

# CABINET - 18 JANUARY 2022

## Budget and Business Planning 2022/23

### Report by Director of Finance and Corporate Director Customers, Organisational Development & Resources

#### RECOMMENDATIONS

1. In relation to the draft strategic plan (Section 2);

**Cabinet is RECOMMENDED to RECOMMEND Council to:**

a) adopt the strategic plan.

2. In relation to the Revenue Budget and Medium Term Financial Strategy (Section 4);

**Cabinet is RECOMMENDED to:**

- b) approve the Review of Charges for 2022/23 and in relation to the Registration Service, charges also for 2023/24 (Annex A);
- c) approve the final schools funding formula for 2022/23 subject to the decision by the Secretary of State for Education regarding permission to transfer 0.5% (£2.2m) from the Schools block to support High Needs expenditure (Annex B)
- d) Receive and thank the Performance and Corporate Services Overview and Scrutiny Committee for their Budget Scrutiny report and note the response as set out in Annex C (to follow);
- e) approve the Financial Strategy for 2022/23 (Section 4.5);
- f) approve the Earmarked Reserves and General Balances Policy Statement 2022/23 (Section 4.6);
- g) and to note that the Leader of the Council will, following consultation with the Director of Finance and the Cabinet Member for Finance, make any appropriate changes to the proposed budget following receipt of information relating to the outstanding matters at paragraph 9 of this report

**Cabinet is RECOMMENDED to RECOMMEND Council to:**

- h) approve a Medium Term Financial Strategy for 2022/23 to 2025/26 as set out in Section 4.1 (which incorporates changes to the existing Medium Term Financial Strategy as set out in Section 4.2);
- i) agree the council tax and precept calculations for 2022/23 set out in Section 4.3 and in particular:

- (i) a precept of £435,816,475;
- (ii) a council tax for band D equivalent properties of £1,651.61.
- (iii) approve a revenue budget for 2022/23 as set out in Section 4.4

3. In relation to the Capital and Investment Strategy and Capital Programme (Section 5);

**Cabinet is RECOMMENDED to recommend Council to:**

- j) approve the Capital and Investment Strategy for 2021/22 - 2031/32 (Section 5.1) including;
  - (i) the Minimum Revenue Provision Methodology Statement (Section 5.1 Annex 1);
  - (ii) the Prudential Indicators (Section 5.1 Annex 2)
  - (iii) the updated Pupil Place Plan (Section 5.1 Annex 3) and
- k) approve the Treasury Management Strategy Statement and Annual Investment Strategy for 2022/23 (Section 5.2); and
  - (i) continue to delegate the authority to withdraw or advance additional funds to/from external fund managers to the Director of Finance;
  - (ii) approve that any further changes required to the 2022/23 Treasury Management Strategy be delegated to the Director of Finance in consultation with the Leader of the Council and the Cabinet Member for Finance;
  - (iii) approve the Treasury Management Prudential Indicators; and
  - (iv) approve the Specified Investment and Non Specified Investment instruments as set out in Section 5.2 paragraphs 55 to 60;
- l) approve the Investment Strategy for Property Investment (Section 5.3);
- m) approve the Property Strategy (Section 5.4);
- n) approve the new capital proposals for inclusion in the Capital Programme (Section 5.5)
- o) approve the capital programme (Section 5.6);

## **Executive Summary**

- 4. This report is the culmination of the Budget and Business Planning process for 2022/23 to 2025/26 and sets out the Cabinet's proposed Strategic Plan and related revenue budget for 2022/23, medium term financial strategy to 2025/26 capital programme to 2031/32 plus supporting policies, strategies and information.
- 5. The Budget and Business Planning report to Council on 8 February 2022 will be set out in five sections:
  - 1. Leader of the Council's Overview

2. Budget consultation 2022/23 findings and draft strategic plan (including the engagement feedback on the Oxfordshire Fair Deal Alliance's priorities)
  3. Chief Finance Officer's Statutory Report
  4. Revenue Budget Strategy
  5. Capital & Investment Strategy
6. This report sets out the budget consultation 2022/23 findings and the Cabinet's proposed strategic plan (Section 2), Revenue Budget Strategy (Section 4) and the Capital & Investment Strategy (Section 5). Alongside this, the report also sets out the Review of Charges for 2022/23 and the proposed Dedicated Schools Grant (DSG) allocations for 2022/23.
  7. Cabinet's revenue budget proposals take into consideration the latest information on the council's financial position outlined in this report, and finalising the proposals, Cabinet has taken into consideration feedback from the public consultation on the revenue budget proposals and council tax increase. An analysis of the responses to the consultation accompanies the budget proposals in Section 2.1.
  8. The draft budget scrutiny report from the Performance & Corporate Services Overview & Scrutiny Committee meeting on 10 December 2021 was considered by the Committee on 17 January 2022. Cabinet's response to the report is set out in Annex C (to follow).
  9. Three strands of information which will have an impact on the proposed budget for 2022/23 remain outstanding:
    - The Final Local Government Finance Settlement
    - Confirmation of Council Tax Collection Fund position
    - Confirmation of Business Rates income including the collection fund position
  10. To enable this information to be incorporated into the budget proposed to Council on 8 February 2022, Cabinet is recommended to note that the Leader of the Council will, following consultation with the Director of Finance and the Cabinet Member for Finance, make any appropriate changes to the proposed budget following receipt of information relating to the outstanding matters referred to at paragraph 9 above (recommendation g). Any changes arising from the outstanding information will be an addition to or reduction in the contribution to the Budget Prioritisation Reserve with the use to be agreed by Cabinet during 2022/23.

## **Budget consultation and strategic plan – Section 2**

### **Budget consultation**

11. Between 2 December 2021 and 5 January 2022, the council invited comments on its budget proposals for 2022/23, including its proposed council tax increase.

Residents and stakeholders were also signposted to a supporting consultation booklet for background information and to the published budget reports.

12. Feedback was primarily collated using an online survey on the council's digital consultation and engagement platform, Let's Talk Oxfordshire, with residents and stakeholders also being able to submit comments by email. A small number of paper copies of the consultation booklet and promotional posters were distributed to libraries and arrangements were put in place to supply information in alternative formats on request.
13. The budget consultation was actively promoted to a wide range of audiences using multiple channels (media, social media and other digital platforms, the website, advertising) and to staff and councillors to help them spread the word.
14. 1,390 online survey responses were received and a small number of written responses. The results are set out in Section 2.1.

### **Strategic plan**

15. In July 2021, the council's Cabinet set out a set of nine strategic priorities and agreed a programme of comprehensive public engagement to refine and develop these priorities into a more detailed plan.
16. This programme of engagement took place in the autumn of 2021 and included a quantitative residents' survey and a series of qualitative discussion groups, as set out below:
  - A residents' survey to understand residents' priorities and experiences.
  - Public discussion groups.
  - Young people's discussion groups to ensure that young people's voices are included.
  - Stakeholder workshops and survey – with participation from the voluntary and community sector and town and parish councils.
  - Councillor engagement and survey – discussions at locality groups and follow-up survey to ensure the views of all county councillors were sought.
17. Further feedback on the nine priorities, within the context of revenue budget proposals, has been sought, including from the public as part of the formal consultation on the budget proposals that took place during December 2021 and January 2022.
18. Section 2.1 sets out the budget consultation findings and Section 2.3 provides a summary of the results from the programme of engagement undertaken in the autumn to further develop the strategic plan.
19. The proposed strategic plan is set out in Section 2.2. The nine strategic priorities considered by Cabinet in July 2021 have been reviewed and refined following feedback. A suite of 41 underpinning objectives have been set out drawing on the programme of engagement and reflecting socio-economic,

demographic and environmental challenges facing the county as outlined in documents such as the Joint Strategic Needs Assessment (JSNA).

20. The priorities, commitments and objectives in the strategic plan sit under a long-term vision 'to lead positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county'. This vision has been further developed, following the autumn engagement programme, to recognise the role of collaboration and partnership working and the importance of health and wellbeing, in addition to addressing inequality and the climate emergency.
21. During the final quarter of the current year, a set of outcome measures and targets for each of the objectives will be developed and agreed to form the basis of the performance management framework for 2022/23. These will be presented to the Performance and Corporate Services Overview and Scrutiny Committee in March 2022 for consideration prior to adoption by Cabinet. These measures will thereafter be reported in the council's finance, performance and risk reports to track progress. The strategic plan will also be reviewed on an annual basis.
15. Cabinet is recommended to recommend Council to adopt the strategic plan (recommendation a).

## **Revenue Budget Strategy – Section 4**

22. Section 4 sets out the proposed budget for 2022/23, the Council Tax Requirement for 2022/23 and 2022/23 council tax for band D equivalent properties, and the MTFs to 2025/26. It is comprised of the following sections:
  - 4.1 Detailed MTFs 2022/23 to 2025/26
  - 4.2 Investments, Pressures and Savings 2022/23 – 2025/26
  - 4.2.1 COVID-19 Pressures
  - 4.3 Council Tax and Precepts 2022/23
  - 4.4 Detailed Revenue Budget 2022/23
  - 4.5 Financial Strategy 2022/23
  - 4.6 Earmarked Reserves and General Balances Policy Statement 2022/23
  - 4.6.1 Forecast Earmarked Reserves 2021/22 to 2025/26
  - 4.7 Overarching Equality Impact Assessment
  - 4.8 Overarching Climate Impact Assessment
23. The following paragraphs set out the proposed budgets for each directorate, the latest funding information, proposed investments, pressures and savings, plus changes from the funding and spending assumptions in the existing MTFs agreed in February 2021.

## Overview of Directorate Budgets

24. Directorate budgets for 2021/22 are the starting point for the 2022/23 budget. Pressures and investments as well as funding for inflation are then added, as well as planned savings, to create the new budget for 2022/23. Cabinet is recommended to recommend Council to approve a revenue budget as set out in Section 4.4 (recommendation i iii).
25. Table 1 shows the combined impact of the proposed changes to the budget for each directorate. Taking into account of these changes the proposed Directorate budgets will increase by 6.1%.

**Table 1:**

	Starting Budget Rolled Forward from 2021/22 (*) £m	Add Pressures, Investments & Inflation £m	Less Savings £m	Add COVID-19 Funding £m	Budget 2022/23 £m	Change in Budget %
Adult Services	198.037	17.193	-5.595	1.780	211.415	6.8
Children's Services	137.635	7.618	-1.984	4.610	147.879	7.4
Public Health	0.711	0.402	-0.402		0.711	-
Environment & Place	60.931	6.822	-6.265	1.150	62.637	2.8
Commercial Development, Assets and Investments	50.226	0.065	-2.701	0.304	47.895	-4.6
Customers, Organisational Development & Resources	34.023	1.213	-0.641	0.591	35.187	3.4
Amounts held in contingency that will be allocated during the year: Pay Inflation and contract element of Health & Social Care Levy		5.025			5.025	n/a
<b>Directorate Total</b>	<b>481.563</b>	<b>38.338</b>	<b>-17.588</b>	<b>8.435</b>	<b>510.748</b>	<b>6.1%</b>

(\*) after taking account of permanent movements of budgets between directorates transacted in 2021/22

## Additions to Budgets: Service Investments

26. In addition to the £5.7m investments already set out in the existing MTFS agreed in February 2021, new investments of £6.2m are proposed for 2022/23 and increase to £7.1m by 2025/26.
27. Details of the existing and proposed investments are set out in Section 4.2. New service investments by directorate are summarised in Table 2a below.

28. All of the changes are shown as incremental or year on year, unless otherwise stated; changes in each year remain in the budget for subsequent years unless there is a further change (either positive or negative).

**Table 2a: New Investments**

Directorate	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Adult Services	2.250	1.040	1.040		4.330
Children's Services	0.550	-0.180			0.370
Public Health	0.355	-0.250			0.105
Environment & Place	1.249	-0.465	-0.079	-0.128	0.577
Commercial Development, Assets and Investments	1.057	-0.265			0.792
Customers, Organisational Development & Resources	0.761	0.150	0.019	0.019	0.949
<b>Total Proposed Investments</b>	<b>6.222</b>	<b>0.030</b>	<b>0.980</b>	<b>-0.109</b>	<b>7.123</b>

**Additions to Budgets: New Service Pressures**

29. As well as investments, new pressures of £15.8m have been identified that will need to be funded in 2022/23 and rise to £20.8m by 2025/26. These include directorate pressures plus the estimated cost of additional inflation and the cost to the council of the new Health & Social Care Levy that will be implemented through National Insurance contributions from April 2022. The detailed proposals are set out in Section 4.2 and a summary by directorate is provided in Table 2b below.

**Table 2b: New Service Pressures**

Directorate	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Adult Services	4.400				4.400
Children's Services	3.010	0.447	0.343	0.381	4.181
Public Health					
Environment & Place	3.365	-1.378	-0.328	0.022	1.681
Commercial Development, Assets and Investments	0.120	0.500			0.620
Customers, Organisational Development & Resources	0.808				0.808
Inflation, Health & Social Care Levy & Demography	4.050	1.830	1.530	1.730	9.140
<b>Total Service Pressures</b>	<b>15.753</b>	<b>1.399</b>	<b>1.545</b>	<b>2.133</b>	<b>20.830</b>

## Reductions to Budgets – Savings

30. To enable new investments and help meet the cost of pressures, new savings totalling £12.7m are proposed for 2022/23 in addition to existing planned savings of £4.7m. The detailed proposals are set out in Section 4.2 and summarised in Table 2c.

**Table 2c: Proposed New Savings**

Directorate	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Adult Services	-5.530	-0.250	-0.350		-6.130
Children's Services	-1.803	0.233			-1.570
Public Health	-0.355	0.250			-0.105
Environment & Place	-3.680	1.850	-0.350		-2.180
Commercial Development, Assets and Investments	-0.924				-0.924
Customers, Organisational Development & Resources	-0.441	-0.099	0.249		-0.291
<b>Total New Savings</b>	<b>-12.733</b>	<b>1.984</b>	<b>-0.451</b>		<b>-11.200</b>

## COVID-19 Pressures and Funding

31. Since 2019/20 the Council has received £51.6m of un-ringfenced government grant and £71.4m of ringfenced grant to support COVID-19 cost pressures. Alongside this the Council made £14.9m of in-year savings during 2020/21 to meet COVID-19 related expenditure giving a total of £137.1m of COVID-19 funding. During 2019/20 and 2020/21 the Council incurred Covid-19 costs of £68.9m and is expected to incur costs of £49.7m during 2021/22. This leaves a balance of £23.4m which is held in the COVID-19 reserve.
32. £20.2m of this funding is proposed to be used to meet short to medium term COVID-19 pressures from 2022/23 to 2025/26. The detailed proposals are set out in Section 4.2.1 and the annual calls on the reserve in each year are shown in Table 3. Some of the pressures are expected to be permanent and require on-going base budget funding. Where that is the case these are included in the on-going future year pressures in Section 4.2.



**Table 3:**

Directorate	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27	Total £m
Adult Services	1.780	0.890				2.670
Children's Services	4.610	4.249	2.661	1.664		13.164
Public Health						0.0
Environment & Place	1.150	0.400				1.550
Commercial Development, Assets and Investments	0.304	0.304				0.608
Customers, Organisational Development & Resources	0.591	0.500	0.500	0.500		2.091
<b>Total use of reserve</b>	<b>8.435</b>	<b>6.343</b>	<b>3.161</b>	<b>2.144</b>	<b>0.000</b>	<b>20.183</b>
<b>Year on Year Change</b>	<b>8.435</b>	<b>-2.093</b>	<b>-3.182</b>	<b>-1.017</b>	<b>-2.144</b>	<b>0.000</b>

### **Inflation and Health and Social Care Levy**

33. The existing MTFS provides new budget provision of £6.0m in 2022/23 for pay inflation assumed at 2.5%, up to 3% contract inflation and a 2% inflation increase for fees and charges income.
34. The Bank of England forecast inflation to increase up to 4% from the second half of 2021 returning to the 2% target in the second half of 2023. As well as inflationary pressures there are also a number of supply side issues that could impact on expenditure over the medium term. The budget proposals include a further £2.4m for additional contract inflation in 2022/23 (assuming RPIx of 5.7%, RPI of 5.6% and CPI of 4.0%) as well as £4.4m funding for Adult Services to support care market sustainability.
35. The Spending Review 2021 set out that a new Health & Social Care Levy will be implemented through National Insurance contributions from April 2022. Funding of £1.650m has been added to council budgets to support the direct impact on employer's National Insurance, as well as the estimated impact on contract inflation.
36. Cabinet is recommended to recommend Council to approve a Medium Term Financial Strategy to 2025/26 set out in Section 4.1, taking into account the proposals set out in Section 4.2 and 4.2.1 (recommendation h).

### **Funding Assumptions**

37. The national Budget and Spending Review was published on 27 October 2021. This was followed by the Provisional Local Government Settlement on 16 December 2022. This Settlement is for 2022/23 only and, with the focus on stability, rolls over much of the 2021/22 settlement with the addition of the allocation of funding announced in the Spending Review 2021.

## **Government Grants**

38. £1.6Bn new grant funding for councils in each of the next three years was announced as part of the Spending Review 2021.
39. The government stated that this funding is intended to increase investment in supporting vulnerable children and enable local authorities to continue to provide the other local services that people rely on. It is also expected to meet increased costs for the National Living Wage which will be increased from £8.91 to £9.50 an hour (6.6%) from April 2022 and the increase in National Insurance contributions arising from social care reforms as well as other inflationary pressures.
40. The position set out in the report to Performance and Corporate Services Overview and Scrutiny Committee in December 2021, estimated that the council would receive £6.0m of this grant funding.
41. The Provisional Settlement confirmed that the following allocations are available as part of the £1.6Bn new grant funding:
  - £0.636Bn national increase to the existing Social Care Grant. The council's share is £5.3m (in addition to £12m existing grant funding) and is assumed to be on-going.
  - A one-off Services Grant totalling £0.822Bn nationally in 2022/23. The council share is £5.0m one-off in 2022/23 and is un-ringfenced.
42. In addition, the New Homes Bonus will also be extended by a further year and will provide additional un-ringfenced funding of £1.8m in 2022/23 compared to the assumptions in the MTFS.
43. The Provisional Settlement also confirmed that the ring-fenced Public Health Grant, which is £31.7m in 2021/22, will be maintained in real terms over the Spending Review period.

## **Adult Social Care Reform: Build Back Better**

44. £3.6Bn of the £5.4Bn funding announced by the Government for Build Back Better on 7 September 2021 will be routed through local government over the Spending Review 2021 period to support local government to implement the cap on personal care costs and changes to the means test and to move towards a fairer cost of care. From October 2023 self-funders will be able to ask local authorities to arrange their residential care.
45. £162 million in Adult Social Care reform funding will be allocated in 2022/23 to support local authorities as they prepare their markets for adult social care reform and to help move towards paying a fair cost of care. This is part of the £3.6bn announced for local government over the three years to 2024/25. The funding is ring-fenced and will come with grant conditions as set out below.
46. The council's share of this funding is £1.5m in 2022/23 and will need to be used to:

- Conduct a cost of care exercise to determine sustainable rates for care and identify how close they are to it (to be completed by September 2022)
  - Engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market
  - Strengthen capacity to plan for, and execute, greater market oversight and improved market management.
  - Plan for new charging arrangements and additional assessment capacity.
  - Create a provisional market sustainability plan setting out local strategy for the next 3 years (2022 to 2025).
47. As a condition of receiving further grant funding in 2023/24 and 2024/25 the council will need to submit to DHSC:
- The completed cost of care exercise (a survey of local providers which determines a sustainable fee rate).
  - A provisional market sustainability plan (covering 2022-25).
  - Spend Report (detailing how the grant funding has been spent).
48. There is a risk that further funding in 2023/24 and 2024/25 could be impacted by any inability to respond to these requirements.

### **Business Rates and Funding Reform**

49. In addition to Council tax, the Council receives general funding from business rates based on the Government's assessment of need. This is known as the Settlement Funding Assessment (SFA). SFA comprises a predetermined share of business rates collected in Oxfordshire and a predetermined share of business rates from central government. Local authorities have also been able to retain the growth in business rates from a baseline of April 2013 up until the point of a business rates reset which was originally planned for April 2020. The reset was delayed firstly to April 2021 and then to April 2022. The reset was due to coincide with the implementation of a new funding formula, the Fairer Funding Review. The new formula which will reflect both need and a council's ability to raise income from Council tax is expected to result in a decrease to the SFA. The combined reduction in funding from the business rates reset and a new funding formula in 2022/23 was expected to be £10.0m.
50. The Provisional Local Government Finance Settlement confirmed that the business rates reset and the Fair Funding Review will not take place in 2022/23. This moves the anticipated £10.0m reduction in business rates funding from 2022/23 to 2023/24 or later. The statement by Michael Gove, Secretary of State for Levelling Up, Housing and Communities stated that 'as part of [any funding reforms] we will look at options to support local authorities through transitional protection'. Therefore, the proposed MTFs assumes that the impact of funding reforms will be phased equally over 2023/24 and 2024/25.

51. The Provisional Settlement also confirmed that the business rates funding will not be increased for inflation in 2022/23. This reduces the funding in 2022/23 by £0.4m compared to the assumptions in the existing MTFs. The total additional business rate funding compared to the existing MTFs is therefore £9.6m.
52. Final notification of Business Rates for 2022/23 will not be received from the City and District Councils until 31 January 2022. This information will be incorporated into the proposed budget for 2022/23 presented to Council on 8 February 2022.

### **Council Tax Base and Business Rates Income**

53. The existing MTFs assumed that the council tax base would increase by 1.5% in 2022/23. As notified by the district councils the actual increase in 2022/23 is 1.75% and is equivalent to £1.1m additional on-going funding.
54. Surpluses on council tax collection are estimated to be £2.0m in 2022/23 and £4.0m in each remaining year of the existing MTFs. Information on the Council Tax Collection Fund will be received from the City and District Councils within seven working days of 15 January 2022. This information will be incorporated into the proposed budget for 2022/23 presented to Council on 8 February 2022.
55. Information on the business rates income for 2022/23 and the business rate collection fund are required to be provided by 31 January 2022. This information will be incorporated into the proposed budget for 2022/23 presented to Council on 8 February 2022, other

### **Council Tax and Adult Social Care Precept**

56. The current MTFs assumes Council tax increases of 1.99% each year. It also assumes the council will take the remaining 2% of the 2021/22 adult social care precept, that was allowed to be spread over two years, in 2022/23, so the total existing planned increase for 2022/23 was 3.99%.
57. The Provisional Local Government Settlement confirmed that the council tax referendum limit will remain at 2% throughout the three-year Spending Review period to 2024/25. It also confirmed the expectation that local authorities would meet pressures in adult social care by raising council tax by up to an additional 1% per annum through an additional precept in 2022/23, 2023/24 and 2024/25.
58. A proposed increase of 4.99% for Band D council tax in 2022/23 is shown in Table 4 below. This is made up of the 1.99% core increase plus 3.00% for adult social care. Band D council tax will increase from £1,573.11 in 2021/22 to £1,651.61 in 2022/23.
59. The proposed council tax increases in 2023/24 and 2024/25 are a core increase of 1.99% plus a further 1.0% for the adult social care precept. A core increase of 1.99% is proposed for 2025/26.

**Table 4:**

	2022/23 Existing MTFS	Proposed Change	2022/23 Revised MTFS	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed
	£m	£m	£m	£m	£m	£m
Band D Council Tax	£1,635.88	£15.73	£1,651.61	£1,700.99	£1,751.85	£1,786.71
Core Council Tax Increase	1.99%		1.99%	1.99%	1.99%	1.99%
Adult Social Care Precept- Settlement 2020	2.00%		2.00%			
Adult Social Care Precept- SR2021		1.00%	1.00%	1.00%	1.00%	
<b>Total Council Tax Increase %</b>	<b>3.99%</b>	<b>1.00%</b>	<b>4.99%</b>	<b>2.99%</b>	<b>2.99%</b>	<b>1.99%</b>

60. Cabinet is recommended to recommend to Council to approve a council tax requirement (precept) for 2022/23 of £435,816,475 (Section 4.3) and approve a 2022/23 council tax for band D equivalent properties of £1,651.61 (recommendation i).

### **Proposed 2022/23 Budget and MTFs to 2025/26**

61. Predominantly due to the anticipated impact of the proposed funding reforms, the existing MTFs agreed in February 2021 assumed there would be a budget deficit of £7.0m for 2022/23.
62. The combined impact of the changes to council tax and business rates is to increase funding by £14.8m in 2022/23 compared to the MTFs. There is also additional specific grant funding of £12.2m, although some of this is one – off. After taking account of the existing deficit the additional funding has been used to support a £9.2m increase to directorate budgets. A proposed on-going contribution of £5.3m will be made to the Prudential Borrowing reserve to fund the capital proposals set out in the Capital & Investment Strategy. There is also a proposed one – off contribution to the Budget Prioritisation Reserve that will be used to support the delivery of the council's priorities.
63. While the proposed MTFs is balanced in 2022/23, there is a deficit of £5.4m in 2023/24, rising to £7.6m in 2024/25 and £9.1m in 2025/26 as a result of the anticipated implementation of funding reforms. These deficits will need to be considered through the Budget and Business Planning Process for 2023/24 when more is known about the impact and implementation of the reforms.
64. A summary of the existing and updated funding built into the MTFs for 2022/23 to 2025/26 is set out in Section 4.1 and summarised in Table 5 on the next page.

**Table 5:**

	2022/23 Existing MTFS	Change	2022/23 Revised MTFS	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed
	£m	£m	£m	£m	£m	£m
Council Tax	-430.6	-5.2	-435.8	-456.7	-478.5	-496.5
Council Tax Collection Fund	-2.0		-2.0	-4.0	-4.0	-4.0
Business Rates	-70.7	-9.6	-80.3	-76.5	-72.7	-74.1
Business Rate Collection Fund	0.0		0.0	0.0	0.0	0.0
<b>Total Funding</b>	<b>-503.3</b>	<b>-14.8</b>	<b>-518.1</b>	<b>-537.2</b>	<b>-555.2</b>	<b>-574.6</b>
	2022/23 Existing MTFS	Proposed Change	2022/23 Revised MTFS	2023/24 Proposed	2024/25 Proposed	2025/26 Proposed
	£m	£m	£m	£m	£m	£m
<b>Net operating budget prior year</b>	<b>493.8</b>		<b>493.8</b>	<b>518.1</b>	<b>542.6</b>	<b>562.9</b>
<b>Directorate Budget Changes:</b>						
Pressures & Investments	16.4	21.9	38.3	18.1	21.9	22.0
Savings	-4.7	-12.7	-17.4	1.1	-1.2	-0.2
<b>Subtotal Directorate Changes</b>	<b>11.7</b>	<b>9.2</b>	<b>20.9</b>	<b>19.2</b>	<b>20.7</b>	<b>21.8</b>
<b>Corporate Measures:</b>						
Changes in existing MTFS	4.8		4.8	3.8	-0.4	-0.9
Capital Financing Costs		5.3	5.3			
Contribution to Budget Prioritisation Reserve		5.4	5.4	-5.4		
COVID-19 Pressures Contribution from COVID-19 Reserve		8.4	8.4	-2.1	-3.2	-1.0
		-8.4	-8.4	2.1	3.2	1.0
Social Care Grant (on-going)		-5.3	-5.3			
Services Grant (one – off)		-5.0	-5.0	5.0		
New Homes Bonus - extra year		-1.9	-1.9	1.9		
<b>Subtotal Corporate Measures</b>	<b>4.8</b>	<b>-1.4</b>	<b>3.4</b>	<b>5.2</b>	<b>-0.4</b>	<b>-0.9</b>
<b>Net Operating Budget</b>	<b>510.3</b>	<b>7.8</b>	<b>518.1</b>	<b>542.6</b>	<b>562.9</b>	<b>583.8</b>
<b>Total Funding</b>	<b>-503.3</b>	<b>-14.8</b>	<b>-518.1</b>	<b>-537.2</b>	<b>-555.2</b>	<b>-574.6</b>
<b>Total Budget Surplus (-) or Deficit (+)</b>	<b>7.0</b>	<b>-7.0</b>	<b>0.0</b>	<b>5.4</b>	<b>7.6</b>	<b>9.1</b>
<b>Year on year Change in Surplus (-) or Deficit (+)</b>				<b>5.4</b>	<b>2.2</b>	<b>1.5</b>

65. The Financial Strategy (Section 4.5) sets out the financial planning principles applied in setting the budget and MTFs as well as assumptions on future funding. It also includes an assessment of compliance with the Code of Practice for Financial Management as well as key indicators for measuring the Council's financial health and resilience. Cabinet is recommended to approve the Financial Strategy (recommendation e).

### **Earmarked Reserves and General Balances**

66. Cabinet is recommended to approve the Earmarked Reserves and General Balances Policy Statement (Section 4.6) (recommendation f). This sets out the planned contributions to and from Earmarked Reserves and the proposed minimum level of General Balances for 2022/23. The forecast level of earmarked reserves over the period of the MTFs is set out in Section 4.6.1.
67. As set out in paragraphs 31-32, the proposed budget for 2022/23 includes the use of £8.4m one-off funding available to support on-going pressures associated with COVID-19. £11.0m of earmarked reserves and £3.0m from general balances are proposed to be used to support the cost of the 20 mile per hour speed limit and Zero Emission Regional Bus Area (ZEBRA) schemes that are proposed to be added to the capital programme as part of the Capital & Investment Strategy. The proposed budget also includes a contribution to the Budget Priorities Reserve of £5.4m to be used in 2022/23 for projects which align with the nine priorities of the administration.
68. The risk assessed level for general balances is £28.9m for 2022/23 which is equivalent to 6% of the proposed net operating budget of £518.1m. This is an increase of £0.1m from the risk assessed level for 2021/22, further details are set out in Annex 1 of Section 4.6.

### **Review of Charges 2022/23 and 2023/24 – Annex A**

69. As part of the Budget & Business Planning process, services have reviewed their charges for 2022/23. There have been no changes to the Corporate Charging Policy from that agreed by Cabinet in January 2019 which requires services to operate a full cost recovery model except where legislation dictates a maximum charge. The expectation was that charges would generally increase by a minimum of 2.0%, however the proposed increase should be higher where the market allows or where costs are not being fully recovered.
70. The Registration Service has also reviewed and proposed charges for 2023/24 which will enable the service to confirm the cost of services, including bookings for ceremonies such as marriages and civil partnerships, up to 31 March 2024.
71. The schedule of proposed charges for 2022/23 and, in relation to the Registration Service, charges for 2023/24 is set out at Annex A. Cabinet is recommended to approve the Review of Charges (recommendation b).

## Dedicated Schools Grant 2022/23 – Annex B

72. Dedicated Schools Grant (DSG) allocations for 2022/23 were announced on 16 December 2021. Oxfordshire’s provisional allocation for 2022/23 is set out in the table below along with the 2021/22 funding. The increase in funding for 2022/23 set out in Table 6 reflects the final year of the three year DSG funding commitment.

**Table 6:**

Summary of Block Funding	2021/22 £m	2022/23 £m	2022/23 Projected Outturn £m	Variation £m
Schools block	492.2	446.7	446.7	-
Central Services Schools block	4.6	4.5	4.5	-
High Needs block	81.9	88.7	109.0	20.3
Early Years block	39.3	39.2	39.2	39.2
<b>Total</b>	<b>555.0</b>	<b>579.1</b>	<b>599.4</b>	<b>20.3</b>

73. The detail of the School Funding Formula is set out in Annex B. Cabinet is recommended to approve the final funding formula for 2022/23 subject to the decision by the Secretary of State for Education regarding permission to transfer 0.5% (£2.2m) from the Schools block to support High Needs expenditure (recommendation c).
74. In addition to the DSG, a new Supplementary Grant with an indicative allocation of £13m for Schools and £3.2m for High Needs is being provided in respect of the Health and Social Care Levy and other cost pressures. This additional funding will be provided in each year of the current spending review period. The Department for Education’s intention is that payment of this additional funding in the form of a separate grant will be for 2022/23 only. The funding will be incorporated into core budget allocations for 2023/24 where possible.

### High Needs DSG Forecast

75. Spend on High Needs is expected to exceed the grant funding available in 2022/23 by £20.3m and the deficit is expected to increase over the medium term.
76. The reasons for the growing deficit are:
- Government funding nationally not keeping pace with increased demand for support for Special Educational Needs and Disabilities (SEND) in the local population
  - National reforms in 2014 extending the upper age range of young people the council is required to support through the High Needs Block from 19 up to the age of 25.



- The changing and increased complexity of needs of our children and young people.
  - The significant increase in requests for statutory assessments that lead to an Education, Health and Care Plan (EHCP) since the start of 2020. This increase has occurred nationally, not only in Oxfordshire. The number of EHCPs maintained by Oxfordshire has risen by 7.9% from 4,635 in Dec 2020 to 5,000 in Dec 2021.
  - In Oxfordshire, the largest proportion, 41.5%, of children and young people with EHCPs receive their education in mainstream schools. This compares to the national average of 39.9%. Oxfordshire has a higher proportion of children and young people with EHCPs in further education (18.3%) compared with the national figure of 16.7%.
  - Of the Oxfordshire children in special schools, 16.1% are in independent provision compared to 11.6% nationally. As this is the most expensive provision, the use of the independent settings is clearly a key driver in the level of spend. Use of independent settings is driven by the lack of places elsewhere and parental preference. The County Council has invested over £15m over the last ten years to increase places. There are two new special schools being built in the County as well as the expansion of existing special schools. The projections in growth of need, however, suggests that the schools will be quickly filled without meeting all the new need.
77. The accumulated forecast High Needs DSG deficit as at 31st March 2022 is £35.4m. Oxfordshire is forecasting increasing annual deficits driven by the growth in the learners supported. Strategic work continues in order to ensure that services are better structured in order to meet demand; despite this, it is unlikely that the deficit can be eradicated in the face of increasing numbers of children requiring support, parental preference and the dominant provider market.
78. Consultation on Special Educational Needs and Disabilities (SEND) commenced in January 2022. This has two parts. The Local Area SEND Strategy System Reform for Special Education Needs (SEND). The first is a high level overarching strategy with focus on support for children and young people with SEND to achieve the best possible outcomes. The System Reform for Special Education Needs (SEND) consultation reflects the work undertaken through the SEND Transformation Project which has been running for the past year and involves representatives from all education sectors as well as colleagues from the Clinical Commissioning Group and parent representative groups. This consultation proposes system changes where inclusion of children and young people in their local schools is the norm, early intervention is prioritised and spend is managed within available budgets.

## **Capital and Investment Strategy – Section 5**

79. The Capital and Investment Strategy (Section 5.1) is an overarching strategy that brings together the strategies that drive the Capital Programme (Section

5.5) and incorporate the Investment Strategy (Section 5.3) and the Treasury Management Strategy (Section 5.2).

80. This strategy satisfies the requirements as set out Prudential Code for Capital Finance in Local Authorities 2017 for authorities to prepare at least one Investment Strategy containing the disclosures and reporting requirements specified in the guidance each financial year. Cabinet is recommended to approve the Capital and Investment Strategy for 2022/23, including the Capital Prudential Indicators and Minimum Revenue Provision Policy Statement which form annexes to the strategy and the Investment Strategy (recommendation j).
81. Cabinet is recommended to approve the Treasury Management Strategy and Annual Investment Strategy for 2022/23 including the relevant Prudential Indicators and Specified Investment and Non-Specified Investment instruments as set out in paragraphs 55 to 60 of the strategy. To enable the Treasury Management team to operate effectively, Cabinet is also recommended to continue to delegate the authority to withdraw or advance additional funds to/from external fund managers to the Director of Finance and approve that any further changes required to the 2022/23 Treasury Management Strategy be delegated to the Director of Finance in consultation with the Leader of the Council and the Cabinet Member for Finance (recommendation k).
82. The Property Strategy (Section 5.4) sets out the Council's approach to property assets. An asset condition survey of the council's properties will be carried out in the first quarter of 2022/23. The outcome of that exercise will be used to inform a full review of the Property Strategy later in the year. It will also identify the investment needed to bring the Council's key property assets up to the necessary standard, including enhancements to achieve carbon zero. Cabinet is recommended to approve the existing strategy (recommendation m).
83. The Pupil Place Plan has been updated and Cabinet is recommended to endorse this and recommend council to approve as part of the Capital & Investment Strategy for 2021/22 – 2031/32 (recommendation j). The current [Highways Asset Management Plan](#) was agreed by Council in February 2020 and reviewed in January 2021. Locality engagement underpinning an update to the Plan will be undertaken in early 2022 and the expectation is that a revised plan will be agreed by Cabinet in July 2022.
84. The Council's 10 year Capital Programme is derived from the priorities identified in the supporting strategies and sets out the agreed capital investment to deliver those priorities. The programme is refreshed annually and agreed by Council each February. Section 5.5 sets out the proposed changes to the existing Capital Programme. The draft programme for 2022/23 to 2031/32 is attached at Section 5.6. Cabinet is recommended to approve the new capital proposals for inclusion in the Capital Programme (recommendation n) and the capital programme (recommendation o).
85. A summary of the proposed capital programme is set out in table 7 below:

**Table 7:**

<b>Strategy / Programme</b>	<b>Latest Programme £m</b>	<b>Monitoring Updates £m</b>	<b>Proposed Changes £m</b>	<b>Contingency £m</b>	<b>Total Programme £m</b>
Pupil Place Plan	233.8	0.6	12.5	0.0	246.9
Major Infrastructure	644.6	0.1	93.2	-50.0	687.9
Highways Asset Management Plan	248.4	0.0	30.2	0.0	278.6
Property & Estates, and Investment Strategy	70.5	-4.7	18.5	0.0	84.3
ICT & Digital Infrastructure	30.1	0.0	0.0	0.0	30.1
Passported Funding	38.6	0.0	6.7	0.0	45.3
Vehicles & Equipment	9.3	0.3	0.8	0.0	10.4
<b>Total Estimated Capital Programme Expenditure</b>	<b>1,275.3</b>	<b>-3.7</b>	<b>161.9</b>	<b>-50.0</b>	<b>1,383.5</b>
Earmarked Reserves	70.4	-0.5	-25.3	50.0	94.6
<b>Total Estimated Capital Programme</b>	<b>1,345.7</b>	<b>-4.2</b>	<b>136.6</b>	<b>0.0</b>	<b>1,478.1</b>

## Risk Management

86. To help manage the impact of financial risk in the proposed budget and MTFs, a corporate contingency is held. The proposed level of corporate contingency budget for 2022/23 is £6.6<sup>1</sup>m and is held to cover:
- the risk that demographic pressures are higher than forecast;
  - any unfunded new burdens or unfunded elements of government grant;
  - any unbudgeted pay award and other inflationary risks; and
  - the risk that proposed savings are not achieved in full, based on the performance targets set out in the Financial Strategy.
87. 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.
88. In addition to the corporate contingency, general balances are also held to ensure that a major incident or emergency can be managed without impacting on other services.

<sup>1</sup> After assuming use of £3.4m contingency for an unbudgeted pay award of 1.75% in 2021/22 and permanent virements of £0.6m in 2021/22.

## Financial Implications

89. The Council is required by law to set a balanced budget for 2022/23 before 1 March 2022. 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:

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## Legal Implications

90. 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 previous and future reports up to January 2022, will lead to the council tax requirement being agreed in February 2022, together with a budget for 2022/23, four-year medium term financial strategy and ten - year capital programme.
91. The Council is required to set a balanced budget taking account of balances and any other available reserves before the commencement of the financial year to which it relates. The Local Government Act 2000 states that it is the responsibility of the full council, on the recommendation of the Cabinet to approve the budget and related council tax requirement.
92. The Local Government Act 2003, section 25 requires the council's Section 151 Officer to report to the council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations.
93. 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:

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## Equality & Climate Implications

94. 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.'
95. In developing budget proposals, services have considered the potential impact of change with respect to equality, diversity and inclusion, in line with our new framework: Including Everyone, and our commitment to tackling the climate emergency through our Climate Action Framework.
96. An overarching equalities summary impact assessment, taking into account the overall impact of the budget proposals, is included in Section 4.7. An overarching climate impact assessment is included in Section 4.8. Where a potential material service impact has been identified, an initial Equality & Climate Impact Assessment has been completed and these are available as part of the background papers.
97. Following the public consultation, impact assessments will be reviewed and updated as necessary to take into account consultation responses.

**Lorna Baxter, Director of Finance**

**Claire Taylor, Corporate Director of Customers and Organisational Development**

Annexes:	Annex A: Review of Charges 2022/23 and 2023/24
	Annex B: DSG Allocations 2022/23
	Annex C: Cabinet's response to Performance and Corporate Services Overview and Scrutiny Committee's 2022/23 Budget Scrutiny Report
	Section 2.1: Budget consultation 2022/23 report
	Section 2.2: Strategic plan
	Section 2.3: Engagement feedback on the Oxfordshire Fair Deal Alliance's priorities
	Section 4.1: Revenue Budget 2022/23 and MTFS to 2025/26
	Section 4.2: Investments, Pressures and Savings 2022/23 – 2025/26
	Section 4.2.1 Covid-19 Pressures
	Section 4.3: Council Tax and Precepts 2022/23
	Section 4.4: Revenue Budget 2022/23
	Section 4.5: Financial Strategy 2022/23
	Section 4.6: Earmarked Reserves and General Balances Policy Statement 2022/23
	Section 4.6.1 Forecast Earmarked Reserves to 2025/26
	Section 4.7 Overarching Equalities Impact Assessment

Section 4.8: Overarching Climate Impact Assessment

Section 5.1: Capital and Investment Strategy 2021/22 – 2031/32

Section 5.2: Treasury Management Strategy 2022/23

Section 5.3: Investment Strategy for Property Investment 2022/23

Section 5.4: Property Strategy

Section 5.5: Proposed changes to the Capital Programme

Section 5.6 Proposed Capital Programme 2021/22 to 2031/32

Background papers:

Equality Inclusion and Climate Impact Assessments (ECIAs):

- Digital Post Room
- Environment Bill
- Environmental and Community bids – Nature Recovery Strategy
- Environmental and Community bids – Support for Community Action Groups
- Increased fees for on-street Pay and Display within Oxford
- Physical Activity and Obesity Budgets
- Travellers and Gypsy Services

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