

REPORT OF THE PERFORMANCE AND CORPORATE SERVICES OVERVIEW & SCRUTINY COMMITTEE: SCRUTINY OF BUDGET PROPOSALS 2024/25 – 2026/27

Cllr Eddie Reeves
Chair of the Performance and Corporate Services Overview & Scrutiny Committee
January 2024

RECOMMENDATION

1. The Cabinet is **RECOMMENDED** to —
 - a) Note the observations in the report.

REQUIREMENT TO RESPOND

2. Owing to the absence of any formal recommendations, there is no requirement for Cabinet to respond to this report. However, it may do so if it wishes.

INTRODUCTION AND OVERVIEW

3. The Performance Overview and Scrutiny Committee holds constitutional responsibility for providing Scrutiny of the Council's budget proposals. It has done so this year in three stages as the budget proposals themselves have developed. At its meeting on 10 November 2023, the Committee explored directorate pressures and the Council's approach to savings for the Medium Term Financial Strategy (MTFS).
4. On 08 December 2023, it considered an indicative set of budget proposals whilst the Council awaited important information around the Council's income, particularly the effect of the Local Government Finance Settlement.
5. Finally, on 19 January 2024 the Committee considered an updated set of proposals. These proposals were not the final budget proposals being put forward to Cabinet for agreement; those presented at Scrutiny still required a further £900k to be found to allow the budget to be brought into balance. In the context of the Council's overall budget, this is a relatively small sum and the Committee is not concerned that it significantly impacts the value of its overall Scrutiny. It is, however, noted for transparency.
6. The purpose of this report is threefold:
 - i) to provide to Cabinet the Performance and Corporate Services Overview and Scrutiny Committee's response to the budget proposals prior to deciding the details of the budget to be proposed at Council for ratification;

- ii) to inform members of Council of the issues identified by the Scrutiny Committee;
 - iii) to provide assurance to the public that amidst the difficult decisions which need to be made, that robust challenge as to the outcomes and assumptions has been provided.
7. The Committee notes that this is a particularly challenging environment in which to set a balanced budget. A number of Councils have already issued section 114 notices and more have admitted the high probability of doing so within the next year. The Committee recognises the significant corporate effort required to deliver this set of balanced budget proposals and recognises the particular efforts of Cllr Dan Levy, Cabinet Member for Finance, Lorna Baxter, Executive Director of Resources, and Kathy Wilcox, Head of Corporate Finance. The Committee also extends its thanks to the other Cabinet and Senior Leadership Team members for their contributions, including presenting to the Committee and for answering its questions.

SUMMARY

8. As set out above, the Committee's deliberations were undertaken across three meetings and with developing proposals. It would be of questionable value to describe discussions at each of those meetings in full but, for those wanting more comprehensive detail, the minutes of the meetings of [10 November](#) and [08 December](#) 2023 are available online, as will be the minutes of the 19 January 2024 meeting prior to the Council's budget meeting.
9. The Committee is not submitting any formal recommendations. However, detailed below are the observations made during the Committee's scrutiny. It is hoped that they will be useful to both Cabinet members and all members prior to Budget Council in recognising the primary issues as identified by Scrutiny.

OBSERVATIONS

General Observations

- i) Assumptions*
10. To make a budget it is necessary to rely on reasonable assumptions over future levels of income and expenditure. Part of the Committee's job is to test the reasonableness of those assumptions and to determine the level of risk involved if outturn figures are at variance with budgeted sums. However, whilst the Committee has the benefit of being able to ask for explanations of budget assumptions, members of the public reading the budget papers do not. It is important, therefore, to be clear and transparent over how figures are arrived at. For instance, the Council's recent expectations over how many children in

a given cohort will require Education and Health Care Plans (EHCPs) have been underestimated: 4% of children requiring EHCPs vs an expectation of 2.1%. For many parents, the assumptions being used are very important, and the rationale for adopting them. Similarly, income expectations over the Workplace Parking Levy will vary depending on the cost of parking spaces, the level of spaces at which the levy is applied, and the area included. Again, this is of great interest for many residents and the Committee encourages the Council to draw out as transparently as it can the underpinning assumptions so that members of the public can understand more fully the implications of the budget being set.

Observation 1: That the assumptions which lie behind the budget assumptions are very illustrative of the Council's working assumptions around major policy areas such as the Workplace Parking Levy and portion of children expected to require an EHCP. The inclusion of these in the final budget proposals to Council would improve transparency.

ii) Delayering

11. One of the Council's principal responses to the lower-than-expected income from Central Government's finance settlement is the proposal to remove £2.5m spend over two years by 'delayering,' making the Council more efficient by removing management posts and moving to a flatter structure. The Committee's first response to this is simply to note that the removal of management capacity within the organisation could have significant operational impacts in the absence of sufficient planning and mitigation. The Council is investing significant time, effort and resources into ensuring that it reduces its agency spend on staffing and improves rates of recruitment and retention. These objectives are particularly at risk if delayering is undertaken without sufficient care and preparatory work.

Observation 2: That delayering involves removing management capacity from the organisation, a process which, if not planned sufficiently, could have operational impacts and impinge on the Council's workforce ambitions.

12. Unsurprisingly within a budget document, delayering is approached in terms of the size of the savings and where those savings will come from. This leaves the question of *how* the reduction to headcount will be determined, what the Council's approach and criteria will be to ensure this is done both efficiently and fairly, unaddressed. At the time of the Committee's January meeting, the Leader had not met with representatives of the trade unions unions specifically to discuss the delayering proposals but was scheduled to do so before the budget item's consideration at Cabinet on 30 January.¹ The Committee encourages the Council to pay careful attention to their responses.

¹ To avoid any sense of misrepresentation, there has been significant open discussion about the Council's direction of travel with regard to headcount with the unions at different levels.

Observation 3: It is important that the Council decides not just the scale of delayering it needs to undertake, but the approach it will take to ensure its targets are met efficiently and fairly. Listening to the response of the trade unions to these proposals will be particularly important.

13. The Committee has, in the current civic year, been presented with an update report on the activity of Delivering the Future Together (DTFT), finding nothing to criticise and much to praise. It is the Committee's view that DTFT is one of the most positive aspects of the Council's activity. The effects, for example, of the DTFT-delivered 12:3:2 model of one to ones are to be seen in the high rates of satisfaction by staff in the recent employee engagement survey with their managers. It is regrettable to the Committee, therefore, that such a positive force within the Council is to be used as the vehicle through which the Council's delayering will be undertaken, a process which has the potential to be extremely negative.

Observation 4: It is a regret that DTFT, a highly positive force within the Council, is to be used as the vehicle to manage and deliver a programme with high potential for negativity.

14. The Committee accepts that delayering need not necessarily always involve redundancies. Staff turnover provides one way in which posts can be deleted without redundancy. More positively, so, too, does internal promotion. However, the Council's proposals are front-loaded into the first two years of the MTFS. This condenses the window of opportunity for deleting posts in this way. At the same time, it also raises the likelihood of needing to make redundancies. If the Council intends to make £2.5m of staff savings, it should keep in mind the potential need to make redundancy payments. Whilst such payments are not recurring, as staff salaries are, they are not free.

Observation 5: The relatively short period in which the Council seeks to delayer raises the likelihood that redundancies – and, therefore, redundancy payments – will be necessary.

Adult Social Care

15. Following previous budget-setting decisions, there is within the current budget proposals a sum of £13.2m which is designed to support an uplift in the cost of care placements by an average of 6%. When raised in discussion, it was noted that the Council has historically invested in its social care market and that the Council benchmarks at the top end amongst benchmark authorities in terms of care package costs.
16. The Committee recognises that the Council's work around the Fair Cost of Care does mean it has a strong understanding of the cost of providing care, but it also notes that one of the rationales provided for maintaining the levels of uplift was the vibrancy of the local market. Care provision in the county has strong diversity of quality, good availability, and a range of costs. Reductions in funding would reduce that vibrancy.

17. The Committee takes this point on board but also notes that, with a finite sum of money, there is an opportunity cost to investing in maintaining a vibrant social care market locally – some of that same money could be spent elsewhere. This significant investment alongside the Council's status as one of the highest payers amongst benchmark authorities is a notable statement of priority for the Council.

Observation 6: That the Council's investment of significant sums to safeguard the vibrancy and diversity of its adult social care is a notable statement of its priorities.

18. In December 2023, Central Government announced a plan to reduce levels of immigration. The principal lever for doing so was an increase in the earning threshold for overseas workers by nearly 50%, from £26,200 to £38,700. This could potentially have two types of impact for the Council. Firstly, a direct impact on the basis that the Council does employ international social workers. The increase in income thresholds could mean the supply of available social workers would reduce, likely creating an upward pressure on costs – either through salary levels or relying on agency staff to fill posts to which there has not been a successful recruitment. This impact, however, would be far smaller than the second type, which is the indirect impact. Many more social care providers in the county rely on an international workforce and, typically, those staff will earn less than a social worker would. As a consequence, these providers may also face a recruitment squeeze, in a sector which already struggles to fill vacancies. Ultimately, the challenges in recruitment would be expected to filter through into the cost of providing care packages and placements, raising the cost to the Council accordingly.
19. These impacts are phrased in the conditional purposefully. Government guidance states that 'those coming on the Health and Social Care Visa route will be exempt from the £38,700 salary threshold applied to skilled workers'. It is necessary for the Council to understand how far this exemption extends to the social care workforce in order to understand the consequences.
20. Work is already being undertaken to determine the Council's level of exposure to these risks. The Committee seeks simply to raise general awareness that they exist and could, if realised, be expected to have a potentially significant impact on the Council's costs during the period of the MTFs.

Observation 7: That the Council may potentially be impacted by recent changes to immigration rules within the period of the MTFs, both directly and indirectly, and that the consequences would not merely be operational but financial.

Children, Education, and Families

i) SEND

21. The Committee devoted a significant amount of time to the exploration of Special Educational Needs and Disability (SEND) funding, the most notable point of which was in discussion over the anticipated number of EHCPs and the cost of servicing those EHCPs. In response, it was explained to the Committee that the Council had not quantified the full cost over the life of the MTFs of servicing its EHCPs. In follow-up, the Committee also asked on what grounds, therefore, the Council might have confidence that the overspends experienced in the last two years would not be replicated or even increase. The response provided was that the Council had an increasingly stable and able workforce, including senior staff, who were working with key stakeholders to develop support for children with SEND which would sometimes be without the need for an EHCP. Where an EHCP was in place, the Committee was told that the Council would ensure the support provided was cost effective (e.g., by increasing provision in Oxfordshire to replace more expensive provision outside the county.)
22. Whilst the comments made about the workforce may well be true, the Committee does not necessarily share the same optimism that EHCP numbers will reduce meaningfully over the life of the MTFs. Elsewhere in discussion, it was reported that, although it was Central Government's wish for support for children with SEND to occur without an EHCP, the reality was that EHCPs have become the currency or access point for SEND support. Locally, the commitment by parents to securing EHCPs for their children has been even stronger than elsewhere in the country as they did not have sufficient confidence in the system to provide support for their children without one. If this is true, trust is not swiftly regained, and there is a risk of a long delay between improvements made to SEND support without EHCPs and parental perception. As such, the Committee does not share the same degree of optimism that the recent high levels of EHCPs will reverse swiftly.

Observation 8: The loss of trust in the Council and its partners' ability to provide support for children with SEND needs without an EHCP may hinder the Council's ambitions to provide earlier intervention and greater levels of suitable support for SEND children without an EHCP for a longer period than it expects.

23. Central Government has given local authorities the ability to hold costs relating to the High Needs Block in a negative reserve which is off the balance sheet. This has two important consequences – firstly, that, in this particular instance, the spending incurred does not need to be considered as part of the Council's duty to form a balanced budget. Secondly, this means that the Council is incurring significant expenditure (over £21m forecast in 2023/24 and a total of £62.3m overall) which does not appear in the budget proposals.
24. A corollary of the latter is that the Performance and Corporate Services Overview and Scrutiny Committee, the body tasked with providing budget scrutiny, is completely unsighted on this expenditure. This is in no way a criticism of Cabinet members or officers but it is regrettable that the funding structure obstructs the ability of the Committee to interrogate a significant chunk of Council spend.

Observation 9: The statutory override by Central Government which allows the Council to hold a negative reserve relating to the High Needs Block off-balance has the effect of obstructing Scrutiny of this large and important area of expenditure.

ii) 'Grow your own' opportunities

25. Amidst a national shortage of social workers and the particular challenges of recruitment associated with Oxfordshire's high cost of living, the Committee welcomes the Council's ongoing investment in 'growing our own' social workers.
26. The Committee is, however, particularly keen that its social workers are representative of the communities they work with given the importance of understanding and empathising with the situations of those with whom they are working. As such, the Committee would like to see particular marketing of the Council's 'grow your own' opportunities to under-represented communities. One particular group it identifies as being particularly valuable to target is that of children formerly looked after by the authority, whose personal experience would be invaluable when working with others in the same situation, and for whom the offer of a stable and rewarding career path is extremely valuable.

Observation 10: That there is particular value in promoting the Council's 'grow your own' opportunities to under-represented communities, and especially to formerly looked after children.

27. A further opportunity the Committee sees around the Council's 'grow your own' offer relates to para-professionals. In a time, for example, when speech and language therapists are in short supply and waiting times for a child to see one are therefore lengthy, positive interventions can be made by para-professionals trained in children's language development, particularly in the early years. Extending the development offer one step down, the professional pyramid would be expected to broaden the options available which would make the Council's grow your own opportunities more accessible and desirable to more people whilst also significantly bolstering capacity.

Observation 11: There is significant value in broadening the Council's 'grow your own' approach.

iii) Children's Social Care

28. An area of concern for the Committee is the sheer scale of savings to be found within the children's social care budget by 2026/27: £6.8m through demand management and £7.5m by ensuring exits from care are delivered in a timely way, for example. It is fair to note that (a) that there is a net increase of £5.2m in 2024-5 for children's social care; and (b) a 40% risk adjustment is applied to savings of £10.3m which indicates a degree of caution over the deliverability of these savings. The Committee agrees that it is right to show

such caution, and that it has strong reservations over the operational impacts for vulnerable children if the savings are delivered absolutely in full.

Observation 12: That the level of savings required within children's social care, if delivered in full, have a high risk of operational impact.

iv) Children's Centres

29. One of the messages running through the budget scrutiny process has been that of the success of the Oxfordshire Way in reducing demand for social care through investment in early intervention and support. At the Council, this work is now fairly well advanced in Adult Social Care whilst it is less developed in Children's. However, it is the intention of the Council to mirror the success of the approach in Adults within Children's Services.
30. A key asset in providing early intervention and support are the children and family centres around the county. At present, these are funded on a year-to-year basis and supplemented by significant fundraising efforts. The Committee appreciates the financial strains the Council faces, but it is equally aware that a short-term funding which must also be supplemented through additional fundraising is not robust and neither does it encourage thinking about potential future development.
31. As such a core asset in enabling the Council's demand-reducing approach, the Committee would encourage the Council to consider undertaking an options appraisal. Specifically, it considers that it would be beneficial to determine whether there are ways the Council's support to children's centres can make them more robust and leverage their position to contribute to the application of the Oxfordshire Way more fully within Children's Services.

Observation 13: Children's Centres occupy a crucial position in the Council's strategic approach to managing demand for Children's Services. The Committee sees value in reviewing how the support it provides can make them more robust and able to contribute to delivering the Oxfordshire Way within Children's Services.

Environment and Place

i) Issues relating the Shepherd Project

32. One of the new pressures on the budget this year relates to 2025EP583, the Shepherd Project. There is a recognition that, over the MTFS, £800k of previously-budgeted savings relating to this home to school transport digital contract management system were no longer achievable.
33. The Committee discussed this on more than one occasion and a briefing note was included as part of the Committee's papers for its final meeting. In exploring the reasons for such a large budget pressure arising it was put forward to members that an error had been made in the degree of governance

oversight of the project. Governance levels had been set according to the low cost of the project, £75k, not recognising its far greater budgetary implications.

34. The Committee agrees that this was a weakness, and notes that it is vital that the Council implement this lesson learnt with other similar small-cost, big-savings projects to avoid similar issues with planned savings arising in the future.

Observation 14: The Council misjudged the level of governance required for the Shepherd Project and it is important that it implement the learning from this mistake to prevent similar savings shortfalls from arising in the future.

ii) Flood Authority Resourcing

35. Budget proposal 2025EP638 seeks that £40k of savings are to be made in 2024/25 through a 'reduction in bespoke Lead Local Flood Authority planning consultations.' The Committee explored what was meant by this and it was explained that part of the saving would be around consolidating the team and not responding to all applications but instead focusing on higher-risk applications, providing more guidance and standing advice for lower-risk ones. Members of the Committee passed on frustration from residents at the current level of service at the time, and query, for a £40k saving, the value of reducing capacity within a service already attracting negative comment from residents.

Observation 15: The Committee queries the value of making a £40k saving by reducing the capacity of a service which has already, in the Committee's experience, attracted negative comment from residents.

iii) Park and Ride Patronage

36. Though a relatively small sum in terms of the overall budget, saving 2025EP655 - £25k through increased patronage at the Park and Rides by improving the user offer – did attract comment from the Committee. In discussion, the Committee considered that it was not provided with sufficient evidence to justify the belief that park and ride patronage would increase in the next year by the level indicated.

Observation 16: The Committee is not convinced that there is sufficient evidence to justify the belief that Park and Ride patronage will increase.

Public Health and Community Safety

i) Pension Liabilities

37. The Committee noted that the source of funding for firefighter pension costs has been changed from a specific grant to general funding from 2024/25 onwards.

38. In discussion, the Committee raised questions over whether any special provision had been included to cover any costs associated with the McCloud judgement. It was confirmed that there had not.
39. Whilst the McCloud judgement is actually a case relating to judges, a similar case was brought on behalf of firefighters around the same time. The findings of the McCloud judgement are of consequence to the Council not only in relation to the Council's responsibility for firefighter pensions, but also more broadly.
40. When public sector final salary pensions were replaced with career average pensions in 2015, those near retirement were protected from being negatively impacted by the changes through an underpin, which would ensure that qualifying members would be as well off under the new arrangements. This was not extended to younger members and, in court, was deemed to be discriminatory on the grounds of age. The remedy is to extend the underpin protections to all members, regardless of age, for the same duration as the original underpin. These findings are the same for all public sector pensions which moved over from final salary to career average arrangements, including the local authority pensions.
41. It is unclear how many people this will impact and what the quantum will be; differing salary levels throughout the underpin period as well as the different accrual rates under the different schemes mean that results will be highly individual, with some members not being impacted at all. The underpin protection period has only recently closed and pension funds are identifying the numbers impacted. What is clear is that a known cost of undetermined size is coming down the road at some point and that the Council should be cognisant of this risk.

Observation 17: The Council will need to incorporate the impacts of the McCloud judgement on future pension costs into its budgeting but only when further information is available.

Resources and Law & Governance

42. The observations made in relation to this directorate were primarily in relation to the Council's delaying.

Capital Programme

43. The following observation has already been taken up in greater detail by the Place Overview and Scrutiny Committee and a paper is expected to update on progress made. However, the observation is worth including as part of the budget scrutiny also. When it comes to infrastructure funding, the Council is not short of money. The volume of development, the size of the county and the cost of land mean that the Council is towards the very top of all councils nationwide for developer contributions to infrastructure funding. In 2022/23

alone, the Council received £62.3m and was holding a total of £276m, not including obligations secured for which money had not been received. This is one instance where the Council does not lack for income.

44. The Committee recognises that there are genuine challenges around infrastructure spending. For instance, needs are identified often far in advance of when they are to be delivered, sometimes many years, and can involve multiple independent parties each delivering part of a whole. These needs and the relevant sums or infrastructure delivery are usually tightly defined by developers, providing little flexibility to adjust provision as needs alter over time. However, it is also recognised that the Council is not as efficient as it could be in delivering this infrastructure to residents and there are further amounts which could potentially be allocated to projects in the capital programme or which have business cases.
45. Members of the Place and Performance and Overview and Scrutiny Committees, the Cabinet member, and officers are in agreement that the Council's coordination between different elements of the s. 106 infrastructure delivery process are not fully coordinated and aligned. The negotiation of s.106 agreements is handled discretely from those who will deliver the infrastructure, for instance. This is an area which has been identified by senior officers and is already being addressed as a priority measure.
46. In a period of overall financial constraint, it is the Council's duty to residents not to allow sub-optimal coordination to delay or prevent the delivery of infrastructure when there is money available to deliver it. More than that, however, in a period where super-low inflation rates have come to an end, delays also have a financial cost on the Council via increased project costs. Given the sums involved in infrastructure delivery, inefficiencies in process are therefore expensive. Following through on delivering process improvements is therefore vital.

Observation 18: The scale of infrastructure funding in Oxfordshire is very significant making the sums forfeited through inefficiency commensurately significant. The successful delivery of improvements to the process of infrastructure provision is therefore similarly important.

Fees and Charges

47. The Committee did consider the Council's proposed amendments to fees and charges but had no comments to make.

FURTHER CONSIDERATION

48. The Committee is expected to return to its formal budget scrutiny towards the end of 2024, once there are proposals to scrutinise. However, the Committee has also expressed a wish to engage on a more ongoing basis with progress

against budgeted savings and the delivery of capital projects throughout the year.

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