024/25. This includes £16.3m for demographic growth for adult and children's social care and increases in waste tonnages, reflecting anticipated population and housing changes. A further £27.2m will be added for estimated inflation. There is a planned reduction of £0.8m for the on-going effect of changes to demand and other expenditure pressures and £3.4m funding for one – off investments agreed in February 2023 will be removed. In addition to this there are changes to savings which combine to create a reduction of £5.5m plus a £3.6m reduction in funding from the COVID-19 reserve.
26. Further changes which combine to create an increase of £26.7m are planned to be added to service budgets in 2025/26. Detailed changes for both 2024/25 and 2025/26 are shown in Annex 1c.

### Planned Expenditure & Funding in 2024/25 and 2025/25

27. The revenue element of the Medium Term Financial Strategy agreed in February 2023 is summarised below. Before taking account of pressures that will need to be considered through the 2024/25 Budget & Business Planning Process budgeted expenditure was expected to be balanced to the estimated available funding in 2024/25. Based on assumptions in February 2023 there was a shortfall of £6.7m in 2025/26.

	2023/24 Agreed Budget £m	2024/25 Indicative Budget £m	2025/26 Indicative Budget £m
<b>Funding</b>			
Council Tax Requirement	466.7	498.5	517.3
Council Tax Collection Fund Surplus	14.1	4.0	4.0
Business Rates	93.1	94.7	96.3
<b>Total Funding</b>	<b>573.9</b>	<b>597.2</b>	<b>617.6</b>
<b>Net operating budget previous year</b>	<b>520.4</b>	<b>573.9</b>	<b>597.2</b>
<b>Directorate Budget Changes</b>			
Budget increases	81.3	35.7	27.4
Budget decreases	-28.8	-5.5	-0.7
<b>Subtotal Directorate Changes</b>	<b>52.5</b>	<b>30.2</b>	<b>26.7</b>
Changes to budgets held centrally	16.8	-3.6	0.5
Changes to Grant Funding	-15.8	-3.4 <sup>1</sup>	
<b>Net Operating Budget</b>	<b>573.9</b>	<b>597.2</b>	<b>624.4</b>
<b>Budget Deficit (+)/ Surplus (-)</b>	<b>0.0</b>	<b>0.0</b>	<b>+6.7</b>
<b>Council Tax Increase</b>	<b>4.99%</b>	<b>4.99%</b>	<b>1.99%</b>
<b>Band D Council Tax</b>	<b>£1,734.03</b>	<b>£1,820.56</b>	<b>£1,856.79</b>

## Financial planning assumptions

28. The Local Government Finance Policy Statement 2023/24 to 2024/25 published on 12 December 2022 set out the government's intentions for the local government finance settlement for the next two years. However, the Provisional Local Government Finance Settlement announced on 19 December 2022 was only for the 2023/24 financial year.

### Council Tax and Adult Social Care Precept

29. The Local Government Settlement confirmed that the council tax referendum limit would be increased from 2% to 3% in 2023/24 and 2024/25. Local authorities are also able to meet pressures in adult social care by raising council tax by up to an additional 2% through an additional precept in 2023/24 and 2024/25. The arrangements from 2025/26 onwards remain unclear at this

<sup>1</sup> £5.0m estimated increase to Social Care Grant based on share of national increase offset by the removal of the New Homes Bonus (£1.7m). See paragraph 62 and 63 for further information.

stage. The existing plan assumes that the maximum increase falls back to 2% from 2025/26.

	2024/25	2025/26
Core Council Tax Increase	1.99%	1.99%
Additional Core Council Tax Increase	1.00%	
Adult Social Care Precept - Spending Review 2021	1.00%	
Adult Social Care Precept - Spending Review 2022	1.00%	
<b>Total Council Tax Increase</b>	<b>4.99%</b>	<b>1.99%</b>

30. Each 1% increase in council tax will generate around £4.8m on-going funding for the council's services.
31. The council tax base is the number of Band D equivalent dwellings in a local authority area. Growth in the tax base of 1.75% per year is assumed in the MTFs reflecting anticipated increases in the number of households in Oxfordshire paying council tax. The following table shows how the income generated by the growth in the tax base compares to funding for demographic growth built into the current plan.

	2024/25	2025/26
Budgeted Demographic Growth	£16.3m	£15.7m
Council Tax Base	273,825	278,617
Additional Council Tax funding from 1.75% growth in tax base	£8.2m	£8.7m

32. As well as updating the council tax base each district will also make assumptions about the anticipated level of council tax to be collected in any given year. Where actual income varies from those assumptions it will create a one – off surplus or deficit that is then shared with the county council as a precepting authority.
33. The county council's share of surpluses on council tax collection is estimated to be £4.0m in 2024/25 and 2025/26. The actual surplus for 2022/23 notified by the district councils in January 2023 was £15.0m. That increased from £6.4m in 2021/22 and £8.6m in 2020/21.
34. The budgeted level of surplus for 2024/25 and future years and the management of increased volatility year to year will need to be considered as part of the Budget & Business Planning Process. Based on 2023/24 it is expected that the surplus can be increased from the £4.0m built into the current plan to at least £8.0m. £3.0m funding held in the Council Tax Collection Fund Reserve will be used to manage variations year to year.

## General funding & local government funding reforms

35. The Council receives a Settlement Funding Assessment (SFA) from Government which is the share of the local government spending based on the 'need' of a local authority. It comprises Business Rate Top Up Grant, together with the Government's assessment of the level of Business Rates income to be retained by the Council. The SFA for 2023/24 is £74.7m and increased by 3.75% compared to 2022/23 having previously remained unchanged at £72.0m since 2020/21. The 2024/25 SFA is expected to be announced as part of the Provisional Local Government Settlement for 2024/25.
36. In addition, local authorities have been able to retain the growth in business rates from the baseline established in 2013/14 up to the Business Rate Growth Reset originally planned for April 2021.
37. In October 2022, the government confirmed that there would be no changes to business rates during the current Spending Review period which covers 2023/24 and 2024/25. Given the timescale to implement any changes, and the timing of the next General Election, which needs to take place by 24 January 2025, it is not expected that any changes will be implemented from 2025/26. However, there is significant uncertainty beyond 2026/27.
38. Business Rates funding for 2023/24 and surpluses for 2022/23 were notified by the district councils and the Department for Levelling Up, Housing and Communities (DLUHC) after the budget was agreed in February 2023 and an update was included in the Financial Monitoring Report to Cabinet in May 2023.

#### Section 31 Business Rates Reliefs

39. Section 31 grant funding for Business Rates reliefs for 2023/24 includes £4.4m for local business rates income that has not been collected as a result of Business Rates reliefs for Leisure & Hospitality businesses following COVID-19 which were extended into 2023/24 in the Autumn Statement 2022. It is currently difficult to predict what the impact on the collection fund and local growth will be after these reliefs end in March 2024 or whether they will be extended again by the government.
40. The indexation element of the Section 31 grant was also increased from £7.3m in 2022/23 to £12.9m in the final settlement for 2023/24. This is also now more difficult to predict this as it is moving independently of the SFA.
41. The table on the next page summarises the actual funding received in 2022/23, budgeted and notified funding for 2023/24 and the funding for 2024/25 and 2025/26 assumed in the Medium Term Financial Strategy agreed in February 2023.



	2022/23 Funding	2023/24 Agreed Budget (February 2023)	2023/24 Notified Funding	2024/25 MTFS	2025/26 MTFS
	£m	£m	£m	£m	£m
Business Rates Local Share	29.7	32.0	34.7	32.6	33.3
Business Rates Top-Up Grant	40.5	42.7	40.0	43.6	44.4
<b>Settlement Funding Assessment</b>	<b>72.0</b>	<b>74.7</b>	<b>74.7</b>	<b>76.2</b>	<b>77.7</b>
Local Growth	1.4	4.0	1.3	4.1	4.2
Section 31 Grant for Business Rates Reliefs – Retail & Hospitality reliefs <sup>2</sup>	4.5	0.0	4.4	0.0	0.0
Section 31 Grant – Indexation Element	7.3	12.6	12.9	12.6	12.6
Section 31 Grant for Business Rates Reliefs – on-going reliefs	1.7	1.8	1.8	1.8	1.8
<b>Total Section 31 Grant for Business Rates Reliefs and Indexation</b>	<b>13.5</b>	<b>14.4</b>	<b>19.1</b>	<b>14.4</b>	<b>14.4</b>
Collection Fund Surplus for previous year	1.9	0.0	2.1	0.0	0.0
<b>Total</b>	<b>88.8</b>	<b>93.1</b>	<b>97.2</b>	<b>94.7</b>	<b>96.3</b>

42. Based on the notified funding for 2023/24 and income received in 2022/23, it is anticipated that the assumed business rates income for 2024/25 and 2025/26 can be increased compared to the assumptions in the MTFS. However, because of the on-going uncertainty about the reliefs, national changes, and the unpredictability of surpluses or deficits, funding will need to continue to be held in the Business Rates Collection Fund reserve to manage future risk.

43. Authorities can also choose to pool business rates through the rates retention scheme which provides the opportunity to pool business rates and build growth across a wider area. Pooling can help local authorities manage volatility in business rates income, sharing fluctuations across the pool. The effects will be different in each case depending on the members of the pool and their individual circumstances. The council is a member of the North Oxfordshire Business Rates Pool with Cherwell District Council and West Oxfordshire District Council and has received around £0.5m share of the pooling gain in the last two financial years. Work is continuing to assess the on-going benefits and the members of the pool need to notify DLUHC that they want to be a member of the pool in 2024/25 by 10 October 2023.

<sup>2</sup> These reliefs were extended until 31 March 2023 in the Autumn Statement 2022.

## Inflation, Demand & Contingency

### Inflation

44. The Chancellor's Autumn Statement in November 2022 set out that the Consumer Price Index was expected to rise by 7.4% in 2023 and 0.6% in 2024. The Spring Statement in March 2023 revised the expected increases to 6.1% for 2023 and to 0.9% in 2024. Since then, inflation has continued at a higher rate than forecast.
45. The latest estimate from the Office for National Statistics indicates that CPI inflation was 6.7% for the 12 months up to August 2023. This fell slightly from 6.8% in the 12 months up to July 2023. The Retail Price Index (RPI) increased by 9.1% in the 12 months up to August 2023, compared to an increase of 9.0% in the year to July 2023.
46. In summer 2023 the Low Pay Commission consulted on a range of proposals to increase the National Living Wage (currently £10.42 per hour) from 1 April 2024.
  - Lower £10.90 per hour (4.6%)
  - Central £11.16 per hour (7.1%)
  - Upper £11.43 per hour (9.7%)
47. Subject to economic conditions, the National Living Wage will reach the Government's target of two thirds of median earnings in April 2024. The 2023 consultation has also considered the approach for April 2025 onwards so the impact of further increases from 2025/26 onwards remains unclear at this stage.
48. The increase from April 2024 is likely to be announced in the Autumn Statement expected on 22 November 2023. Ahead of that the Chancellor has announced that the hourly rate will increase to at least £11.00.
49. The impact of the final agreed increase on the rates the council pays for services will need to be considered as part of the budget process along with other inflationary pressures for both pay and non – pay expenditure.

### Green Book Pay

50. The 2023/24 budget includes funding for an estimated pay award equivalent to 4.5%. The claim lodged by UNISON, GMB and Unite on 30 January 2023 included a request to increase pay by RPI (10.70%) + 2.0% on all pay points. On 23 February 2023, national employers responded with the following offer:
  - With effect from 1 April 2023, an increase of £1,925 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive.
  - With effect from 1 April 2023, an increase of 3.88 per cent on all pay

points above the maximum of the pay spine but graded below deputy chief officer.

51. After taking account of the number of staff on different pay points the current pay offer is estimated to equate to an overall estimated increase equivalent to 5.5%, 1.0% more than budgeted at a cost of £2.6m per annum. Some of the existing contingency budget would need to be used to meet the on-going cost. All three unions have rejected this offer and further strike ballots by GMB will take place open on 12 September 2023 and close on 24 October 2023.
52. Because inflation was forecast to fall back by 2024/25 the MTFs assumes pay inflation increases of 2.5% in both 2024/25 and 2025/26. Based on the anticipated increase in the National Living Wage on it is unlikely that 2.5% will be sufficient so funding to increase the assumed increase to at least 4.0% will need to be added to the budget for 2024/25.

#### Contract Inflation

53. Funding for contract inflation has been built into directorate budgets based on the contractually specified and timing of uplifts for different contracts.
54. The ability to meet the additional cost of both contract and pay inflation within the available funding will need to be considered as part of the Budget & Business Planning process for 2024/25.

#### Social Care Pressures

55. The on-going impact of underlying pressures in Children's Services which contributed to an overspend of £19.2m in 2022/23 remains a significant challenge in 2023/24. These pressures, which are contributing to a forecast overspend of £11.0m in 2023/24, are driven by a combination of care placements costs, staffing (particularly the reliance on agency staff to cover vacancies) and Home to School Transport. Children's Services have implemented a number of organisational, governance and business process controls as well as market management actions to address the underlying pressures but it is taking time for these to have an impact.
56. A £3.0m forecast overspend for Adult Services in 2023/24 reflects an unexpected increase in the number of residential placements during 2023/24. Work is continuing to understand the reasons for this but the on-going impact will need to be assessed and considered as part of the Budget & Business Planning Process.
57. While action is continuing to being taken to manage them, these demand and inflationary pressures remain a significant challenge and risk in 2023/24 and beyond.

#### Contingency

58. To help manage the impact of financial risk, a corporate contingency budget is held to cover:
  - the risk that demographic pressures are higher than forecast;

- any unfunded new burdens or unfunded elements of government grant;
- any potential pay awards beyond budgeted assumptions plus other inflationary risk; and
- the risk that proposed savings are not achieved in full, based on the performance targets set out in the Financial Strategy.

59. The level of on-going contingency budget that will be held for 2024/25 will be considered as part of the Budget & Business Planning process.

### Un-ringfenced grant funding changes built into the plan for 2024/25

60. £1.6Bn new grant funding for councils in 2022/23, 2023/24 and 2024/25 was announced as part of the Government's Spending Review 2021. This funding was intended to increase investment in supporting vulnerable children and enable local authorities to continue to provide the other local services that people rely on. A significant element of this was used to increase the funding for the Social Care Grant and to create the Services Grant.

#### Services Grant

61. The Provisional Settlement confirmed that the council would receive £2.8m Services Grant funding in 2023/24. The current plan assumes this continues unchanged in 2024/25 and 2025/26 but it is unclear what the long term arrangements will be.

#### Social Care Grant

62. The Autumn Statement 2022 set out that £1.265bn in 2023/24 and £1.877bn in 2024/25 would be distributed to local authorities through the Social Care Grant for adult and children's social care.

63. The council has received £11.3m new funding in 2023/24 increasing the total Social Care Grant to £29.2m. Based on national totals and the same distribution method the MTFs assumes that there will be a further increase of £5.0m to £34.2m from 2024/25 onwards.

#### New Homes Bonus

64. Un-ringfenced funding from the New Homes Bonus, which was extended by a further year into 2022/23, was not expected to continue from 2023/24. However, the Provisional Settlement confirmed that the council would receive a further £1.7m in 2023/24. The government indicated that this would be reviewed before the 2024/25 settlement so the current plan assumes that this is one – off in 2023/24.

65. An update on each of these grants is expected to be received as part of the Local Government Settlement for 2024/25.

### Dedicated Schools Grant (DSG) and High Needs Deficit

66. In July 2023, the Department for Education (DfE) announced a provisional 2024/25 DSG allocation of £616.6m for Oxfordshire. This includes the schools, high needs and central block but excludes early years and funding for growth. Schools' DSG will increase by 3.12% to £503.9m in 2024/25, excluding growth funding. High needs DSG will increase by 4.4% or £4.9m to a total of £107.8m (before top slicing for place funding) in 2024/25.
67. Demand continues to outstrip the growth in the grant funding and as set out in the Business Management & Monitoring Report to Cabinet in September 2023 the forecast deficit compared to Dedicated Schools Grant (DSG) funding for High Needs is £18.3m in 2023/24. Action to reduce the expenditure is being taken and Oxfordshire is part of the Department for Education's Delivering Better Value scheme. This is a national programme investing £85m over 3 years for 55 local authorities to help manage High Needs deficits. Despite this, continued increases in demand mean that annual deficits against the grant funding are expected to grow in future years.
68. In line with a change to the CIPFA code of practice on DSG High Needs deficits an unusable reserve to hold negative High Needs DSG balances was created in 2020/21. The forecast deficit of £18.3m in 2023/24 will increase the total accumulated negative balance for High Needs held in this reserve to £59.3m at 31 March 2024.
69. The regulations which require the negative balance to be held in an unusable reserve were due to come to an end on 1 April 2023. In December 2022 the government agreed to the extension of the DSG statutory override for a one-off period of three years (up to March 2026).
70. DSG deficits cannot currently be met from general council funding without permission from the Secretary of State. However, this deficit, both accumulated to date, and on-going, is a significant financial risk irrespective of the future arrangements for the statutory override. This will need to be taken into account in the Section 25 Statement and the overall financial position for the council and the assessment of the adequacy of reserves and balances for 2024/25.
71. Updates on the forecast High Needs budget and deficit for 2024/25 will be considered as part of the Budget & Business Planning process.

## General balances and earmarked reserves

72. A local authority is not permitted to allow its spending to exceed its available resources so that overall it would be in deficit. Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and council tax precept, the Chief Finance Officer must report to it on the following matters:
  - The robustness of the estimates made for the purposes of the (council tax requirement) calculations
  - The adequacy of the proposed financial reserves

73. The council maintains general balances to provide a contingency against unplanned or unexpected events. As set out in the Earmarked Reserves and General Balances Policy Statement agreed in February 2023, and explained further in Annex 1b, the risk assessed level for 2023/24 is £30.2m. This is equivalent to 5% of the net operating budget of £573.9m agreed by council in February 2023 and equates to around three weeks net expenditure. A review will be undertaken as part of the budget and business planning process to determine the appropriate level of balances for 2023/24.
74. Most of the funding held in reserves is expected to be used for specific agreed purposes to support revenue expenditure or to fund the capital programme. Further detail, including a breakdown of reserves into grant funding that hasn't yet been spent, funding for corporate priorities and risks, and funding for the capital programme, is provided in Annex 1b.

## **Government Announcements**

### Adult Social Care Reform

75. As part of the Autumn Statement 2022 the government confirmed that the national rollout of social care financing reforms would be delayed from October 2023 to October 2025. However, funding for implementation would be maintained within local government to enable local authorities to address adult social care pressures and was allocated through the Social Care Grant.
76. The Next Steps to put People at the Heart of Care was published in April 2023. Further updates on future reforms are awaited.

### Market Sustainability & Improvement Fund

77. In July 2023 the Government announced the allocation of a further £600m of funding which is to be focused on enabling councils to address the staffing crisis in social care, provide more care at home, support carers and meet the challenge of winter pressures.
78. £570m will be distributed directly to councils through the existing Market Sustainability & Improvement Fund, with a focus on social care workforce and improvement.
79. £365m will be allocated in 2023/24, with the remaining £205m in 2024/25. Oxfordshire will receive £3.5m in 2023/24 and this is expected to increase in 2024/25 but confirmation is awaited.
80. The remaining £30m will be allocated to local authorities in the most challenged health systems.

### Waste Packaging (Extended Producer Responsibilities)

81. In July 2023 Defra announced that Extended Producer Responsibility (EPR) for packaging fees would be delayed. This means that payments to local

authorities, which were due to start in October 2024, are now expected to start in October 2025 but further information is awaited.

82. Due to the lack of detail and information currently available it is difficult to predict the long term impact. However, since EPR was expected to help meet the cost to the council of managing packaging waste those costs will continue to need to be met by the council until this is implemented.

#### Transfer of Local Enterprise Partnership (LEP) Functions

83. The Levelling Up White Paper set out that in future the Government expects LEP functions to be exercised by the respective upper tier local authority or authorities. In the Spring Budget the government announced that central government support for LEPs would be withdrawn from April 2024.
84. Decisions, where appropriate, on the transfer of assets need to be agreed by the LEP, its Accountable Body, and respective local authorities by March 2024, though the practical integration and transfer process may extend beyond that date.

### **Approach for 2024/25**

85. The updates set out in this report could have a range of potential impacts. Annex 1d summarises possible changes to funding and sets out optimistic, pessimistic and most likely scenarios for each funding source. It also shows the possible change in funding compared to the assumptions in the current MTFs. The final funding is expected to be a mix of these so scenario planning will be developed to look at different funding combinations.
86. As explained in paragraph 27 planned expenditure budgets were matched to anticipated funding in 2045/25 assuming the maximum council tax increase of 4.99%.
87. While it is possible that business rates funding and council tax surpluses may increase compared to the assumptions in February 2023 it is likely that any additional on-going funding will be required to meet the cost of additional pay inflation.
88. Over the summer directorates were asked to assess the cost of service plans and likely demand/costs, taking into account the on-going impact of pressures in 2023/24, and compare anticipated costs to the planned budget available for 2024/25. As a result of this exercise pressures of £30m - £40m have been identified. Work is continuing to confirm and refine these so detailed pressures and an overview of the approach to savings will be published on 2 November 2023 as part of the agenda for Performance & Corporate Services Overview & Scrutiny Committee on 10 November 2023.
89. An update on funding following the Autumn Statement and proposed budget reductions needed to meet pressures will be published on 29 November 2023 ahead of Performance & Corporate Services Overview and Scrutiny Committee on 8 December 2023.

## **Capital & Investment Strategy**

90. Capital expenditure obtains or improves buildings, vehicles, equipment or other assets owned by the council. The capital programme shows how the Council will use capital expenditure to support the delivery of its priorities. It is split into a firm programme of schemes which have been agreed to progress and a pipeline of future schemes. The firm programme needs to align to the funding available and the agreed level of prudential borrowing.
91. The programme is updated quarterly and fully refreshed as part of the Budget and Business Planning Process to ensure that it remains aligned to the latest priorities, reflects the latest cost projections and timescale for delivery, and incorporates the current funding position.
92. Full Council is required to approve the capital and investment strategy annually to demonstrate that capital expenditure and investment decisions are in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. The capital and investment strategy incorporates the treasury management strategy and the investment strategy and is supplemented by the property strategy and highways asset management plan.
93. The capital pipeline agreed in February 2023 provides funding for schemes which were agreed to support the council's priorities, have an agreed need, a confirmed alignment with the prioritisation framework and a basic mandate. These schemes are subject to further development ahead of being added to the firm capital programme. There is a further pre-pipeline of schemes with no current funding identified. These schemes are at a very the early stage and it is not yet clear if they meet a predicted need and/or align to the prioritisation framework. Updates to the pipeline and pre-pipeline will be considered as part of the Budget & Business Planning process for 2024/25.
94. Proposed changes impacting on 2024/25 and future years will be published on 29 November 2024 as part of the agenda for Performance & Corporate Services Overview & Scrutiny Committee on 8 December 2023.

## **Budget Engagement**

95. The strategic plan makes a commitment to taking decisions in an open and inclusive way.
96. The council's approach to consultation and engagement is explained further in the consultation and engagement Strategy 2022/25. This puts residents at the heart of decision-making and aims to engage with and listen to residents and other partners in a more active and inclusive way.
97. The council's approach to budget engagement for 2024/25 aims to:



- Involve, inform and engage residents, businesses, staff and partners about the financial pressures facing the council and underline our ongoing commitment to delivering against our strategic priorities.
- Enable the council to develop a clear understanding of what is important to local people, their priorities and the challenges facing their communities and to feed that insight into the budget and business planning process.
- Increase understanding of how the council works, the range of services it delivers and what council tax is spent on.

98. This year the budget engagement comprises two phases:

- Phase 1: Representative residents' survey
- Phase 2: Participatory engagement: Online budget simulator

Phase 1: Representative residents' survey

99. A self-completion survey sent to a random sample of households across the county, supplemented by 166 on-street interviews targeted younger adults took place between 23 May and 27 June 2023.

100. The residents' survey form was wide ranging, and the budget section specifically sought peoples' views on the approaches the council could take to reduce costs and generate income – the general principles and building blocks on which the council's budget is shaped and on council tax levels. It also asked residents about the impact of the cost-of-living crisis on their personal finances.

101. In total 1,144 residents aged 18+ took part, delivering statistically representative results to +/- 3 per cent at the 95 per cent level of confidence at a county level. All the survey data has been 'weighted' by local authority area, age and gender in order to be reflective of Oxfordshire's population aged 18+ from the 2021 census profile.

102. 32 per cent of respondents felt their personal financial situation was 'about the same' compared to a year ago, 4 per cent 'felt better off' and 62 per cent 'felt worse off'. In terms of being able to manage their household bills, 26 per cent of respondents said they had 'sometimes struggled' to pay at least one of their household bills over the last 12 months, 11 per cent said they struggled 'most of the time' and 4 per cent said they struggled 'all of the time'.

103. When respondents were asked to state in their own words what they felt the most important issues were facing them, their local area as a place and the people who live in it, by far the most recurrent theme was the state of the county's roads: 'road surfaces in poor repair/dangerous', 'too many potholes', 'poor quality of repairs' mentioned spontaneously by 31 per cent of respondents.

104. Focusing specifically on the county council's budget, respondents were most receptive to the council taking action on the following ideas as ways to make savings and generate income: 'generating additional income by maximising the use of buildings and land the council owns (our assets)' (net agreement +83 per cent), 'reducing costs by using digital technology to deliver services more efficiently' (net agreement +65 per cent), 'reducing the costs of the contracts we use to provide services (net agreement +55 per cent) and reducing staffing costs by redesigning 'using fewer agency staff and/or holding vacancies' (net agreement +47 per cent).
105. By far the least popular of the nine ideas for how the council could make savings and generate income presented were: 'generate additional income by increasing council tax' and 'reduce spending on frontline services' ( net agreement of –40 per cent and –56 per cent respectively).
106. With regards to council tax levels, 34 per cent of respondents agreed the council should consider a 4.99 per cent increase and 39 per cent disagreed. A majority of respondents disagreed that the council should consider a 5.99 per cent increase and 6.99 per cent increase (52 per cent and 60 per cent respectively). Overall, 20 per cent of respondents were willing to agree that the council should consider a 5.99 per cent increase and 16 per cent a 6.99 per increase – both slightly higher proportions than in 2022 (17 per cent and 12 per cent respectively).

#### Phase 2: Budget simulator with supporting outreach activities

107. New for 2024/25 the council is trialling an online budget simulator tool, that puts residents and stakeholders in the driving seat by taking on the role of councillors and weighing up choices and trade-offs for themselves as they seek to set a balanced budget. The simulator will be available from the end of October to early December 2023. The council's digital channels will be used to encourage participation with the budget simulator including targeted, paid-for social media content.
108. Outreach activities are also planned including: three events for secondary school aged children and six events for adults, including engaging people with learning disabilities, military families and communities known to experience inequalities.

### **Budget and Business Planning Timetable**

109. The Budget & Business Planning report to Performance & Corporate Services Overview & Scrutiny Committee on 10 November 2023, that will be published on 2 November 2023, will set out the latest position on pressures and provide a break down of the individual pressures by directorate along with an overview of the anticipated approach to savings.

110. Revenue savings and capital budget proposals, as well as proposed charges for 2024/25, will be published on 29 November 2023, ahead of being considered by the Performance & Corporate Services Overview & Scrutiny Committee on 8 December 2023. This committee will have a further opportunity to comment on the updated proposals in light of any updates to funding received in late December or early January, on 19 January 2024, alongside the outcome of the public consultation.
111. The district councils are required to provide council tax bases, council tax collection surpluses/deficits and business rate forecasts by 31 January 2024. Provisional figures are expected in mid-December 2023. These will be used to inform the budget considered by Cabinet in January 2024.
112. The provisional local government finance settlement, which provides information about the general funding available to the council and any changes to the level of council tax that can be agreed is expected to be announced in late December. The final settlement is likely to be announced in late January/early February 2024. This will confirm the general funding available to the Council for 2024/25.
113. Cabinet will take into consideration the comments from the Performance and Corporate Services Overview and Scrutiny Committee in December 2023 and January 2024, as well as feedback from the public engagement and consultation, alongside the funding available announced as part of the provisional local government settlement, in setting out its proposed budget on 23 January 2024. The capital and investment strategy, including the treasury management strategy, and review of charges will be included as part of the proposed budget.
114. The Council meeting to agree the 2024/25 revenue budget, medium term financial plan and capital programme will take place on 20 February 2024. The council is legally required to share the county council precept with the district councils by 1 March 2024.
115. A timetable for the budget and business planning process is attached at Annex 2.

## **Staff implications**

116. There are no staffing implications arising directly from the report. Further information will be shared through the budget and business planning process.

## **Climate implications**

117. Climate Action is a policy priority for Oxfordshire County Council. The council will publish commentary on the potential climate implications of changes to service and capital delivery arising through the budget planning process.

## **Equality and inclusion implications**

118. There are no equality and inclusion implications arising directly from this report. A high level assessment of the broad impact of the revenue budget proposals will be included as part of the published information in November 2023. More detailed impact assessments, which will take account of feedback from the public consultation and from scrutiny, will accompany Cabinet's proposed budget in January 2024.

## **Risk management**

119. Risks and opportunities to the council and levels of reserves and balances will be considered as part of the budget and business planning process.

## **Financial implications**

120. The Council is required by law to set a balanced budget for 2024/25 before 1 March 2024. Alongside this, there is a requirement under Section 25 of the Local Government Finance Act 2003 for the Chief Finance Officer to prepare a statement on the robustness of the budget estimates and the adequacy of reserves. This report is the first stage in the process to achieve these objectives.

Comments checked by:

Lorna Baxter,  
Director of Finance

## **Legal implications**

121. 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 2024, will lead to the council tax requirement being agreed in February 2024, together with a budget for 2024/25, two-year medium term financial strategy (2025/26 and 2026/27) and ten - year capital programme.

122. The Council has a fiduciary duty to Council Tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of the Council Tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.

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