

Section 2

Leader of the Council's Overview

Budget 2023/24: Leader's Report

1. The Cabinet is proposing a positive budget for Oxfordshire that supports the priorities of this council and reflects the feedback we have heard from our residents. We know that households across Oxfordshire face particular financial challenges this year. For many, this makes the services we provide even more important. In the face of political and economic uncertainty, we have had to make some difficult choices. We are committing funds to protect frontline services and ensure that the most vulnerable members of our communities continue to receive essential support. The proposals we are putting forward will help put our finances on a strong and stable footing in the face of future challenges.

An exceptionally volatile context

2. This year's budget has been set amid unprecedented political and economic volatility. Households across Oxfordshire are facing cost of living pressures that put great strain on their lives, relationships and wellbeing. Residents face an inflation rate above 10 per cent for the first time in 40 years. The services the Council provides are equally challenged to maintain high quality while facing steep price increases and elevated demand. We pay tribute to the many Council officers who have gone above and beyond over the last year to continue to serve Oxfordshire's residents in the face of these challenges.
3. The last five months have also seen considerable political volatility in the UK. The September "mini"-budget triggered an unprecedented 1.5 per cent spike in UK interest rates, generated huge additional borrowing for the UK and cost one Prime Minister and her Chancellor their jobs. The next Chancellor (the fourth in 2023) was forced to make a series of U-turns in his November autumn statement. Many aspects of this affect Oxfordshire and other local authorities. In particular, the decision by the third Prime Minister of this Parliament to postpone the social care reforms that the first Prime Minister had announced in September 2021, has generated significant uncertainty for the sector.
4. Against this challenging backdrop, the Oxfordshire Fair Deal Alliance remains committed to its vision to work in partnership to make our county greener, fairer and healthier. Our priorities are to tackle inequality and support the most vulnerable residents in Oxfordshire by investing in frontline services, to take action to address climate change and to put our finances on a stable footing for challenges ahead. We have listened carefully to the feedback from our extensive public engagement and consultation on the budget, and the views of Oxfordshire residents are reflected in our proposals. We are proposing a balanced budget not just for 2023/24 but also for 2024/25.

The legacy of COVID

5. The shadow of the pandemic is still cast over lives in Oxfordshire. For households and individuals in our county, there are persistent consequences of COVID. Many of our public health activities were suspended or disrupted

due to the pandemic. We are investing this year in catch-up activity to ensure NHS checks and other services get back on track so as to prevent more serious illness in Oxford residents. The number of children and young people in our county presenting with mental health issues continues to rise at a worrying rate. The strain placed on social care and health services by the pandemic is clear and the lack of resilience (due to government underfunding) going into the pandemic has exacerbated the long-term effect of these pressures.

6. COVID also continues to play its part in the UK's macroeconomic situation. Due to the costs of responding to the pandemic, including through financial support to individuals and firms, government debt has increased substantially, causing government to seek significant savings in public expenditure, especially from 2025/26 onwards. We need to prepare our finances to cope with this reduction in funding. Globally, the effects of COVID on economic activity in China has had a major effect on global supply chains, contributing to inflationary pressures that have been significantly exacerbated by Russia's illegal invasion of Ukraine.
7. These factors – micro and macro – impact on the council's budget. The health impacts of COVID show up in increased demand and complexity in social care. The economic impacts are felt across the council's activities as we seek to balance our budget in a highly inflationary environment.

Major structural challenges

8. COVID's effects are one of many factors presenting long-term challenges to the effective delivery of adult social care. Oxfordshire's residents are living longer and the population is ageing. This good news leads to considerable additional cost pressures. The county council has developed "The Oxfordshire Way" as an approach that seeks to intervene early, identify the needs of residents and provide suitable help that allows those in need of care to stay in their homes for longer, rather than moving into more expensive, long-term residential care when this is not the wish of the individual or their family. This approach has helped to limit cost pressures but it cannot contain them entirely.
9. The pressures are also very acute in the provision of care to children and young people and in education services for pupils with special educational needs and disabilities (SEND). Demand for the county council's services that support children and young people has risen significantly since the pandemic. For example, the number of children we care for increased from 723 in April 2020 to 849 in August 2022. Partly as a result, throughout 2022/23, we have seen the budget for children's services under acute pressure with the Business Management and Monitoring report for November setting out a forecast overspend of £15.3million in the current financial year.
10. Children's services has put in place a series of interventions to seek to manage the demand we are facing. These include measures to recruit and retain more social workers, reviewing all high cost placements, acting to

strengthen the brokerage function which allocates new placements and working to ensure that opportunities for children to return home, when this is in the best interests of the child, are maximised. However, we still see significant and sustained pressures that the council will need to respond to in future years.

11. At the same time, the cost of provision for children and young people with SEND continues to exceed the funding provided by government. This comes through a ring-fenced allocation in the High Needs Block. Local authorities across the country face a crisis in this area, with the estimated accumulated deficit now expected to be £3.6 billion by March 2025. In Oxfordshire, we estimate that the underfunding in 2022/23 will total £17.5 million and that this will rise to £20.6 million in 2023/24. We are working with the Department for Education under their 'delivering better value' programme to look at ways to reduce this cost. But the fact that we are one of 55 councils taking part in this programme and that a further group have been identified as having even greater problems indicates that this is a nationwide problem that requires a national government response. On current projections, our accumulated deficit would reach £121.5 million by 2025/26. This money will have been spent from reserves, depleting these to just £20.1 million. We currently have a dispensation from government to spend reserves earmarked for other purposes for SEND costs, but when this is removed in 2026, we will face a ruinous financial bill.
12. On 9 November, I wrote to the Chancellor, urging him to ensure that local government was adequately funded through his autumn statement. My letter was received alongside those from many other local authorities under the leadership of different political parties. The Conservative leaders of Kent and Hampshire county councils also wrote ahead of the autumn statement to say that "without a fundamental change either in the way in which [adults' and children's] services are funded, or in our statutory obligations, all of upper-tier local government will soon go over the cliff edge". This highlights the fundamental long-term challenge that demand and complexity is increasing in our core services at a rate that exceeds even inflation.

Our initial proposals

13. In November, we presented budget proposals that sought to steer the council's finances through these difficult challenges. We identified that, to make the budget balance for 2023/24, we needed to make £44 million of savings. In the proposals we put forward, we had identified £35 million and we sought the views of residents on these proposals and on how they thought we could make further savings, or raise further income, to close the remaining gap.

The Autumn Statement

14. In order to meet the budget timetable, we had to publish our budget proposals the day after the Chancellor's autumn statement and it was therefore not possible to take account of it in the proposals. The autumn statement

indicated significant changes that were subsequently confirmed in the provisional Local Government Funding Settlement, published on 19 December.

15. Most significantly, government decided to pause the reforms to adult social care that had been announced by the first Prime Minister of this Parliament on 7 September 2021. Boris Johnson said then that it was time for an end to “dither and delay” and that his social care reforms would “fix health and social care”. On 17 November 2022, Chancellor Jeremy Hunt scrapped these plans for at least two years. That has a very significant impact on all county councils – and especially for Oxfordshire, which had volunteered to be a trailblazer for the new reforms.
16. The Autumn Statement set out that an additional £2.8 billion would be made available to local government to fund social care in 2023/24. The breakdown of this funding included £1.3 billion diverted from funds to pay for reform, £0.8 billion of new funding from the Treasury and £0.7 billion from local authorities raising Council Tax by a further 2 per cent. The government has made it quite clear that to meet demand, local authorities like Oxfordshire will have to match its increased funding with funding raised locally through council tax.
17. The Autumn Statement – and the forecast from the Office for Budget Responsibility (OBR) – also included other elements which significantly affected our budget proposals. The OBR’s forecast rate of consumer price inflation for 2023/24 was raised to 7.4 per cent (after an annualised figure of 9.1 per cent for 2022/23), with immediate implications for a range of costs. The government signalled a very significant cut to funding from 2025/26.

The Provisional Local Government Financial Settlement

18. The Local Government Financial Settlement contained some further elements which have changed our budgetary position. Our budget proposals in November made cautious assumptions about government grants, based on previous statements by ministers. In the settlement, we received £15.8 million in grants and business rates allocations that we not previously budgeted for. The districts and city advised a £1.1 million increase in funding relating to growth in the council tax base. The settlement also confirmed Oxfordshire’s share of social care grant funding as £11.3 million.

Pressures have continued to rise

19. Since the budget proposals were published in November 2022, costs and demand pressures facing our services have continued to rise. These partly reflect increased costs of fuel and energy for services like home to school transport and the council’s property costs. They also reflect sustained growth in demand and complexity, particularly in social care. They are also impacted by policy changes. In adults’ social care for example, the government’s proposed and now paused reforms have increased costs in preparation for a

new regime of CQC inspections and created uncertainty in the market due to the fair cost of care exercise.

A budget for this year and for the years ahead

20. We can only maintain these critical services in future years if we carefully manage the county's finances. That's why we are proposing a balanced budget not only for 2023/24 but also for 2024/25. This matters because, based on the latest fiscal estimates from government, we may face significant cuts to our budgets from 2025/26. We need to put our finances in good order not just for the coming year but for the years ahead. As every household knows, inflation is cumulative and corrosive of spending power. Unless we address the huge increase in inflation in 2022/23 **and** the forecast for 2023/24 in our in the 2023/24 budget, we erode our ability to deliver frontline services. Unless we secure our finances by making responsible decisions – for example in setting council tax, or in our estimates of inflation or in maintaining a contingency – we put our services at risk. We have looked hard at where we could make savings and have identified £30million across our activities for 2023/24.
21. We have thought very hard about the ^{DRAFT} Council Tax increase for 2023/24. In our consultation on the budget, opinion was split on a 4.99 per cent increase to protect adult social care and other services. At the same time, respondents were very clear that they did not want to see reduced spending on frontline services. We appreciate that any increase at this tough time for households will be hard. At the same time, we know that not funding vital services would have a huge negative impact on some of our most vulnerable residents. We are therefore proposing to accept the government's recommendation while investing to make sure that we protect the lowest income households from the impact of this increase. We have set aside £2.3m to provide council tax relief and support and officers are working closely with the districts and the city to design this approach.
22. For Oxfordshire, a 4.99 per cent increase will add £82.42 a year to a Band D property, or about £1.59 a week. This increase by 2 per cent on our original proposal of 2.99 per cent will raise £8.9m to invest in social care. We are very mindful of the impact that an increase in Council Tax will have on all households. To put this in context, this increase is less than half the current inflation level. Since 2015, Oxfordshire has seen increases at or above inflation in every year. And, while this is a high figure which we would prefer not to be charging, it is not as high as the inflation-busting 5.99 per cent increase that the previous Conservative administration introduced in 2018, when inflation was less than 3 per cent.
23. Since we were elected in 2021, the Oxfordshire Fair Deal Alliance has taken a prudent and responsible approach to the management of the county's finances. In 2021, we adopted a new procurement and contract management strategy to address shortcomings that had been identified in this key area under the previous administration and to protect the council's finances. The previous administration also signed this county up to a series of large capital

projects which received government grants but left the county council entirely exposed to the risk of price rises. We are still dealing with the legacy of those shortcomings as we seek to manage the capital portfolio. In 2022, we instituted a new governance framework for capital projects so that there is tighter control over capital bids to government and greater oversight of the cost and programme management of major projects.

24. In 2022/23, inflationary pressures have had devastating effects on a number of councils in England, with many making cuts to their services to balance the books. There have been others like Thurrock that have received a section 114 “bankruptcy” notice in the last year as a result of financial mismanagement. Thanks to prudent decisions taken by our administration in the 2022/23 budget, Oxfordshire has had protection to help weather the inflationary storm. We have been able to make use of our contingency and our balances and reserves to avoid in-year cuts to services. We do, however, need to rebuild these protections: for 2023/24 and beyond. That is why this budget includes a new, increased contingency for 2023/4 and restores our balances to the risk-adjusted level advised by the council’s finance director.

We have been listening to residents

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25. We set out in August to conduct a representative survey to gain an insight into the priorities of our residents. In October, we conducted a series of online Oxfordshire Conversation events and held a further, in-person event with children and young people. Finally, in November and December, we consulted for a month on our initial budget proposals. The feedback and input we received in these engagements has influenced our final budget proposals.

Key investments in the areas residents care about

26. The investments in this budget reflect the extensive programme of consultation and engagement ahead of this budget and have delivered a number of changes in response to that feedback.
27. Respondents said that the health and wellbeing of residents is the most important strategic priority to them and that they wanted to protect spending on frontline services. So we have increased investment in social care:
- a. £13.1million for children’s social care, including a specific investment of £0.5million to tackle waiting times for Education, Health and Care Plan (EHCP) assessments for pupils with Special Educational Needs and Disabilities (SEND) and an additional one-off investment from reserves of £0.5million to kick-start the development of community hubs
 - b. £14.0million for adults’ social care, including £4.4m to deal with increases in demand and complexity and the consequences of the paused reforms.
28. Concerns about the availability of public transport options and the maintenance of the highway dominated our Oxfordshire conversations. So we are putting £2.2million into supporting community public transport and

investing £0.5million to continue the popular combined-ticket offer for Park & Ride that means it costs only £5 for a family of five to park and get a return bus ticket to the city centre.

29. Our core highway maintenance budget remains under real pressure. Each year, the grant funding we receive from government is significantly less than the amount required to maintain the existing network. Through this budget, we are making an additional £1m investment in pavements, cycleways and highways.
30. Respondents said they opposed some savings in the consultation so we have:
 - a. Restored the future funding of £2.3million for highway maintenance
 - b. Restored the £0.8million for the fire and rescue reserve
 - c. Provided additional funding of £0.2million for library services
31. We also know that the home to school transport scheme faces considerable pressure due to rising fuel costs and shortages of skilled drivers, which increases staff costs. In this budget we are investing £2.2m in this service. We are also investing £0.3m to help parents and pupils with safe, sustainable independent travel options for children and young people: helping them to walk and cycle to school, with benefits for their health and the environment. We know that there remain challenges within the system: for example in the spare seats policy adopted by the previous administration. That is why we established a cross-party working group to look at the provision of home to school transport. We are looking forward to receiving its report shortly and have earmarked funds in our budget priority reserve to support any transitional recommendations it makes.
32. Respondents said they wanted us to maximise the return on the assets we own. Rather than cutting our investment we are maintaining our prudential capital borrowing by £20million in part so that we can make more investments that will help us save money in future. An example is the proposal to invest £8million for the Expansion of Oxfordshire Special School Capacity. This will reduce journey times for children and young people and reduce the costs to the county in future. We also intend to invest up to £11million in implementing our city centre property strategy, with the prospect of releasing significantly more than this amount in new capital as a result.

The Capital Programme

33. The previous Conservative administration committed this council to future capital schemes for which the council bore the inflationary risk. With inflation above 10 per cent for consumer prices and higher for many construction materials and services, this has placed considerable pressure on our capital budget. Our strengthened approach to capital governance includes a more rigorous process of prioritisation. All projects in the firm capital pipeline need to contribute to one of our capital priorities: to deliver our minimum statutory duties relating to health and safety and to schools; to generate revenue savings (“invest-to-save”); or to contribute to our climate change and active

travel priorities. Through the regular quarterly capital programme update, cabinet and scrutiny will have the opportunity to review the outturn and priorities of the programme.

34. In this budget, we are proposing two firm changes to the capital programme: £1.2million to support new children's homes (an "invest-to-save" measure) and £0.7million for statutory health and safety works at the Redbridge Waste Recycling Centre.
35. We are also proposing that £3m from the budget priority reserve is allocated to investments to tackle climate change. Last summer saw record-breaking heat across England. We know that tree cover is a key part of providing future resilience in the face of rising temperatures. Shade will reduce temperatures on the ground, benefiting people and infrastructure. This is in addition to the role trees play in absorbing carbon. Yet between 2015 and 2022, the council has cut down nearly 4,000 trees on land adjacent to our highways and planted just 33. Over the next three years, we will work in close cooperation with city, district and parish councils to implement a new tree-planting strategy that ensures that, for every tree removed, two more are planted. We will look at other climate measures that will help the county mitigate the climate impacts of our activity adapt for a future with more extreme weather conditions. We are, for example, investing £0.6m to address severe flooding issues, improve drainage and build community resilience to flooding.

The years ahead

36. The next year is going to be a very challenging one for households across the county and for our residents. Through this budget, we are committed to investing in the frontline services that are so important to our most vulnerable residents. To do so, we are proposing an increase in council tax that the government has required of us, but we are also putting measures in place to protect the lowest income households from this change. We are grateful to all the residents who have contributed to our consultations and the budget reflects their feedback. We are investing in the priorities that they identified. We are committed to the efficient use of all council resources this year and in the future and we have put in place measures to make sure that our finances are sound and we can prepare for challenging times ahead.

Councillor Liz Leffman,
Leader, Oxfordshire County Council
February 2023