

CABINET – 23 MAY 2023

FINANCIAL MONITORING REPORT April 2023

Report by the Director of Finance

RECOMMENDATION

1. **The Cabinet is RECOMMENDED to**
 - a) agree the virements in Annex 1a and supplementary estimate request in Annex 1c and note the virements in Annex 1b.
 - b) note the additional one-off funding of £5.0m in 2023/24, notified since the budget was agreed by Council on 14 February 2023.
 - c) noting the inflation and demand pressures contributing to the forecast overspend of £14.4m set out in the Business Management & Monitoring Report to Cabinet in March 2023, agree to top up general balances to the 2023/24 risk assessed level of £30.2m depending on the year end position for 2022/23.
 - d) agree to transfer the remaining additional funding expected for 2023/24 to the corporate contingency budget.
 - e) agree the update to High Needs DSG budgets following the Education and Skills Funding Agency's approval of the transfer of £2.3m funding from the Schools Block to High Needs.

Executive Summary

2. The budget for 2023/24 and Medium Term Financial Strategy to 2025/26 was agreed by Council on 14 February 2023. £57m new funding to meet inflationary and demand pressures is included as part of the budget for 2023/24 along with £30.0m budget reductions. While the budget for 2024/25 is currently balanced to the anticipated funding, there are on-going risks around pay and other inflation. Looking further ahead there is a budget deficit of £6.8m in 2025/26 that will need to be managed in the context of reductions to funding announced in the Government's Autumn Statement.
3. The report to Council noted that where estimates had been made in relation to funding for 2023/24 due to confirmation of sums not being available, for example the Public Health Grant and Business Rates forecasts, any variations from the estimates would be reported through the Business Management and Monitoring Reports for 2023/24.
4. This report sets out updates to funding notified since the budget was agreed as well as other changes and risks which will need to be managed in 2023/24 and in the context of the Medium Term Financial Strategy.

Introduction

5. This is the first financial monitoring update for the 2023/24 financial year. The report sets out updates to funding and the anticipated impact of inflation notified since the budget was agreed as well as risks that will need to be managed during the year.
6. It also includes an update on funding for the Early Intervention programme which is part of the 2023/24 budget for High Needs.
7. Annexes are attached as follows:

Annex 1a	Virements to approve
Annex 1b	Virements to note
Annex 1c	Supplementary Estimate request

Funding Updates

Council Tax Collection Fund Surplus

8. £14.1m one – off council tax surpluses notified by the district councils in late 2022 has been built into the agreed budget for 2023/24. Further updates received after the budget was published increased the total surplus by £0.9m to £15.0m.

Business Rates and Business Rate Collection Fund Surplus

9. The agreed budget for 2023/24 includes estimated Business Rates funding of £93.1m. The total is made up of estimated funding of £36.0m relating to the business rates local share, £42.7m Business Rates Top – Up grant and £14.4m estimated grant funding to offset the impact of business rates reliefs and indexation.
10. The actual funding for 2023/24 and surplus for 2022/23 notified by the district councils and the Department for Levelling Up, Housing and Communities (DLUHC) since the budget was agreed is as follows:

	Agreed Budget for 2023/24 £m	Updated £m	Change £m
Business Rates Local Share	36.0	36.0	0.0
Business Rates Top-Up Grant	42.7	40.0	-2.7
Section 31 Business Rates Reliefs	14.4	19.1	4.7
Collection Fund Surplus (+) /Deficit (-) for 2022/23	0.0	2.1	2.1
Total	93.1	97.2	4.1

11. The reduction in the Top-Up grant reflects the impact of the 2023 revaluation adjustment made by the government. This adjustment is intended to neutralise, as far as practicable, the effects of the revaluation.

12. Section 31 Business Rates reliefs are higher than estimated as they include £4.3m funding for business rates income lost as a result of Business Rates Leisure & Hospitality reliefs for 2023/24 which were announced in the Autumn Statement. It was not possible to estimate the effect of these reliefs or the collection fund surplus until the districts provided updates early in 2023.
13. The total of additional one-off council tax surplus and business rates funding is £5.0m.

General Balances & Contingency

14. The Business Management & Monitoring Report to Cabinet on 21 March 2023 set out that the forecast overspend of £14.4m, which reflects inflationary and demand pressures during the year, had increased by £1.8m compared to the position assumed when the budget was agreed. The final overspend for the year will need to be met from the council's balances.
15. The budget for 2023/24 includes a £6.8m contribution to top up balances to the £30.2m risk assessed level for 2023/24 after taking account of an assumed overspend of £12.6m. If the final variation is higher than that a further contribution will be required to top balances up to the risk assessed level for 2023/24.
16. It is proposed that the balance after taking into account the sum required to top – up balances to the risk assessed level for 2023/24 is added to the corporate contingency budget. This will be used to help to mitigate risks in 2023/24 or to support the council's Medium Term Financial Strategy.

Government Grant Updates

Public Health Grant

17. The Public Health ringfenced grant for 2023/24 was announced on 15 March 2023. Nationally funding has increased by 3.3% compared to 2022/23. Oxfordshire will receive £33.6m for 2023/24. This is £1.0m higher than the estimated grant funding included in the budget agreed in February 2023 which assumed the grant continued at the same level as in 2022/23 ahead of notification of the 2023/24 grant. Annex 1b includes virements to increase both the grant and expenditure budgets to match the grant notified.

Substance Misuse Treatment & Recovery Grant

18. £0.6m un-ringfenced grant funding for activity related to substance misuse treatment and recovery was notified in early 2023. Annex 1a includes a request to approve a virement to add the equivalent expenditure budget to Public Health.

Household Support Fund

19. The Autumn Statement confirmed that the Household Support Fund would continue for a further 12 months.
20. £842m has been made available to County Councils and Unitary Authorities in England to support those most in need and to help with global inflationary challenges and the significantly rising cost of living via the Household Support Fund.

21. The council's share was confirmed as £6.7m in late February 2023. The use of this funding, which has been added to the budget, was agreed by [Cabinet](#) in March 2023.

Extended Rights for Home to School Travel Grant

22. Confirmation of £0.809m un-ringfenced grant funding to support home to school travel was received in late February 2023. Annex 1a includes a request to approve a virement to add the £0.531m increase in the expenditure budget compared to the £0.278m assumed in the agreed budget to Children's Services. As noted in the Business Management & Monitoring Report to Cabinet in March, home to school transport continues to be a high risk area in terms of budget variance and is contributing to the forecast overspend for Children's Services in 2022/23. The expectation is that this funding will need to be used to support on-going risks and pressures in 2023/24.

Inflation

Pay Inflation

23. The agreed budget includes funding for an estimated pay award equivalent to 4.5%.
24. 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.
25. 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.
26. After taking account of the number of staff on different pay points the pay offer equates to an overall estimated increase equivalent to 5.5%, 1.0% more than budgeted at a cost of £2.7m per annum. All three unions have rejected this offer. UNISON has announced a ballot for industrial action, whilst GMB and Unite members will be consulted on the basis of a recommendation that the offer be rejected. An increase to the existing offer equivalent to 1% overall is estimated to cost around £2.6m on-going and would need to be met from contingency.
27. The National Joint Council for Local Authority Fire and Rescue Services has agreed an increase of 5.0% to firefighter pay effective from 1 July 2023. The additional unbudgeted 0.5% will be met from contingency at an estimated cost of £0.2m per annum.

Forecast Inflation

28. The Government's Autumn Statement set out that the OBR forecast for CPI inflation in 2023/24 was 7.4%. The OBR forecast for 2023/24 reduced to 6.1% in the Budget

Statement but this is not expected to have a significant impact on costs incurred by the council during the year.

Budget Management in 2023/24

29. The budget for 2023/24 includes £38m new funding for inflation as well as £19m for demand and other pressures. Taking account of both planned and new changes the budget for Children's Services has increased by £18.5m, and Adult Services by £14.0m compared to 2022/23.
30. As noted in the Business Management & Monitoring Reports action is continuing to be taken to manage demand for Children's Social Care and Adult Services are continuing to work with partners to support people to live well in their community, remaining fit and healthy for as long as possible. This action, combined with the increase in the budget should help to ensure that expenditure can be managed within the available funding in 2023/24. The intention is that the increase to corporate contingency will also help to mitigate risks.
31. As well as increases for inflation and demand new budget reductions of £30.0m are also built into budgets for 2023/24. The last monitoring report to Cabinet in March noted that 67% of savings built into 2022/23 budgets were expected to be achieved or assessed as amber. The final position will be set out in the report to Cabinet on 20 June 2023. It is really important that both existing planned savings and new budget reductions are achieved in 2023/24 so these will need to be monitored closely as the year progresses.

Dedicated Schools Grant (DSG): Funding for High Needs

32. On 24 January 2023 Cabinet were asked to support an investment to support Early Intervention in Special Educational Needs and Disabilities (SEND) to help families and children and to consider two options a) that the requested £2.3m transfer from the DSG schools block could be used to fund SEND Early Intervention or b) that if the transfer request were unsuccessful, that cabinet would agree increasing the High Needs Block deficit by £2.3m in order to implement the Early Intervention programme.
33. The disapplication request was approved by the Education and Skills Funding Agency in February 2023 so this funding will be used to support the planned expenditure on Early Intervention in 2023/24.
34. Since we did not yet have the outcome of the request for a disapplication in January 2023 the High Needs Block deficit was reported to be £20.6m for 2023/24 as a contingency for the transfer request being declined. As the transfer request was approved, this contingency can be removed and the budgeted deficit can be recorded as £18.3m.
35. The £2.3m will be treated as ringfenced funding for Early Intervention along with the £1.0m grant funding from the Department for Education following the successful Delivering Better Value grant application to implement year 1 of the Early Intervention Programme for Children and Young People with SEND.

36. Updates on the forecast deficit will be included in the Business Management & Monitoring Reports for 2023/24.

Virements & Supplementary Estimate

37. Annex 1a sets out proposed virements to add funding relating to un-ringfenced grants to Public Health and Children's Services.

38. Annex 1c sets out a proposed supplementary estimate for £0.180m to fund staffing costs needed to support development of the One - Fleet approach to the council's vehicles.

Financial Implications

39. This report includes an update on the budget agreed by Council in February 2023 and sets out both increases to funding and expenditure. The on-going impact of the 2023/24 pay award will need to be considered through the Budget & Business Planning Process for 2024/25. Strong financial management and oversight will be required to ensure that services are managed within budgets for 2023/24.

Comments checked by: Lorna Baxter, Director of Finance

Legal Implications

40. The Council's constitution at Part 3.2 (Budget and Policy Framework) sets out the obligations and responsibilities of both the Cabinet and the Full Council in approving, adopting and implementing the council's budget and policy framework.

41. The Council has a fiduciary duty to council taxpayers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers. The report sets out the updated finance position for the Council as part of its fiduciary duty to implement budgetary controls and monitoring.

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