

Division(s): N/A

## **CABINET – 18 October 2022**

### **Budget and Business Planning Report 2023/24 – 2025/26**

**Report by the Director of Finance and Corporate Director –  
Customers, Culture & Corporate Services**

#### **RECOMMENDATION**

1. **The Cabinet is RECOMMENDED to:**
  - a) **Endorse the report and note the assumptions that will form the starting point for the 2023/24 budget as well as updates since the Medium Term Financial Strategy was agreed in February 2022 that need to be considered;**
  - b) **Approve the budget and business planning process for 2023/24; and**
  - c) **Approve a three-year period for the medium-term financial strategy to 2025/26 and ten-year period for the capital programme to 2032/33.**

#### **Executive summary**

2. Oxfordshire County Council provides 80 per cent of local government services in Oxfordshire based on expenditure, including adult and children's social care, some education services, fire and rescue, libraries and museums, roads, trading standards, waste disposal and recycling.
3. The [strategic plan 2022 - 2025 \(pdf format, 3.6Mb\)](#) sets out the council's vision to lead positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county. To do that the council will:
  1. Put action to address the climate emergency at the heart of our work.
  2. Tackle inequalities in Oxfordshire.
  3. Prioritise the health and wellbeing of residents.
  4. Support carers and the social care system.
  5. Invest in an inclusive, integrated and sustainable transport network.
  6. Preserve and improve access to nature and green spaces.
  7. Create opportunities for children and young people to reach their full potential.
  8. Play our part in a vibrant and participatory local democracy.
  9. Work with local businesses and partners for environmental, economic and social benefit.

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4. The budget and medium term financial strategy (MTFS) support the strategic plan and are reviewed and updated each year through the budget & business planning process. Details of the services that directorates provide, the priorities they help deliver and the planned budgets with which they deliver these, are set out in Annex 1a.
5. Progress on achieving priorities is tracked through the council's outcomes framework with updates shared the Business Management and Monitoring reports to Cabinet. The framework will be reviewed and updated for 2023/24 as part of the annual budget and business planning process.
6. This year the budget consultation has four distinct phases, putting residents' views at the heart of the council's budget and business planning from the start to the finish.
  - Phase 1: Maximising the use of existing feedback.
  - Phase 2: Representative residents' survey.
  - Phase 3: Oxfordshire conversation events
  - Phase 4: Public consultation on the substance of the 2023/24 budget.
7. Engagement on the council's priorities, service provision and budget (including council tax) began in the summer, with a residents' survey. Following this, Oxfordshire Conversations events will be used to check that the priorities that the council set last year as part of the strategic plan still align with those of residents. Three online events and a face to face sounding board with young people will take place in October 2022.
8. Feedback on the detailed budget proposals will be sought as part of a public consultation beginning in late November 2022 as well as from the Performance and Corporate Services Overview and Scrutiny Committee in December 2022 and January 2023.
9. The budget & business planning process will continue through the autumn and winter. Based on the recommendation in this report Council will set a budget for 2023/24, a medium-term financial strategy to 2025/26 and capital programme to 2032/33 in February 2023. Performance progress against the budget for 2023/24 will then be monitored through the Business Management & Monitoring reports to Cabinet.
10. This report provides context and background information as well as updates about the wider economic environment since the 2022/23 budget and Medium Term Financial Strategy was agreed in February 2022. The financial position for the council and the overall economic landscape looks much more challenging and uncertain than when the budget was set. The following factors are contributing to this:
  - Issues and volatility in the wider economy, including the on-going impact of inflation, workforce shortages and supply side issues. In the 12 months to August 2022, the Consumer Price Index increased by 9.9%. That is significantly higher than predicted at the time of the Local

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Government Settlement for 2022/23 when it was expected to rise to around 4% then fall back to the 2% target in the medium term. Further details will be shared later in the Budget & Business Planning Process but the estimated impact of inflation along with the anticipated increase in the National Living Wage from April 2022 is currently estimated to increase the council's costs by around £30m in 2023/24. In addition to this there are also other estimated demand – led pressures totalling around £20m expected in 2023/24, including the on-going impact of pressures on Children's Social Care reported through the Business Management & Monitoring Reports in 2022/23.

- The value of the pound is low and continues to fluctuate; this could impact on future inflation, particularly in relation to fuel costs. Government departments have been asked to look for efficiency savings to help meet the cost of additional borrowing.
- On-going uncertainties about the implementation of, and the sufficiency of funding for, government policy changes including Adult Social Care reform and the arrangements for the management of past and future overspends against funding for High Needs Dedicated Schools Grant where the deficit built up to date is expected to total £47m by the end of 2022/23.
- Reductions in general funding for local government over the last ten years means there is now less ability to deliver further savings.
- Oxfordshire residents face significant financial pressures that may lead to increased demand for services.

11. It is not anticipated that any detailed information about funding for 2023/24 will be received until the Provisional Local Government Settlement which is expected in mid to late December 2022. Information about funding for Adult Social Care reform is not expected until late January 2023. The timing of this information could impact on the ability to confirm the robustness of the proposed budget through the Section 25 report by the Director of Finance.

12. Detailed information about spending pressures and priorities and proposals to meet these will be published for consultation on 18 November 2022.

### **Introduction**

13. The council's vision and priorities are supported by the budget and Medium Term Financial Strategy. This report is the starting point for the budget and business planning process for 2023/24. It explains the process for developing and agreeing the budget for 2023/24 and the assumptions on which the current medium term financial strategy (MTFS) agreed in February 2022 is based. It then updates information arising from government and other announcements plus the on-going impact of challenges apparent in 2022/23 and new or emerging financial issues for 2023/24 and beyond which will be incorporated into the new MTFS.

14. Annexes are attached as follows and explain:

- Annex 1a: The council's directorates, priorities and planned budgets

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- Annex 1b: General balances and earmarked reserves
  - Annex 1c: Planned changes to budgets in 2023/24 – 2025/26 agreed in February 2022.
  - Annex 2: Budget and Business Planning timetable for 2023/24
15. Given future funding is so uncertain it is proposed that the MTFS will not be extended this planning round and will include the budget for 2023/24 plus the following two years. This will be reviewed again as part of the 2024/25 Budget & Business Planning process. The capital programme will be extended by one year to cover the 10 - year period to 2032/33.

### Current medium-term financial strategy

#### Starting Point – 2022/23 budgets

16. The budget supports a range of service provision which contributes to the council's vision and nine priorities. Most of these services, which are grouped and managed within the council's five directorates, continue from one year to the next.
17. Due to the continuity of service provision the first step in building the budget for 2023/24 is to roll forward 2022/23 budgets. This starting point will then be adjusted for changes built into the MTFS agreed in February 2022. Proposed new changes to expenditure needed to align with funding for 2023/24 will be agreed as part of the 2023/24 budget approved by Council in February 2023.
18. Annex 1a provides more information about each directorate and the services contributing to the council's priorities along with the planned budget for 2023/24 and indicative budgets for 2024/25 and 2025/26 based on current plans.
19. The net council funded budget for each directorate and changes that are already planned to create the budget for 2023/24 based in on the current MTFS agreed in February 2022 are summarised in the table below. New changes agreed as part of the 2023/24 Budget & Business Planning Process will be added to this starting point.

	Revised 2022/23 Budget In July 2022 (*)	Add Planned Changes in current MTFS	Indicative Budget 2023/24	Change in Budget
	£m	£m	£m	%
Adult Services	211.8	9.7	221.5	5%
Children's Services	150.1	5.0	155.1	3%
Environment & Place	63.3	1.3	64.6	2%
Public Health & Community Safety	27.8	0.4	28.1	1%
Customers, Culture and Corporate Services	62.1	0.9	63.0	1%

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Directorate Total	515.1	17.2	532.3	3%
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*\*2.5% budgeted pay inflation for 2022/23 has been allocated to directorates in these totals. This will be confirmed once the award is agreed and will be increased using funding held in contingency if the award agreed is higher than 2.5% as expected.*

20. After taking account of planned budget increases and changes to savings, the current MTFS includes net new funding totalling £17.2m in 2023/24. This includes £13.8m for demography for adult and children's social care and increases in waste tonnages, reflecting anticipated population and housing growth, plus £3.4m for inflation and changes to other directorate expenditure pressures and new investments. As shown in Annex 1c further budget increases totalling £38.3m are planned to be added to directorate budgets in 2024/25 and 2025/26.
21. One – off funding held in the COVID-19 reserve is continuing to be used to support additional costs arising from the pandemic. Planned funding from the reserve in 2023/24 is £6.3m. Where there is an on-going service cost after the COVID-19 funding ends the MTFS includes replacement council funding. See Annex 1b and 1c for the detailed changes that are included in the plan.

### General balances and earmarked reserves

22. A local authority is not permitted to allow its spending to exceed its available resources so that overall it would be in deficit. Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and council tax precept, the Chief Finance Officer must report to it on the following matters:
- The robustness of the estimates made for the purposes of the (council tax requirement) calculations
  - The adequacy of the proposed financial reserves
23. The council maintains general balances to provide a contingency against unplanned or unexpected events. As set out in the Earmarked Reserves and General Balances Policy Statement agreed in February 2022, and explained further in Annex 1b, the risk assessed level for 2022/23 is £28.9m. This is equivalent to 5.6% of the net operating budget of £520.4m agreed by council in February 2022 and equates to around three weeks net expenditure. A review will be undertaken as part of the budget and business planning process to determine the appropriate level of balances for 2023/24.
24. Earmarked reserves (which are held for a specific purpose) were forecast to be £128.8m at the end of 2022/23 in the current MTFS. The latest forecast in the Business Management and Monitoring report to Cabinet in September 2022 is for earmarked reserves to total £190.6m at the end of 2022/23. Further detail is provided in Annex 1b.

## Financial planning assumptions for 2023/24

### Council Tax and Adult Social Care Precept

25. The Government's Spending Review 2021 confirmed that the council tax referendum limit will remain at 2.0% throughout the three-year Spending Review period to 2024/25. It also set out that local authorities could meet pressures in adult social care by raising council tax by up to an additional 1.0% per annum through an additional precept in 2022/23, 2023/24 and 2024/25.
26. The current plan assumes core council tax increases of 1.99% each year plus a further 1.00% adult social care precept in each of 2023/24 and 2024/25.

	2023/24	2024/25	2025/26
	£m	£m	£m
Core Council Tax Increase	1.99%	1.99%	1.99%
Adult Social Care Precept - Spending Review 2021	1.00%	1.00%	
<b>Total Council Tax Increase %</b>	<b>2.99%</b>	<b>2.99%</b>	<b>1.99%</b>

27. Each 1% increase in council tax generates around £4.4m on-going funding for council services so the pressure of £30m for inflation anticipated in 2023/24 would require a further additional council tax increase of around 7% to fund that. Assuming the referendum limit for increases in council tax continues to be limited to 1.99% that means the council's funding will reduce significantly in real terms when compared to the increased cost of services.
28. The council tax base is the number of Band D equivalent dwellings in a local authority area. Growth in the tax base of 1.75% per year is assumed in the MTFs reflecting anticipated increases in the number of households in Oxfordshire paying council tax. The following table shows how the income generated by the growth in the tax base compares to funding for demographic growth built into the current plan.

	2023/24	2024/25	2025/26
	£m	£m	£m
Budgeted Demographic Growth	13.8	14.7	14.4
Additional Council Tax funding from 1.75% growth in tax base	7.6	8.0	8.4

29. As well as updating the council tax base each district will also make assumptions about the anticipated level of council tax to be collected in any given year. Where actual income varies from those assumptions it will create a one – off surplus or deficit that is then shared with the county council as a precepting authority. Based on previous years the county council's share of

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surpluses on council tax collection is estimated to be £4.0m in each year of the MTFS.

30. The impact of these changes on Council Tax income assumed in the MTFS is summarised below:

	2023/24	2024/25	2025/26
Council Tax Requirement	£456.7m	£478.6m	£496.7m
Council Tax Base	268,492	273,190	277,971
<b>Council Tax (Band D Equivalent)</b>	<b>£1,700.99</b>	<b>£1,751.85</b>	<b>£1,786.71</b>
Council Tax Collection Surpluses	£4.0m	£4.0m	£4.0m

31. In recent years, the expectation was that core council tax increases would broadly cover increases in costs arising from inflation. Because inflation is significantly higher than anticipated at the time of the Spending Review 2021 the additional cost of maintaining service provision cannot be met by the planned increase to council tax and means reductions in planned expenditure or savings will be required to balance the budget to the available funding.

### General funding & local government funding reforms

32. The Council receives a Settlement Funding Assessment (SFA) from Government which is the share of the local government spending based on the 'need' of a local authority. It comprises Business Rate Top Up Grant, together with the Government's assessment of the level of Business Rates income to be retained by the Council. The SFA for 2022/23 is £72.0m and was unchanged from 2021/22 and 2020/21. The 2023/24 SFA is expected to be announced as part of the Provisional Local Government Settlement for 2023/24.
33. In addition, local authorities have been able to retain the growth in business rates from the baseline established in 2013/14 up to the Business Rate Growth Reset originally planned for April 2021. Authorities can also choose to pool business rates through the rates retention scheme which provides the opportunity to pool business rates and build growth across a wider area. Pooling can help local authorities manage volatility in business rates income, sharing fluctuations across the pool. The effects will be different in each case depending on the members of the pool and their individual circumstances. The council is a member of the North Oxfordshire Business Rates Pool with Cherwell District Council and West Oxfordshire District Council and has received around £0.5m share of the pooling gain in the last two financial years. The council will continue to be a member of the pool in 2023/24.
34. The impact of the Fair Funding Review would depend on how the changes were implemented but as an area which generates a high proportion of its funding from its council tax base, it is likely that the council's funding would

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reduce as a result of this reset. This was delayed again in the 2022/23 planning round and the current MTFS assumed that this would take place on a phased basis over 2023/24 and 2024/25. It is also assumed that the planned Fairer Funding Review would be effective on a phased basis from 2023/24. The effect of these funding changes is to create a budget shortfall of £5.3m in 2023/24 which increases to £7.5m in 2024/25.

35. The current MTFS assumes that business rates funding increases by 2.0% inflation each year (based on the forecast Consumer Price Index). However, because of the on-going uncertainty about changes to business rates no assumptions about future growth have been built in.
36. The following table shows the estimates for funding from Business Rates included in the current MTFS.

	2023/24 £m	2024/25 £m	2025/26 £m
Business Rates Top – Up Grant	38.6	36.7	37.5
Business Rates Local Share	33.6	32.7	33.3
S31 Business Rates Relief Grant	4.3	3.3	3.3
<b>Total General Funding</b>	<b>76.5</b>	<b>72.7</b>	<b>74.1</b>

37. In October 2022, the government confirmed that there will no Fair Funding Review during the current Spending Review period which covers 2023/24 and 2024/25. This means the existing £5.3m budget shortfall in 2023/24 will be removed and the overall position is balanced before taking account of new inflationary and other pressures or any other funding changes.

### Inflation & Contingency

38. In August 2021 the Bank of England was forecasting inflation to increase up to 4% in 2022 returning to the 2% target in the second half of 2023. The Consumer Price Index (CPI) increased to 4.8% in the 12 months to December 2021 and 4.9% in the 12 months to January 2022.
39. On the assumption that inflation would peak in 2022 then fall back in line with the Bank of England forecasts, the current MTFS includes funding for pay and contract inflation based on the following assumptions:

	2023/24 MTFS	August 2022 Actual Inflation	2024/25 MTFS	2025/26 MTFS
Contract Inflation	RPIX - 4.2% RPI - 4.1% CPI - 2.5%	RPIX – 12.2% RPI – 12.3% CPI – 9.9%	RPIX - 3.7% RPI - 3.6% CPI - 2.0%	RPIX - 3.7% RPI - 3.6% CPI - 2.0%
Pay Inflation	2.5%	6.0%	2.5%	2.5%
Income Inflation	2.0%	2.0%	2.0%	2.0%



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40. The Bank of England's most recent Monetary Policy Report, published in August 2022, forecast that the direct and indirect impact of increases in energy costs would increase inflation to around 13% at the end of 2022. That was prior to the government announcing the Energy Price Guarantee, but the current volatility and fall in the value of the pound is also now likely to impact on future prices. The next update from the Bank of England will be published on 3 November 2022.
41. The latest estimate from the Office for National Statistics indicates that CPI inflation was 9.9% for the 12 months up to August 2022. This fell slightly from 10.1% in July 2022 mainly as the result of a reduction in fuel costs. Retail Price Index (RPI) was 12.3% in the 12 months up to August 2022, unchanged from the increase in the year to July 2022.
42. In summer 2022 the Low Pay Commission consulted on proposals to increase the National Living Wage from £9.50 to £10.32 (8.6%) for workers aged 23 and over (plus the equivalent changes for other age groups) from 1 April 2023. The impact of the final agreed increase on the rates the council pays for services will need to be considered as part of the budget process along with other inflationary pressures for both pay and non – pay expenditure.
43. To help manage the impact of financial risk, a corporate contingency budget is held to cover:
  - the risk that demographic pressures are higher than forecast;
  - any unfunded new burdens or unfunded elements of government grant;
  - any potential pay awards beyond budgeted assumptions plus other inflationary risk; and
  - the risk that proposed savings are not achieved in full, based on the performance targets set out in the Financial Strategy.
44. In July 2022 National Employers offered an increase of £1,925 on all Green Book pay points, which cover the majority of council employees, with effect from 1 April 2022. This would cost an additional £6.3m from 2022/23. UNISON have accepted the offer but feedback from Unite or GMB members is awaited later in October.
45. It is currently unclear what 2023/24 pay inflation may be, but the existing £7.9m contingency budget will need to be used to meet the cost of the on-going impact of the 2022/23 pay award. The level of contingency for 2023/24 will need to be considered as part of the Budget & Business Planning process but it is expected that additional on-going budgeted funding will need to be added to contingency in 2023/24 to reflect on-going risks and volatility in costs and demand pressures.
46. The estimated impact of inflation, including the impact of the anticipated increase in the National Living Wage from April 2023 on the council's contracted costs and pay inflation for 2023/24, is estimated to increase costs by around £30m from 2023/24. The affordability of these increases, and the

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ability to meet the additional cost within the available funding, will need to be considered as part of the Budget & Business Planning process for 2023/24.

### Grant Funding expected to fall out from 2023/24: Services Grant and New Homes Bonus

47. £1.6Bn new grant funding for councils in 2022/23, 2023/24 and 2024/25 was announced as part of the Government's Spending Review 2021. This funding was intended to increase investment in supporting vulnerable children and enable local authorities to continue to provide the other local services that people rely on. A significant element of this was used to increase the funding for the Social Care Grant and to create the Services Grant.
48. In 2022/23 the council's share of the £0.636Bn national increase to the existing Social Care Grant was £5.3m (in addition to £12m existing grant funding). This is assumed to be on-going funding which will continue to be received in 2023/24 and future years.
49. The current MTFs assumes the council's £5.0m share of the Services Grant totalling £0.822Bn nationally is one – off in 2022/23 only as this was expected to be linked to the implementation of the Fair Funding Review. It is currently unclear what the arrangements for 2023/24 will be or whether the council will receive further funding in 2023/24.
50. £2.9m un-ringfenced funding from the New Homes Bonus which was extended by a further year into 2022/23 was not expected to continue from 2023/24. Again, it is unclear what the arrangements for 2023/24 will be.

### Dedicated Schools Grant (DSG)

51. In July 2022, the Department for Education (DfE) announced a provisional 2023/24 DSG allocation of £569m for Oxfordshire. This includes the schools, high needs and central block but excludes early years and funding for growth. Schools' DSG will increase by 1.91% to £465m in 2023/24, excluding growth funding. High needs DSG will increase by 6.8% or £6.9m to a total of £98.7m in 2023/24.
52. Demand continues to outstrip the growth in the grant funding and as set out in the Business Management & Monitoring Report to Cabinet in September 2022 the forecast deficit compared to Dedicated Schools Grant (DSG) funding for High Needs is £17.5m in 2022/23. Action to reduce the expenditure is being taken and Oxfordshire has been included in the Department for Education's Delivering Better Value scheme. This is a national programme investing £85m over 3 years for 55 local authorities to help manage High Needs deficits. Despite this, continued increases in demand mean that annual deficits against the grant funding are expected to grow in future years.
53. In line with a change to the CIPFA code of practice on DSG High Needs deficits an unusable reserve to hold negative High Needs DSG balances was

created in 2020/21. The forecast deficit of £17.5m in 2022/23 will increase the total accumulated negative balance for High Needs held in this reserve to £47.3m at 31 March 2023.

54. The statutory over-ride that enables that approach will come to an end on 31 March 2023 so further guidance on the arrangements for 2023/24, following a consultation in August 2022, is awaited. DSG deficits cannot currently be met from general council funding without permission from the Secretary of State. However, this deficit, both accumulated to date, and on-going, is a significant financial risk irrespective of the future arrangements for the statutory override. This will need to be taken into account in the Section 25 Statement and the overall financial position for the council and the assessment of the adequacy of reserves and balances for 2023/24.

## Adult Social Care Reform

55. In September 2021 the Government published 'Build Back Better – Our Plan for the NHS and Social Care'. The proposals for adult social care, which are expected to take effect from October 2023, include a lifetime cap of £86,000 on the amount anyone in England will need to spend on their personal care, alongside a more generous means-test for local authority financial support.
56. Care accounts for individuals will be maintained by the local authority and will keep track of their progress towards the cap. Local authorities will need to provide regular care account statements and engage early with the person once they are close to approaching the cap to discuss how their needs will be met.
57. Local authorities are also required to work with the local market to complete a Fair Cost of Care exercise for submission by 14 October 2022. This assessment will be used as the basis for councils to move towards paying providers a fair cost of care if the assessment indicates this is not already the case.
58. In addition to these changes people who arrange and fund their own care will be able to ask a local authority to organise care on their behalf.
59. Oxfordshire is part of a small group of trailblazer authorities, volunteer councils that are implementing the reforms in advance of the national roll-out.
60. Based on current funding information for Trailblazers published by the Department of Health & Social Care, compared to the assessment of potential costs published by the County Councils Network and Newton Europe in May 2022, it is anticipated that the cost of the reforms could exceed the funding by £4m - £6m in 2023/24 but there is still significant uncertainty about both the funding and costs.
61. Information about future funding for the cost of the reforms is currently expected to be announced in late January 2023. Because of the on-going uncertainties about the impact of the Fair Cost of Care exercise and

implementation of the reforms more generally the timing of this information could impact on the ability to confirm the robustness of the proposed budget through the Section 25 report by the Director of Finance.

## **Government Announcements**

62. Following the appointment of the new Prime Minister on 6 September 2022 the Chancellor of the Exchequer set out the Government's 'Growth Plan' on 23 September 2022. This followed the Bank of England's interest rate rise to 2.25% and mainly focussed on the wider UK economy and on tax reductions. Since this announcement there has been significant market volatility, the value of the pound has been affected, and interest rates are expected to rise further. The situation is continuing to change but the reductions in the value of the Pound could impact on inflation, particularly in relation to fuel costs and the cost of other imports. Government departments have been asked to identify spending efficiencies to help mitigate the impact.
63. National Insurance will return to 2021 levels from 6 November 2022 with the reversal of the 1.25% increase in contribution rates implemented in April 2022 and the cancellation of the Health and Social Care Levy, which was to have come into force from April 2023. The £17bn expected to be raised to meet the additional spend on the NHS and Social Care will instead be funded through general taxation and borrowing.
64. £1.6m for the direct employer cost of the 1.25% increase in National Insurance from 2022/23 onwards is built into the council's budget along with the impact on contracted costs. This can now be released as a saving in 2023/24.
65. On 21 September 2022, the Department for Business, Energy and Industrial Strategy announced more detail of the operation of the energy price cap for businesses, charities and public sector energy users. The support will apply to fixed contracts agreed on or after 1 April 2022, as well as variable and flexible tariffs and contracts and will apply to energy usage from the 1 October 2022 until 31 March 2023. Support will automatically be applied to bills. A review into the operation of the scheme will be published and will inform decisions on future support after March 2023 so it is currently unclear what the arrangements from 2023/24 will be.
66. The Government will also open applications for up to £2.1bn funding over the next two years to support local authorities, housing associations, schools and hospitals invest in energy efficiency and renewable heating.
67. The last spending review, which took place in 2021, set out the envelope for and assumptions behind public spending over a three-year period to 2024/25. The Government have indicated that there will be no new spending review in 2022.
68. The government will set out a fiscal statement setting out plans to balance the government's finances on 31 October 2022. The Office for Budget

Responsibility will publish their forecast of how the economy will perform in coming years the same day.

## **Capital & Investment Strategy**

69. Capital expenditure obtains or improves buildings, vehicles, equipment or other assets owned by the council. The capital programme shows how the Council will use capital expenditure to support the delivery of its priorities. It is split into a firm programme of schemes which have been agreed to progress and a pipeline of future schemes. The firm programme needs to align to the funding available and the agreed level of prudential borrowing.
70. The programme is updated quarterly and fully refreshed annually as part of the Budget and Business Planning Process to ensure that it remains aligned to the latest priorities, reflects the latest cost projections and timescale for delivery, and incorporates the current funding position.
71. Full Council is required to approve the capital and investment strategy annually to demonstrate that capital expenditure and investment decisions are in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability. The capital and investment strategy incorporates the treasury management strategy and the investment strategy and is supplemented by the property strategy and highways asset management plan.
72. The availability of workforce and materials and inflationary increases in contract prices are increasing the risk to the deliverability and cost of capital schemes. This is expected to continue to place further demands on our resources and therefore place additional challenges on our ability to meet the Council's ambitions, expected outcomes and benefits. To help address this, a fundamental review of the current capital programme has been undertaken, prioritising the schemes and initiatives. Changes impacting on 2022/23 are included in the Capital Monitoring Report to Cabinet elsewhere on the agenda. Proposed changes impacting on 2023/24 and future years will be published as part of the agenda for Performance & Corporate Services Overview & Scrutiny Committee in December 2022.

## **Budget Engagement & Consultation**

73. The Strategic Plan makes a commitment to taking decisions in an open and inclusive way.
74. The council's approach to consultation and engagement is explained further in the Consultation and Engagement Strategy 2022/25. This puts residents at the heart of decision-making and aims to engage with and listen to residents and other partners in a more active and inclusive way.
75. The council's approach to budget consultation for 2023/24 aims to:

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- Meet and exceed statutory requirements for consultation on the council's budget and maximise the opportunities for residents' and stakeholder voices in Oxfordshire to be heard.
- Involve, inform and consult residents, businesses, staff and partners about the financial pressures facing the council and underline our ongoing commitment to delivering against our strategic priorities.
- Enable the council to develop a clear understanding of what is important to local people, their priorities and the challenges facing their communities and to feed that insight into the budget and business planning process.
- Increase understanding of how the council works, the range of services it delivers and what council tax is spent on.

76. This year the budget consultation has four distinct phases, putting residents' views at the heart of the council's budget and business planning from the start to the finish.

- Phase 1: Maximising the use of existing feedback.
- Phase 2: Representative residents' survey.
- Phase 3: Oxfordshire conversation events
- Phase 4: Public consultation on the substance of the 2023/24 budget.

### Phase 1: Maximising the use of existing feedback

77. The first phase of the budget consultation for 2023/24 focuses on maximising the use of existing feedback from residents and stakeholders to support our planning for service development priorities.

### Phase 2: Representative residents' survey

78. A self-completion survey has been sent to a randomly selected section of households across Oxfordshire over the summer. The council aims to receive approximately 1,100 returns and deliver statistically representative results to +/- 3 per cent at the 95 per cent level of confidence at a county level.

79. The survey includes a series of questions to obtain representative feedback to support budget and business planning, and views about council tax increases, alongside continuing to track key Local Government Association (LGA) indicators for satisfaction with councils. This includes understanding the important local issues facing residents and their communities, attitudes towards broad approaches to budget and business planning, including council tax increases and explore the relative importance of each of the council's nine strategic priorities.

### Phase 3: Oxfordshire conversation events

80. Oxfordshire Conversations events have been planned as part of the process of setting a new budget for next year. These conversations will be used to check that the priorities that the council set last year as part of the strategic

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plan still align with those of residents. Three online events and a face to face sounding board with young people will take place in October 2022.

### Phase 4: Public consultation on the substance of the 2023/24 budget

81. The final phase will be a formal public consultation focusing on the substance of the 2023/24 budget. This will begin with the publication of the agenda and budget papers for the Performance and Corporate Services Overview and Scrutiny Committee on 18 November 2022 and will run for four weeks. The consultation will be hosted on the council's digital engagement platform Let's Talk Oxfordshire, with additional opportunities for people to share their views offline.

## **Budget and Business Planning Timetable**

82. Revenue and capital budget proposals, and proposed charges for 2023/24, will be published on 18 November 2022, ahead of being considered by the Performance & Corporate Services Overview & Scrutiny Committee on 9 December 2022. This committee will have a further opportunity to comment on the updated proposals in light of any updates to funding received in late December or early January on 19 January 2023, alongside the outcome of the public consultation.
83. The district councils are required to provide council tax bases, council tax collection surpluses/deficits and business rate forecasts by 31 January 2023. Provisional figures are expected in mid-December 2022. These will be used to inform the budget considered by Cabinet in January 2023.
84. The provisional local government finance settlement, which provides information about the general funding available to the council and any changes to the level of council tax that can be agreed is usually announced in mid to late December. The final settlement is likely to be announced in late January/early February 2023. This will confirm the general funding available to the Council for 2023/24. Confirmation of funding for Adult Social Care reform is not expected to be received until early January 2023.
85. Cabinet will take into consideration the comments from the Performance and Corporate Services Overview and Scrutiny Committee in December 2022 and January 2023, as well as feedback from the public consultation events, alongside the funding available announced as part of the provisional local government settlement, in setting out its proposed budget on 24 January 2023. The capital and investment strategy, including the treasury management strategy, and review of charges will be included as part of the proposed budget.
86. The Council meeting to agree the 2023/24 revenue budget, medium term financial plan and capital programme will take place on 14 February 2023.

87. A timetable for the budget and business planning process is attached at Annex 2.

### **Staff implications**

88. There are no staffing implications arising directly from the report. Further information will be shared through the budget and business planning process.

### **Climate implications**

89. There are no climate implications arising directly from this report. The allocation of funds through the budgeting process does have implications for the Council's climate policies. A project to establish carbon accounting into the council's practices is underway and once agreed this will feed into future updates to the capital programme. The climate implications of the revenue budget proposals will be assessed as part of the budget & business planning process.

### **Equality and inclusion implications**

90. There are no equality and inclusion implications arising directly from this report. A high-level assessment of the broad impact of the revenue budget proposals will be included as part of the published information in November 2022. More detailed impact assessments, which will take account of feedback from the public consultation and from scrutiny, will accompany Cabinet's proposed budget in January 2023.

### **Risk management**

91. Risks and opportunities to the council and levels of reserves and balances will be considered as part of the budget and business planning process.

### **Financial implications**

92. The Council is required by law to set a balanced budget for 2023/24 before 1 March 2023. 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 the first stage in the process to achieve these objectives.

Comments checked by:

Lorna Baxter,  
Director of Finance



## Legal implications

93. The Council is required under the Localism Act 2011 to set a council tax requirement for the authority. This report provides information which, when taken together with the future reports up to January 2023, will lead to the council tax requirement being agreed in February 2023, together with a budget for 2023/24, two-year medium term financial strategy and ten - year capital programme.
94. The Council has a fiduciary duty to Council Tax payers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term, the need to strike a fair balance between the interests of the Council Tax payers and ratepayers and the community's interest in adequate and efficient services and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.

Comments checked by:

Anita Bradley,

Director of Law & Governance and Monitoring Officer

LORNA BAXTER  
Director of Finance

### ANNEXES:

Annex 1a	Directorates, priorities & planned budgets
Annex 1b	General Balances and Earmarked Reserves
Annex 1c	Previously Agreed Budget Changes
Annex 2	Budget & Business Planning Timetable

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October 2022