

CABINET – 14 MAY 2024

FINANCIAL MONITORING REPORT April 2024

Report by the Executive Director of Resources and Section 151 Officer

RECOMMENDATION

1. **The Cabinet is RECOMMENDED to**
 - a) agree the virements in Annex 1a and note the virements in Annex 1b.
 - b) note the anticipated reduction in business rates funding of £0.7m in 2024/25 compared to the assumptions in the budget, and the proposed use of additional business rates income notified in late 2023/24 to replace this.

Executive Summary

2. The budget for 2024/25 and Medium Term Financial Strategy to 2026/27 was agreed by Council on 20 February 2024. £27.1m new funding to meet inflationary and demand pressures is included as part of the budget for 2024/25 along with £10.6m investments and £13.9m savings.
3. The report to Council noted that where estimates had been made in relation to funding for 2024/25 due to confirmation of sums not being available any variations from the estimates would be reported through the Business Management and Monitoring Reports for 2024/25.
4. This report sets out updates to funding notified since the budget was agreed as well as updates and risks which will need to be managed in 2024/25 and the arrangements for monitoring progress with investments and the achievement of savings.

Introduction

5. This is the first financial monitoring update for the 2024/25 financial year. The report sets out updates to funding and the anticipated impact of inflation notified since the budget was agreed as well as risks that will need to be managed during the year. The first forecast, based on the position at the end of May 2024 will be reported to Cabinet in July.
6. Annexes are attached as follows:

Annex 1a
Annex 1b

Virements to approve
Virements to note

Funding Updates

Business Rates and Business Rates Collection Fund Surplus/Deficit

7. The agreed budget for 2024/25 includes estimated Business Rates funding of £99.5m. The total is made up of £79.8m relating to the Settlement Funding Assessment, estimated local growth of £4.1m and £15.0m estimated grant funding to offset the impact of business rates reliefs and indexation.
8. The actual funding for 2024/25 and surplus for 2023/24 notified by the district councils since the budget was agreed is incorporated into the updated budget set out in the table below. Confirmation of the Section 31 Grant for Business Rates Reliefs and Indexation by the Department of Levelling Up Housing and Communities (DLUHC) is expected in May 2024.

	2024/25 Agreed Budget £m	2024/25 Updated Budget £m	Change £m
Settlement Funding Assessment	79.8	79.8	0.0
Local Growth	4.0*	-0.2	-4.2
Section 31 Grant for Business Rates Reliefs – Retail & Hospitality reliefs ¹	0.0*	3.6	3.6
Section 31 Grant – Indexation Element	13.2	13.2	0.0
Section 31 Grant for Business Rates Reliefs – on-going reliefs	1.8*	1.7	-0.1
Total Section 31 Grant for Business Rates Reliefs and Indexation	15.0	18.5	3.5
Business Rates Pooling Income	0.7	0.7	0.0
Collection Fund Surplus (+) or Deficit (-)	0.0	0.0	0.0
Total	99.5	98.8	-0.7

(*) the report to Cabinet in January 2024 noted that the council was awaiting updates from all the district councils in February 2024 to confirm these amounts.

9. Local authorities have 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 but has yet to take place. The forecast for retained growth in 2024/25 was assumed to be £4.0m in the MTFS.
10. Business Rates reliefs for Retail, Leisure & Hospitality businesses were first put in place in 2020/21 as a result of the COVID-19 pandemic and were extended for a further year in the Autumn Statement 2024. Section 31 grant funding is then provided to replace local business rates income not collected as a result of these reliefs. It was not possible to estimate the effect of these reliefs or the collection

¹ These reliefs were extended until 31 March 2025 in the Autumn Statement 2023.

fund surplus until all of the district and city councils provided updates on estimated income and reliefs early in 2024.

11. Ahead of that information being available the agreed budget assumed local growth of £4.0m and noted that updates were awaited. Because of the on-going impact of the reliefs it is becoming increasingly difficult to assess what the underlying growth is. Based on updates from the district councils received since then grant funding to replace local business rates income that will not be collected as a result of the Retail, Leisure and Hospitality reliefs is expected to be £3.6m.
12. A mix of surpluses and deficits for 2023/24 notified by the district and city councils broadly offset so that there is no impact of those overall.
13. Pending confirmation of the grant totals by DLUHC the total anticipated reduction in business rates funding is £0.7m. It is proposed to use additional business rates income confirmed in late 2023/24 to replace this funding in 2024/25. The on-going impact will need to be considered through the Budget & Business Planning Process for 2025/26.

Government Grant Updates

Community drug and alcohol treatment Grant

14. £0.2m un-ringfenced grant funding for activity related to Individual Placement and Support in community drug and alcohol treatment was notified in early 2024. Annex 1b notes a virement to add the equivalent expenditure budget to Public Health.

Substance Misuse Treatment and Reform Grant

15. Local authorities (upper tier and unitary) are responsible for commissioning drug and alcohol treatment and recovery services as part of their public health responsibilities. Following notification of the grant Annex 1a includes a proposed virement to add £0.5m expenditure budget to Public Health and increases the grant funded total from £0.6m to £1.1m.

Extended Rights for Home to School Travel Grant

16. Confirmation of £0.985m un-ringfenced grant funding to support home to school travel was received in March 2024 and compares to £0.809m funding received in 2023/24. Annex 1a includes a request to approve a virement of to add the £0.707m increase in the expenditure budget compared to the agreed budget to Children's Services. As noted in the Business Management & Monitoring Report to Cabinet in March, home to school transport continues to be a high risk in terms of budget variance and is contributing to the forecast overspend for Children's Services in 2023/24. The expectation is that as in 2023/24 this funding will need to be used to support on-going risks and pressures in 2024/25.

Household Support Fund

17. As part of the Budget Statement on 6 March 2024 the government announced £0.500Bn funding nationally to extend the Household Support Fund (HSF5) from April to September 2024. Further details were announced by the Department for Work and Pensions on 26 March 2024.

18. Oxfordshire's allocation is £3.4m. The conditions attached to the funding are similar to the previous round and it will need to be used to meet immediate needs and to help those who are struggling to afford household essentials including energy and water bills, food, and wider essentials. Funding can also now be used to support residents with housing costs. A report elsewhere on the agenda sets out proposals for cost of living support in 2024/25 and incorporates the use of this funding.

Pay Inflation

19. The agreed budget includes funding for an estimated pay award equivalent to 5.0% for all staff. Each additional 1% above that would cost around £3.0m on-going and would need to be met from corporate contingency.
20. The claim lodged by UNISON, GMB and Unite on 29 February 2024 included a request to increase pay by at least £3,000 or 10% (whichever is greater) on all spinal column points.
21. Pay consultation briefings took place March 2024. National Employers subsequently met to discuss key themes and messages and are meeting again in May 2024. It is currently unclear when an offer will be made or when agreement is likely to be reached so updates will be provided in future reports.

Budget Management, Risks & Reporting in 2024/25

22. The budget for 2024/25 includes £27.1m new funding to meet inflationary and demand pressures is included as part of the budget for 2024/25 along with £10.6m investments and £13.9m savings. Taking account of all planned and new changes the net budget for Children's Services has increased by 15%, and Adult Services by 10% compared to 2023/24.
23. As noted in the Business Management & Monitoring Reports there is on-going action manage demand for Children's Social Care and Adult Services. This action, combined with the increase in the budget, and a risk adjustment included in the budget for Children's Services, should help to ensure that expenditure can be managed within the available funding in 2024/25. Budgeted corporate contingency of £7.3m is available to mitigate risks as well as any potential additional costs relating to the agreement of the pay award for 2024/25.
24. The Financial Strategy sets out a requirement to achieve at least 90% of savings overall by the end of the financial year. Updates on the achievement of savings and narrative updates on progress with investments agreed as part of the budget will be included as part of the Business Management & Monitoring Reports throughout 2024/25.

Virements

25. Annex 1a includes proposed virements to add funding relating to un-ringfenced grant for Extended Rights for Free Travel and the Substance Misuse Treatment and Reform 2024/25 Grant. Further virements are required to realign budgets with anticipated income.

26. There are also a number of virements to note set out in Annex 1b that have been actioned since the budget was agreed.

Financial Implications

27. This report includes an update on the budget agreed by Council in February 2024 and sets out both increases to funding and expenditure. The on-going impact of the 2024/25 pay award will need to be considered through the Budget & Business Planning Process for 2025/26. Strong financial management and oversight will continue to be required to ensure that services are managed within budgets for 2024/25.

Comments checked by: Lorna Baxter, Executive Director of Resources and Section 151 Officer

Legal Implications

28. The Council's constitution at Part 3.2 (Budget and Policy Framework) sets out the obligations and responsibilities of both the Cabinet and the Full Council in approving, adopting and implementing the council's budget and policy framework.
29. The Council has a fiduciary duty to council taxpayers, which means it must consider the prudent use of resources, including control of expenditure, financial prudence in the short and long term and the need to act in good faith in relation to compliance with statutory duties and exercising statutory powers.

Comments checked by: Paul Grant, Head of Legal and Deputy Monitoring Officer

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