

Division(s): N/A

**ITEM CAx**  
**CABINET – 21 November 2023**

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

**Report by the Executive Director of Resources & Section 151 Officer**

**RECOMMENDATION**

1. The cabinet is **RECOMMENDED** to:
  - a) **endorse the report and note the directorate pressures that will need to be considered as part of the Budget & Business Planning Process.**
  - b) **endorse the approach to savings that will be developed further through the Budget & Business Planning Process.**

**Executive Summary**

2. This report sets out budget pressures and the Cabinet's proposed approach to savings for the period 2024/25 to 2026/27.
3. The following annex is attached to this report:

Annex 1 – directorate revenue budget pressures 2024/25 – 2026/27

**Introduction**

4. The Budget and Business Planning report to Cabinet on 17 October 2023 set out background to the council's existing Medium Term Financial Strategy (MTFS) as well as a proposing the Budget and Business Planning process which will continue through the winter.
5. The report, which is available on the Cabinet agenda through the following link to the meeting, [Agenda for Cabinet on Tuesday, 17 October 2023](https://www.oxfordshire.gov.uk/agenda-for-cabinet-on-tuesday-17-october-2023) (www.oxfordshire.gov.uk), includes on-going budget changes already agreed for 2024/25 – 2025/26 as well as the funding and other assumptions behind the existing plans. It also includes information about how the council intends to seek feedback through budget engagement and consultation and a timetable for the 2024/25 process.
6. Following the Autumn Statement which is expected to be announced on 22 November 2023, it is anticipated that the Government will announce individual local authority funding allocations in late December 2023 as part of the Provisional Local Government Finance Settlement. Information from the

district councils about council tax and business rates funding will also be confirmed later in the process.

7. Comments from Performance & Corporate Services Overview & Scrutiny Committee will be shared with Cabinet in January 2024, along with the outcome of the public consultation and engagement. This feedback will be taken into consideration by Cabinet in setting out their proposed revenue budget for 2024/25 and Medium Term Financial Strategy (MTFS) to 2026/27.
8. In determining the final budget proposals to be included in the proposed budget for 2024/25 Cabinet will also consider the outcome of the Provisional Local Government Finance Settlement and other resources available through Council Tax and Business Rates notified by the district councils.

## **New Budget Proposals: Directorate Pressures for 2024/25 - 2026/27**

### **Background**

9. The Business Management & Monitoring Report elsewhere on the Cabinet agenda sets out that as at the end of September 2023 directorates are forecasting an overspend of £13.6m (2.4%) in 2023/24. Within that total the on-going impact of underlying pressures in Children's Services remains a significant challenge. After taking account of additional interest on balances and the use of funding held in contingency and the COVID-19 reserve, the overall forecast expenditure would be £4.2m higher than the budget.
10. The report to Cabinet in October 2023 explains that planned directorate expenditure budgets were matched to anticipated funding in 2045/25 assuming the maximum council tax increase of 4.99% and estimated changes to grant funding.
11. The net council funded budget for each directorate and changes that are already planned to create the budget for 2024/25 based on the current MTFS agreed in February 2023 are summarised in Table 1 below. The changes agreed as part of the 2024/25 Budget & Business Planning Process, including the pressures set out below, will be added to this starting point.

Table 1: Indicative Budgets and Changes in MTFS agreed in February 2023

	2023/24 Budget <sup>1</sup>	Add Planned Changes in current MTFS	Indicative Budget 2024/25	Change in Budget
	£m	£m	£m	%
Adult Services	229.5	21.0	250.5	9%
Children's Services	172.2	9.1	181.3	5%
Environment & Place	76.0	0.1	76.1	0%
Public Health & Community Safety	31.9	0.7	32.6	2%
Resources	72.5	-3.5	69.0	-5%
Inflation to allocate		2.9	2.9	
<b>Directorate Total</b>	<b>582.1</b>	<b>30.2</b>	<b>612.3</b>	<b>5%</b>

12. 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 activity and pressures in 2023/24 and anticipated changes to inflation, and compare anticipated costs to the planned budget available for 2024/25. As a result of this exercise directorates have identified pressures of £24.5m. These increase by a further £5.3m in 2025/26. An indicative budget for 2026/27 will be created as part of the Budget & Business Planning process.

### Proposed Budget Pressures

13. The detailed changes making up the proposed increases for each directorate are included in Annex 1 and summarised in Table 2. 2026/27 is a new year that will be added to the Medium Term Financial Strategy as part of the Budget & Business Planning Process.

Table 2: Proposed Budget Pressures

Directorate	2024/25 £m	2025/26 £m	2026/27 (New Year) £m	Total £m
Adult Services	4.2	1.2	12.1	17.5
Children's Services	14.6	3.5	-1.0	17.0
Environment & Place	3.5	0.2	-0.6	3.1
Public Health & Community Safety	0.3	0.3	0.0	0.6
Resources & Law & Governance	1.9	0.1	0.0	2.0
<b>Directorate Total</b>	<b>24.5</b>	<b>5.3</b>	<b>10.5</b>	<b>40.3</b>
Pay Inflation	2.4			2.4
Contingency	4.0			4.0
<b>Total Pressures</b>	<b>30.9</b>	<b>5.3</b>	<b>10.5</b>	<b>46.7</b>

<sup>1</sup> Includes the impact of the proposed virements relating to the 2023/24 pay award that are included in the Business Management & Monitoring Report to the end of September 2023.

14. In addition to the directorate increases set out above pay inflation will also impact on directorate budgets. Based on the anticipated increase in the National Living Wage from 1 April 2024 it is unlikely that the 2.5% increase assumed in the existing plan will be sufficient so funding to increase the assumed increase in pay inflation to at least 4.0% will need to be added to the budget for 2024/25. The estimated pressure of £2.4m after taking account of £2.1m funding for inflation from 2024/25 will also need to be funded along with a requirement to top – up the contingency budget held for risk by at least £4.0m.

#### Adult Services

15. The inflationary effect of the increase in the National Living Wage from April 2024 and the Consumer Price Index, which remains higher than anticipated when the budget was set, is estimated to be £2.3m higher than the existing funding built into the budget for 2024/25. The actual increase in the National Living Wage is expected to be announced by the government in late 2023.
16. The recent Census also confirms Oxfordshire has a growing and ageing population, which will continue to increase demand on services. £1.5m additional funding is proposed to be added to the budget to reflect additional demographic and demand pressure.

#### Children's Services

17. Pressures for different elements of the services within the directorate are summarised in the table below.

	2024/25 £m	2025/26 £m	2026/27 (New Year) £m	Total £m
Education	1.5	0.0	0.0	1.5
Home to School Transport	3.4	0.4	2.5	6.3
Social Care: On-going impact of 2023/24 demand and inflation pressures	8.2	2.3	-4.2	6.3
New service investments	1.5	0.8	0.7	3.0
<b>Total</b>	<b>14.6</b>	<b>3.5</b>	<b>-1.0</b>	<b>17.0</b>

18. Pressures for Education include £1.0m on-going funding for additional capacity in the Special Educational Needs and Disabilities service. A further £0.4m on-going funding is needed to support school improvement and replace grant funding which is expected to end. Funding of £0.1m will be used to support the implementation of the Education Commission recommendations.
19. Home to School transport is forecast to overspend by £2.8m in 2023/24. This has arisen from higher activity for Special Educational Needs and Post 16 transport than was budgeted for and the impact of rolling annual tenders for bus routes and the impact of a local contractor entering administration during the year. The on-going impact is estimated to be a pressure of £2.8m from 2024/25

with a further increase of £0.6m relating to anticipated growth in the number of pupils with Education Health & Care Plans and price increases.

20. The on-going impact of demand and inflation pressures continuing from 2023/24 is estimated to be £8.2m in 2024/25. This increases by a further £2.3m in 2025/26 and is then expected to reduce as a result of the actions being undertaken to manage demand over the medium term.
21. Changes to future pressures relating to the Dedicated Schools Grant for High Needs will be shared later in the Budget & Business Planning process.

#### Environment & Place

22. As noted in the Business Management & Monitoring Report to Cabinet in September 2023, the cost of disposing of Persistent Organic Pollutants is higher than the £0.2m estimated cost built into the budget from 2023/24 and there is an on-going additional pressure of £0.2m. Other waste pressures relating to unsorted waste and site repairs are estimated at £0.6m and there are also further pressures of £0.5m within Environment & Circular Economy.
23. Within Transport & Infrastructure there are £0.7m pressures associated with policy development for area travel plans, Heavy Goods Vehicle (HGV) studies and the development of a multi modal transport model.
24. There is also a proposed one – off pressure of £0.2m in 2024/25 to develop a sustainable travel to school strategy.

#### Public Health & Community Safety

25. Public Health activity will continue to be managed within the ring-fenced grant funding.
26. An additional £0.3m funding towards the cost of replacing Oxfordshire Fire & Rescue vehicles, which increases to £0.6m on-going from 2025/26, is proposed to be added to the existing annual revenue contribution of £0.8m.

#### Resources and Law & Governance

27. Following agreement by Council on 7 November 2023 there is an anticipated pressure of up to £0.2m relating to the revised structure and pay scales for the council's Senior Leadership team. Additional contributions will be sought from existing council budgets so that the pressure is reduced as far as possible.
28. Pressures in the Communications Strategy & Insight Team relate to funding for capacity to support business change and the redevelopment of the council's website. Most of the pressure will be met through removing existing posts which are currently vacant.
29. A £0.1m pressure relates to the appointment of an area coroner in accordance with a recommendation from the United Kingdom Chief Coroner.

30. £0.6m relates to an increase in external audit costs and an increase in the capacity and cost of the Finance team that is required to support the organisation and to satisfy the requirement for the Chief Financial Officer to lead and direct a finance function that is resourced to be fit for purpose. It is anticipated that most of this pressure can be met through additional interest on balances generated as a result of higher interest rates.
31. £0.4m relates to the net cost of the Schools' Catering Service where inflationary pressures means the cost has increased compared to the income received. A review of the service to assess how this can be managed is being undertaken and the outcomes will be included in updates later in the process.

### **Approach to new budget savings**

32. Given the scale of the overspend for Children's Social Care in 2022/23, the time needed for the actions taken to date to have an impact on demand, and the urgent need to address the shortfalls in market capacity, the outcomes from a comprehensive review of the vision and strategy for Children's Services will be set out in a new Financial Strategy. The focus of this Strategy will be to set out how the improvements achieved in 2023/24 are continued and grown while also applying the same rigor and focus to managing the market, the availability of social work staff, the escalation in rates, the challenge of greater complexity and encouraging joint partnership work to address Continuing Healthcare (CHC) needs and resources.
33. Adult Services are continuing to support people in Oxfordshire to live well in their community, remaining fit and healthy for as long as possible. Through taking the Oxfordshire Way approach the aim is to manage future demand for care and costs.
34. Where possible funding held in reserves will be used to support activity in Environment & Place. Other pressures will be managed by re-prioritising within existing budget provision. While the aim is to use existing budgets to support pressures this will require active management and reduce flexibility so there is a risk that the ability to do this may be impacted by other pressures that arise during the year or changes to current assumptions.
35. As well as the on-going impact of the savings that will be proposed for 2024/25, further savings including a requirement to manage staffing capacity and contract activity within the available resources are expected to be needed from 2025/26 to balance to the funding available and to ensure that the council is sustainable in the medium term. The scale of the savings required will require the council to transform and do things differently in future. Options, which will include the outcomes from actions to transform the council to become employer, partner and place shaper of choice are being developed and will be shared as part of the Budget & Business Planning Process for 2025/26.

## **Business and Budget Planning Process**

36. Detailed revenue savings and capital proposals, along with any updates to the pressures included in this report will be considered by Performance and Corporate Services Overview and Scrutiny Committee on 8 December 2023 along with any updates on funding following the Autumn Statement.
37. Updates to funding and any changes to proposals known by the end of December 2023 will be published on 11 January 2024 and considered by Performance and Corporate Services Overview and Scrutiny Committee on 19 January 2024. Comments from scrutiny as well as feedback from the public engagement and consultation will be considered by Cabinet ahead of proposing their budget on 30 January 2024.
38. The Council meeting to agree the 2024/25 revenue budget, medium term financial plan and capital programme will take place on 20 February 2024.

## **Risk Management**

39. The statutory report of the Chief Financial Officer required under Section 25 of the Local Government Act 2002, which forms part of the suite of papers considered by Council in setting the budget each February, includes a section assessing the key financial risks.
40. Risks and uncertainties for 2024/25 and the medium term will be assessed and updated as part of the Budget and Business Planning process.

## **Equality & Inclusion Implications**

41. 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.'
42. A high level assessment of the broad impact of the revenue budget proposals will be included as part of the published information for Performance & Corporate Services Overview and Scrutiny Committee on 8 December 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.

## **Financial implications**

43. 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 part of the process to achieve these objectives.

Comments checked by:

Lorna Baxter, Executive Director of Resources & Section 151 Officer

## **Legal implications**

44. 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 and ten - year capital programme.
45. 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.

Comments checked by:

Anita Bradley

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**Lorna Baxter, Executive Director of Resources & Section 151 Officer**

### **Annex:**

Annex 1 – revenue budget pressures 2024/25 – 2026/27

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November 2023



