

CABINET - 18 JANUARY 2022

Budget and Business Planning 2022/23

Report by Cabinet Member for Finance

1. The Cabinet is INVITED to:

- a) Note the content of the report that follows, which gives context to the set of budget documents and proposals that it will consider at its meeting on 18 January.

Our priorities

2. This is the first budget of the Oxfordshire Fair Deal Alliance, a new administration for Oxfordshire which has been forged around our shared commitment to nine priorities. The three political parties of the Alliance are working together because we want to see a greener, fairer, healthier Oxfordshire.
3. Addressing the climate emergency, tackling inequality and promoting the health and well-being of all residents are not over-night tasks but require long-term, persistent commitment. We have inherited a Council shaped by the actions and priorities of its previous leadership. While we are impatient for change, we recognise it takes time to reform culture, processes and activities.
4. Through this budget we are targeting funding and seeking to reshape the Council's ability to have a positive impact in our priority areas. One of our priorities is to be more open and inclusive in decision-making. We consulted widely on our priorities and on this budget: our initial budget proposal in December had more than double the number of responses received last year. We are grateful to all those who gave us their views and have sought to reflect these in the proposals we are presenting.

Our context

COVID has disrupted all our lives and work

5. We are nearly two years into the management of the COVID pandemic. While we hope to emerge soon from its deadly impact on so many lives, this remains a period of huge challenge and uncertainty. We pay tribute to the staff of the Council and other public servants across the county, particularly in the NHS and social care and in our schools and early years settings, who have kept frontline services going during this period. They have shown great dedication.

6. All countries globally have been affected by the disruption to supply chains caused by COVID. The UK has also been navigating a period of disruption to our trading relationships following our departure from the European Union which have compounded supply chain challenges. A new immigration regime, combined with some of the travel restrictions brought about by COVID, has also directly impacted on the availability of staff in some key sectors, notably health and social care, construction and hospitality

Local government was already facing very significant challenges

7. We are at the end of a ten-year period during which central government funded spending power for English local authorities has more than halved, falling by 52%¹. Faced with declining budgets, Council officers have been driven to find continual savings. In some areas of this Council's operation, efforts to increase efficiency may have become counter-productive. We are concerned, for example, by the levels of out-sourcing and the regular use of contract/ agency staff. We have been struck by how stretched many services are and are worried they risk failing to deliver the standards expected by council taxpayers.
8. While funding has fallen, there has been no reduction in demand for our services. In our services for individual residents, such as children's and adults' social care and support for children and young people with special educational needs and disabilities (SEND), there has been huge increase in demand, increased complexity and rising cost. A few examples illustrate this:
 - (a) for adult social care, the number of new cases each year has risen 62% since 2016 (from 12,500 to 21,500), with the greatest rise in demand for support to adults aged 18-64 (an 280% increase from 2400 to 6780);
 - (b) following changes to legislation in 2014, since 2016 the number of children and young people in Oxfordshire with an Education, Health and Care Plan has risen by 91% (nationally the rise has been closer to 60%);
 - (c) the average older person required 12.3 hours of personal home care per week in 2021 as compared to 10.6 hours in 2017;
 - (d) the cost of a care home bed for an older person rose 29% between 2017-2021 and for an adult with learning disability this rose 80%;
 - (e) the Competition and Markets Authority reported on children's social care on 22nd October, with its Chief Executive, Andrea Coscelli, stating: "We are concerned this is a failing system, with children not being placed in the right homes while providers are being allowed to charge high prices and make big profits."²

¹ <https://www.nao.org.uk/report/the-local-government-finance-system-in-england-overview-and-challenges/> Figure 5, page 13

² <https://www.gov.uk/government/news/cma-outlines-concerns-on-availability-and-price-of-children-s-care>

National government missed an opportunity to invest meaningfully in local government and instead loaded costs onto council tax payers

9. The Oxfordshire Fair Deal Alliance called on national government to respond to the challenges facing local government in a meaningful way through the autumn spending review³. Unfortunately, they did not. Instead, in adult social care for example, they directed that local authorities should use council tax to meet rising costs. The October budget stated “local authorities with social care responsibilities are expected to be able to increase the adult social care precept by up to 1% per year.”⁴
10. This represents a double-whammy for households at a time of real pressure on living costs. In April, taxpayers will see national insurance contribution (NIC) increase with the new 1.25% Health and Adult Social Care Levy AND increases in their council tax bill to the adult social care precept: 2% that was planned by the previous administration and a further 1% added by the Chancellor’s budget.
11. For the Council as an employer, we also face NIC increases, estimated at over £1m. While the pressures facing the NHS are significant, it is still striking that, of the £36b raised by the NIC increases over three years, less than 20% (£5.4b) will go to adult social care and that these funds will come only towards the end of the period.

Very significant financial risks remain in key areas of social care and SEND support

12. The government announced on 7 September its plan for changing the charging arrangements of adult social care⁵. This represents a very substantial change to how social care is funded and to the operation of the market for social care. There are real, new costs associated with the regime the government is implementing. It is very likely that costs to the Council will rise well above any new funding to meet this.
13. In children’s services, a particular concern is the growing liability of our deficit in the High Needs Block. This element of the grant we receive from central government funds SEND costs. Due to the growth in demand, it has proved insufficient. We face a growing annual shortfall and are therefore accumulating a very worrying deficit. For 2022-23, the annual deficit is projected to be £20.3m, taking our total deficit to £55.7m. Based on current funding and demand, this is projected to grow to £206.9m by 2025-26. The Treasury has given local authorities dispensation to hold this ring-fenced deficit off balance sheets. Yet this is only in place until 2023-24. Unless central government addresses the chronic underfunding of this area and absorbs the accumulated deficit, many local authorities – including Oxfordshire – will have to make deep cuts to other areas to fund the deficit.

³ <https://news.oxfordshire.gov.uk/urgently-address-funding-issues/>

⁴ <https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents>
Paragraph 4.59

⁵ <https://www.gov.uk/government/publications/build-back-better-our-plan-for-health-and-social-care>

Local government depends on national government bids for capital investment

14. At the same time, we have increasingly seen capital funding controlled by national government through a series of bidding contests that pit local authorities against each other as they compete for funding. Although the new Secretary of State for Local Government, Michael Gove told his departmental select committee in November that this effort to bid is detracting from delivering local services⁶, we are waiting to see any change of approach.
15. Nationally, we face frustration in conflicting approaches by No10, Treasury and the Department for Levelling Up, Housing and Communities (DLUHC). For example, we submitted an ambitious bid for a bus strategy for Oxfordshire, responding to a statement from the Prime Minister in March 2021 that committed a budget of £3billion to the “Bus Back Better” strategy⁷, only for the October spending review to see the Treasury cut this sum to £1.2billion⁸.

We were left some significant capital underfunding by the previous administration

16. We have inherited the capital commitments of the Council made by the previous administration. In some areas, we have found that the sums provisioned for projects were inadequate. This is true of Kennington Bridge, where the £50million estimate that accompanied the outline business case in July 2020 accepted by the previous administration is now projected to be £87million. Faced with this unfunded increase to a critical piece of the county’s infrastructure, we have no choice but to use this budget to provide £27million of the additional funding to allow this critical project to proceed.
17. In other areas, have found that the previous administration committed its taxpayers to major projects where the Council bears all the risk of cost increases. The largest examples are the two Housing Infrastructure Fund (HIF) schemes. When the previous administration committed to government that it would deliver these schemes, it accepted the full financial liability for any additional costs arising. We now face disruptions to the supply chain, very significant inflation and labour shortages in the construction sector, through a combination of COVID and the policies related to the UK leaving the EU. Taking account of these elevated risks, we need to provision for potential future costs of major infrastructure.
18. We have asked officers to redouble their scrutiny of future capital projects to make sure that the optimism bias displayed in the past is removed and we take a more sober and realistic assessment of the costs and risks associated with major programmes.

⁶ <https://committees.parliament.uk/oralevidence/2980/pdf/> In response to Q27

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/980227/DfT-Bus-Back-Better-national-bus-strategy-for-England.pdf p.4

⁸

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1043689/Budget_AB2021_Web_Accessible.pdf p.58

19. More generally, over the coming years, we face a major challenge to shift the capital budget so that investments made with an eye to the future not a nod to the past. We must ensure that our major capital investments are consistent with our carbon reduction commitments. Travel and transport infrastructure is a key area. The estimated cost of maintaining Oxford's highways over the next five years (from 2022-23 to 2026-27) is £228m. Yet, as it stands, we are set to receive only £70m from national government. Previous borrowing of £32m is scheduled for the next two years, but the total funding gap is currently £125m. As we look to maintain our roads, we will have to confront some difficult choices.

Our budget

20. We have approached the budget process with a three key principles in mind:
- (a) We have maintained a relentless focus on high quality services for the residents of Oxfordshire;
 - (b) We have sought out opportunities to make investments now that will save the council cost in the future;
 - (c) We have looked for effective ways to deliver our priorities, in particular addressing climate change and reducing inequality

Pursuing our climate change goals

21. We are delivering on a series of measures to help the county achieve its 2030 carbon goals. So that the Council as an organisation can put climate change at the heart of our activities, we are investing £760,000.
22. Travel and transport are key to reducing our carbon emissions in Oxfordshire. To encourage cycling and walking and to increase safety in our towns and villages, we are investing £8million in a programme to make 20mph the new normal in residential areas across Oxfordshire. We are putting aside £6million to support our bid to government with the bus companies for electric buses to serve Oxford city.
23. To show the impact that more people-centred urban design can have on the use of active travel and on well-being, we are allocating £500,000 towards the capital costs of pedestrianizing Broad Street in Oxford. We are also funding investments to reduce congestion and improve air quality through more effective enforcement to keep traffic moving.

Investing in social care and SEND to support the most vulnerable and tackle inequality

24. We are making a significant investment in the social services we provide to our most vulnerable residents: with year-on-year increases in the budgets for children's services of 7.4% and adult social care of 6.8%.

25. Children and young people have faced considerable delays in getting SEND assessments and in arranging placements. We are providing over £2million more funding for these services.
26. Carers and those living with disabilities argued that we should consider reducing the contribution rate we require from their allowances so that they have a little more to spend. We have listened and are budgeting £800,000 to reduce the contribution rate.
27. We are looking for opportunities to improve the services we offer and to reduce costs:
 - (a) An early decision of the Oxfordshire Fair Deal Alliance, reflected in this budget, was to invest £5million in Resonance Supported Homes Fund to bring more adults requiring supported accommodation back to Oxfordshire;
 - (b) In the future, we want to take more steps in this direction: where children or adults are cared for outside the county, it removes them from family and friends and often costs considerably more. In our capital budget, we have earmarked up to £6million for two new children's homes to be built in the county.

If these measures are successful in improving the quality of life for those we support, while also reducing our costs, we will look to make further similar investments.

28. We are preparing for a whole new funding regime in adult social care, mindful that government has stated that local authorities must be ready to deliver within this new framework or face losing funding. We will receive a £1.5million grant from government to support our preparations for this reform. In addition, we have allocated £400,000 to make sure that we are ready to operate under the new framework. In the coming year, we anticipate rising costs in the market for adult social care so have allocated £4.4million to make sure we can sustain our provision of services.

Responding to the impact of the pandemic on health inequality

29. We are promoting a joined-up approach to tackling health inequalities, especially post-pandemic. We are putting money into priority areas of public health, particularly where the pandemic has disrupted services and left individuals more vulnerable such as £250,000 into sexual health and NHS health checks.

Equipping the Council to deliver better services while consuming less

30. We are making an investment in the core functions of the Council. We believe these need to be strengthened so we can be sure that well-informed decisions are being made, expenditures are being carefully tracked and to avoid expensive mistakes. We want to ensure we have the right staff to support scrutiny of decision-making, monitor capital projects, give legal advice and pursue effective procurement, while investing in our ability to recruit and retain

outstanding staff across our services. We are continuing to look for ways – particularly through digitisation and more flexible work patterns – that the Council can deliver high quality services at lower environmental and financial costs.

Ensuring Council property assets deliver the best economic, environmental and social value

31. We will look for ways to make more of the assets we hold by undertaking a full asset condition survey to inform an ambitious property strategy. We are investing in our estate to reduce carbon consumption, including by investing now to increase co-location in Council buildings.
32. Oxford is a county shaped by its rivers and our bridges are a key part of the county's infrastructure. Unfortunately, they have been underinvested in over many years. The backlog is considerable and the consequences of not acting are potentially serious. We are increasing our investment in the repair and maintenance of the county's bridges by an additional £2.7million.

Consultation process

33. We consulted publicly on the budget, met with the Performance and Corporate Services Overview and Scrutiny Committee and took the views of fellow members of the Council. We are delighted that so many people contributed to the process. We received 1,392 responses, which is a huge increase on the 652 in the previous year's consultation. This reflects a strong commitment by this administration, supported by officers, to reach a broader range of consultees and to encourage more public participation in the process. We still have further to go to make our consultations more representative of the diversity of Oxfordshire's residents, but we are glad already to have increased the participation in the budgeting process.
34. A number of key themes emerged from the public consultation which have informed our final budget proposals:
 - (a) The public consultation indicated the highest support for the Oxfordshire Fair Deal Alliance's priorities to focus on the health and well-being of Oxfordshire residents and to support carers and the social care system. AND The vast majority of respondents wanted to see front-line services protected.

The largest increases in this budget go towards adults and children's services.

- (b) The next two priorities to attract the highest support were putting climate action at the heart of our work and investing in an inclusive, integrated and sustainable transport network.

Our budget includes a significant increase in core resourcing to support climate action, alongside specific capital allocations to improve transport networks and connectivity.

- (c) Opinion was split on the proposed Council Tax increase but more supported this than opposed it, taking account of the 3% precept for adult social care.

We propose to increase Council Tax by 4.99% as directed by central government to fund support to core services, in particular adult social care. We are very aware of the financial pressures many households will face in the coming year and will look carefully at what steps we can take through our services to support the most financially vulnerable.

- (d) Respondents favoured savings that focused on
- (1) using digital technology to deliver services more efficiently;
 - (2) redesigning services, using fewer agency staff and holding more vacancies;
 - (3) reducing operating costs by encouraging more long-term flexible working;
 - (4) looking for creative ways to meet needs at lower cost while also helping people to be as independent as possible;

We are committed in our proposals to all of these areas of activity and intend to realise savings here that will release funds for the frontline.

Budget update

35. We set our budget proposals in December against some cautious assumptions about revenue in light of the considerable uncertainty created by the pandemic and delays to national government decision-making. Since our budget proposals were published, we have been able to update the revenues we can expect to receive in 2022-23.
36. Key information has come from the provisional Local Government Financial Settlement, published on 16 December. Many local authorities, including this Council, had requested government provide a three-year settlement for local government, following the three-year spending review in October. Since the Treasury had provided this horizon to DLUHC, we hoped to benefit from a similar opportunity to assist our financial planning. Unfortunately, government elected only to provide a one-year settlement.
37. We had anticipated an allocation of recurrent grants of £6million. We instead received £5.3million. We did, however, receive two one-off grants totalling £6.8million.
38. District councils have advised that the number of properties paying council tax has increased above our estimates, with the effect that our revenue from council tax in 2022-23 is projected to be £1.1million higher. However, whereas we had expected business rates to be increased by government with inflation,

they were frozen, which means this income will be £400,000 lower in 2022-23 than we budgeted for. The net improvement in tax revenue is £700,000.

39. All told, our recurrent budget is unchanged (we receive £700,000 less in government grants but £700,000 more in tax revenue) while the budget for 2022-23 sees an improvement of £6.8million. These are one-off funds. We cannot rely on them for longer-term expenditure pressures.

Additional measures

40. In light of the consultation process and further discussion among Cabinet members, we are proposing some additional investments compared to the proposed budget:
- (a) We are allocating £500,000 to support the review into home-to-school transport to assist in transitioning to any new arrangements, with a particular focus on supporting more active travel and more sustainable transport opportunities.
 - (b) We are offering tenants of the Council in community assets a one-year rent holiday to take account of financial pressures many community and voluntary organisations have faced during the pandemic; we also commit to reviewing the management of these properties and put their arrangements on a more stable, predictable footing from 2023-4.
 - (c) We will undertake a strategic rail feasibility study to establish what it would take to advance the proposals for new rail links to Cowley, Grove/ Wantage, North Cotswolds and West Oxfordshire.
 - (d) We are investing in additional resource to accelerate our work on active travel in the county: planning for new schemes and advising on opportunities to integrate active travel more fully in future proposals.
 - (e) We are replenishing the budget priorities reserve to allow for further investment in 2022-23 to (1) support projects that will generate future savings for the Council budget; (2) make early interventions to improve the lives of children and young people; (3) accelerate our climate response.

The change we hope to see

41. Oxfordshire is a strong county with vibrant communities, successful businesses and world-class research institutions. It also has its share of economic, social and environmental challenges. We want to build on our strengths while confronting the challenges we face: addressing climate change, tackling inequality, strengthening the resilience of individuals and communities, fostering more social cohesion and common purpose. This budget helps equip the Council to meet these goals and respond to the needs of the residents of Oxfordshire.

Cabinet Member: Cllr Calum Miller

January 2022