

Division(s): N/A

## **CABINET – 15 October 2024**

### **Budget & Business Planning Report 2025/26 – 2027/28**

**Report by the Executive Director of Resources and Section 151 Officer**

#### **RECOMMENDATION**

1. **The Cabinet is RECOMMENDED to:**
  - a) **Endorse the report and note the assumptions that will form the starting point for the 2025/26 budget as well as updates since the Medium Term Financial Strategy was agreed in February 2024 that need to be considered;**
  - b) **Approve the budget and business planning process for 2025/26;**
  - c) **Approve a three-year period for the medium-term financial strategy to 2027/28 and ten-year period for the capital programme to 2034/35**
  - d) **Delegate to the Section 151 Officer in consultation with the Cabinet Member for Finance the decision on whether to continue to be a member of the North Oxfordshire Business Rates Pool and;**
  - e) **Note the requirement for the council to set a sustainable balanced budget which shows how income will equal spending plans.**

#### **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, public health, roads, trading standards, waste disposal and recycling.
3. The budget and medium term financial strategy (MTFS) support the council's Greener, Fairer, Healthier vision and the council's aim of being an Employer, Partner and Place Shaper of choice. Plans are reviewed and updated each year through the budget & business planning process. Information about the services the council provides and the planned budgets with which they deliver these, are provided in Annex 1a.
4. Progress on achieving priorities and investments and savings built into the budget 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 2025/26 as part of the Business and Budget Planning process.

5. Feedback on budget priorities in the context of the funding available to the council has been sought as part of number of engagement opportunities including a representative residents' survey and the use of an online budget simulator during early summer 2024. This will be followed by formal consultation on the substance of the 2025/26 budget during the winter. Performance and Corporate Services Overview and Scrutiny Committee will consider the Administration's proposed budget in December 2024 and January 2025.
6. The Budget & Business Planning process will continue through the autumn and winter. Based on the timetable proposed in this report, Council will set a budget for 2025/26, a medium-term financial strategy to 2027/28 and capital programme to 2034/35 in February 2025. Performance progress against the budget for 2025/26 will then be monitored through the Business Management & Monitoring reports to Cabinet.
7. This report provides context and background information as well as updates about the wider economic environment since the 2024/25 budget and Medium Term Financial Strategy was agreed in February 2024.

## **Introduction**

8. The council's vision and priorities are supported by the budget and Medium Term Financial Strategy (MTFS). This report is the starting point for the budget and business planning process for 2025/26. It explains the process for developing and agreeing business plans and the budget for 2025/26 as well as the assumptions on which the current MTFS agreed in February 2024 is based. It then updates information arising from government and other announcements plus the on-going impact of challenges apparent in 2024/25 and new or emerging financial issues for 2025/26 and beyond which will be incorporated into the new MTFS.
9. Annexes are attached as follows:
  - Annex 1a Services and planned budgets for 2025/26
  - Annex 1b General balances and earmarked reserves - 2024/25 forecast position.
  - Annex 1c Planned changes to budgets in 2025/26 – 2026/27 agreed in February 2024.
  - Annex 1d Funding scenarios and updates and MTFS assumptions
  - Annex 2 Executive summary of 2024 residents' survey and 2025-26 Budget engagement findings.
  - Annex 3 Business & Budget Planning timetable for 2025/26.
10. It is proposed that the MTFS should be extended by one year to 2027/28. The capital programme will be extended by one year to cover the 10 - year period to 2034/35.

## **National & Local Context**

11. Expectations about future funding remains unclear and the financial position of the Council over the medium term is challenging. The direct and indirect impacts of the following are significant issues:
  - Uncertainty about the new Government's future decisions about local government financing.
  - Reductions in general funding for local government over the last 14 years, and the increase in the proportion of the council's spend on social care needs.
  - Demand for social care and the sufficiency of market provision, particularly for Children's Social Care.
  - On-going uncertainty about the future 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 be £77.1m by the end of 2024/25.
12. The Government has announced that there will be an Autumn Statement 30 October 2024 so it is possible that information on the approach to council tax referendum limits for 2025/26, updates on the approach to other funding and the increase to the National Living Wage from April 2025 may be announced then. However, detailed information about the council's funding for 2025/26 will not be received until the Provisional Local Government Settlement which is expected in mid/late December 2024.
13. A spending review for 2025/26 is expected to be announced along with the Autumn Statement. Beyond that spending reviews will occur every two years with a 3-year forecasting horizon so there will be a further spending review covering 2026/27 and 2027/28 announced in March 2025.
14. Information on council tax collection fund surpluses or deficits needs to be shared by the district councils by mid-January 2025. Information about business rates income and collection fund surpluses or deficits needs to be shared by the districts by the end of January 2025. Where information is not received in time to be incorporated into the budget estimates will be included with an update provided to Cabinet in May 2025.

## **Current medium-term financial strategy**

### **Background**

15. The Financial Strategy sets out the approach the council will take to ensure it is financially sustainable over the medium and long term and supports the delivery of the council's Greener, Fairer, Healthier vision.

16. Financial resilience is the ability, from a financial perspective, to respond to changes in delivery or demand without placing the organisation at risk of financial failure. The budget is underpinned by a financial strategy which aims to ensure the financial sustainability of the Council, deliver essential services to residents and achieve the council's vision to lead positive change by working in partnership to make Oxfordshire a greener, fairer and healthier county.

17. Financial sustainability and resilience require successful and sustained focus on delivery of four critical elements and financial planning principles for the revenue budget and medium term financial strategy:

- Transforming the council to become employer, partner and place shaper of choice.
- Managing the impact of rising need through demand management.
- Delivering agreed savings and planned outcomes from investments.
- Ensuring the level of earmarked reserves and general balances is adequate based on the level of risk and financial uncertainty and only using one-off resources for temporary purposes.

18. The key components of the Financial Strategy are the:

- MTFS showing how annual revenue funding and expenditure will be balanced over the medium term
- Capital & Investment Strategy
- Earmarked Reserves and General Balance Policy Statement
- Treasury Management & Investment Strategy

## Revenue Plan: Service Budgets

19. The council's revenue budget supports a range of service provision which contributes to the council's vision and priorities. Most of these services continue from one year to the next.

20. Due to the continuity of service provision the first step in building the budget for 2025/26 will be to roll forward 2024/25 budgets. This starting point will then be adjusted for changes planned for 2025/26 built into the MTFS agreed in February 2024.

21. Annex 1a provides more information about the services contributing to the council's priorities along with the planned budget for 2025/26 and indicative budgets for the medium term based on current plans.

22. The net council funded budget for each service and changes that are already planned to create the budget for 2025/26 based in on the current MTFS agreed in February 2024 are summarised in the table below.

23. Any new changes agreed as part of the 2025/26 Budget & Business Planning Process will be added to this starting point.

Service	2024/25 Budget (*)	Add Planned Changes in current MTFS	Indicative Budget 2025/26	Change in Budget
	£m	£m	£m	%
Adult Services	250.2	10.9	261.1	4.4%
Children's Services	197.3	3.3	200.6	1.7%
Environment & Highways	69.7	1.7	71.4	2.5%
Economy & Place	1.8	-0.1	1.7	-4.0%
Public Health & Communities	12.6	0.2	12.8	1.6%
Oxfordshire Fire & Rescue Service and Community Safety	28.7	1.0	29.7	3.6%
Resources and Law & Governance	57.8	1.6	59.4	2.8%
Transformation, Digital & Customer Experience	3.3	-0.9	2.4	-27.3%
<b>Service Total</b>	<b>621.2</b>	<b>17.9</b>	<b>639.1</b>	<b>2.9%</b>

(\*) Budgeted pay inflation for 2024/25 has been allocated to services in these totals on an indicative basis. This will be confirmed once the pay award is agreed nationally.

24. After taking account of planned budget increases and changes to savings, the current MTFS includes net new funding for services totalling £17.9m in 2025/26. This includes £15.7m for demographic growth for adult and children's social care and increases in waste tonnages, reflecting anticipated population and housing changes. A further £15.9m will be added for inflation and £3.0m for demand and other pressures. £5.7m funding for one – off investments agreed in February 2024 will be removed along with £1.4m funding from the COVID-19 reserve. In addition to this there are changes to savings which combine to create a reduction of £9.6m.
25. Further changes which combine to create an increase of £15.1m are planned to be added to service budgets in 2026/27. Detailed changes for both 2025/26 and 2026/27 are shown in Annex 1c.

### Planned Expenditure & Funding in 2025/26 and 2026/27

26. The revenue element of the MTFS agreed in February 2024 is summarised in the table on the next page. Based on assumptions in February 2024 there was a shortfall of £13.9m in 2025/26.

	2024/25 Agreed Budget £m	2025/26 Indicative Budget £m	2026/27 Indicative Budget £m
<b>Funding:</b>			
Council Tax Requirement	498.6	517.4	537.0
Council Tax Collection Fund Surplus	11.7	8.0	8.0
Business Rates	99.5	101.2	102.9
Revenue Support Grant	1.4	1.4	1.4
<b>Total Funding</b>	<b>611.2</b>	<b>628.0</b>	<b>649.3</b>
<b>Net operating budget (previous year)</b>	<b>573.9</b>	<b>611.2</b>	<b>641.9</b>
<b>Add Service Changes</b>			
Demographic Growth	16.3	15.7	8.5
Pressures and Investments	57.1	11.7	11.2
Savings	-19.5	-9.5	-4.5
<b>Subtotal Service Changes</b>	<b>53.9</b>	<b>17.9</b>	<b>15.1</b>
Add changes to budgets & grant funding held centrally	-16.6	12.8	6.3
<b>Net Operating Budget</b>	<b>611.2</b>	<b>641.9</b>	<b>663.3</b>
<b>Deficit Compared to Funding</b>	<b>0.0</b>	<b>+13.9</b>	<b>+14.0</b>
<b>Council Tax increase</b>	<b>4.99%</b>	<b>1.99%</b>	<b>1.99%</b>

## Financial planning assumptions

### Council Tax and Adult Social Care Precept

27. The last Local Government Settlement confirmed that the council tax referendum limit would be increased to 3% in 2024/25. Local authorities were also able to meet pressures in adult social care by raising council tax by up to an additional 2% through an additional precept in 2024/25.
28. Confirmation on the arrangements for referendum limits from 2025/26 has not yet been made. Therefore, the existing plan assumes that the maximum increase falls back to 2% from 2025/26.

	2024/25	2025/26	2026/27
Core Council Tax Increase	1.99%	1.99%	1.99%
Additional Core Council Tax Increase	1.00%		
Adult Social Care Precept - Spending Review 2021	1.00%		
Adult Social Care Precept - Spending Review 2022	1.00%		
<b>Total Council Tax Increase</b>	<b>4.99%</b>	<b>1.99%</b>	<b>1.99%</b>

29. Each 1% increase in council tax will generate around £5.0m on-going funding for the council's services.

30. 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.

	2025/26
Budgeted Demographic Growth	£15.7m
Additional Council Tax funding from 1.75% growth in tax base	£8.9m

31. 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.

32. The county council's share of surpluses on council tax collection is estimated to be £8.0m in 2025/26 and 2026/27. The actual surplus for 2024/25 notified by the district councils was £11.7m.

33. The budgeted level of surplus for 2025/26 and future years and the management of volatility year to year will need to be considered as part of the Budget & Business Planning Process. As set out in the Reserves and Balances Policy Statement for 2024/25 £4.0m funding held in the Collection Fund Reserve will be used to manage any reductions to the assumed level of funding.

### General funding & local government funding reforms

34. 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 2024/25 is £78.4m. The

2025/26 SFA will be announced as part of the Provisional Local Government Settlement expected in mid/late December 2024.

35. 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.
36. Given the timescale to implement any changes it is not expected, although not impossible, that any significant changes to the distribution of business rates via the SFA will be implemented from 2025/26. However, there is significant uncertainty about 2026/27 onwards as the Government have indicated that the collection and distribution business rates is likely to change.
37. Business Rates funding was notified by the district councils and the then Department for Levelling Up, Housing and Communities after the budget was agreed in February 2024 and an update was included in the Financial Monitoring Report to Cabinet in May 2024.

#### Section 31 Business Rates Reliefs

38. Section 31 grant funding for Business Rates reliefs for 2024/25 includes £3.6m for local business rates income that has not been collected as a result of Business Rates reliefs for Leisure & Hospitality businesses following COVID-19 which were extended into 2024/25 in the Autumn Statement 2023. It is currently difficult to predict what the impact on the collection fund and local growth will be after these reliefs end in March 2025 or whether they will be extended again.
39. The indexation element of the Section 31 grant was also increased from £12.9m to £15.3m in the final settlement for 2024/25. This is also now more difficult to predict this as it is moving independently of the SFA.
40. The table on the next page summarises the confirmed funding for 2024/25 and the funding for 2025/26 and 2026/27 assumed in the MTFS agreed in February 2024.



	2024/25 Notified Funding £m	2025/26 MTFS £m	2026/27 MTFS £m
<b>Settlement Funding Assessment</b>	<b>78.4</b>	<b>80.0</b>	<b>81.6</b>
Local Growth	1.3	4.9	5.0
Section 31 Grant for Business Rates Reliefs – Retail & Hospitality reliefs	3.6	0.0	0.0
Section 31 Grant – Indexation Element	15.8	14.5	14.5
Section 31 Grant for Business Rates Reliefs – on-going reliefs	1.8	1.8	1.8
<b>Total Section 31 Grant for Business Rates Reliefs and Indexation</b>	<b>21.2</b>	<b>16.3</b>	<b>16.3</b>
Pooling Gain	0.7	0.0	0.0
Collection Fund Surplus/Deficit	0.0	0.0	0.0
<b>Total</b>	<b>101.6</b>	<b>101.2</b>	<b>102.9</b>

41. 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 £0.7m share of the pooling gain in the last two financial years. Work is continuing to assess the on-going benefits and the members of the pool need to notify the Ministry for Housing, Communities and Local Government (MHCLG) that they want to be a member of the pool in 2025/26 by 29 October 2024. It is recommended that the decision on whether to remain part of the pool is delegated to the Section 151 Officer in consultation with the Cabinet Member for Finance.

## Inflation, Demand & Contingency

### Inflation

42. Based on the latest forecast by the Office for Budget Responsibility (OBR) the Consumer Price Index is expected to rise by 2.45% in 2024 and 1.43% in 2025. An updated forecast from the OBR is expected to be shared at the same time as the Autumn Statement.
43. The latest estimate from the Office for National Statistics indicates that CPI inflation was 2.3% for the 12 months up to August 2024. This was unchanged from the increase in the 12 months up to July 2024. The Retail Price Index (RPI) increased by 3.5% in the 12 months up to August 2024, compared to an increase of 3.6% in the year to July 2024.

### National Living Wage

44. The National Living Wage reached the Government's target of two thirds of median earnings in April 2024. Analysis shared by the Low Pay Commission in March 2024 suggested that to maintain this from 1 April 2025 an increase from £11.44 to a range of between £11.61 and £12.18 with a central estimate of £11.89 (a 3.9% increase) would be needed.
45. On 30 July 2024 the Government issued a new remit for the Low Pay Commission, which will apply to the rates that take effect from April 2025. This remit sets out that the increase should take account of the cost of living and expected inflation up to March 2026 and not fall below two-thirds of median hourly earnings.
46. On 5 September 2024 the Low Pay Commission published a statement in response to that remit that notes that "earnings growth in 2024 so far has been stronger than forecast". Consequently, the range has been increased to £11.82 to £12.39 with a higher central estimate of £12.10.
47. £12.10 represents an increase of 5.77% compared to the current National Living Wage. The higher figure of £12.39 would be an increase of 8.30%. The statement also adds "our central estimate (and the ranges around it) may continue to rise over the rest of the year because earnings growth in 2024 so far has been stronger than forecast."
48. The actual increase is likely to be announced in the Autumn Statement on 30 October 2024 along with any insight into whether there are any extra resources to help meet the additional cost.
49. 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.

### Green Book Pay

50. The 2024/25 budget includes funding for an estimated pay award equivalent to 5.0% for all green book staff and provision for a further 0.5% is included in the contingency budget. Each 1% increase is estimated to cost around £3.0m. Any increase above the budgeted amount would need to be met from contingency.
51. 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 pay points. On 16 May 2024, national employers responded with the following offer:
  - With effect from 1 April 2024, an increase of £1,290 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive.
  - With effect from 1 April 2024, an increase of 2.50 per cent on all pay

points above the maximum of the pay spine but graded below deputy chief officer.

52. Following the government's announcement that they will accept the 5.5% rise for teachers, local government employers have confirmed that the offer of £1,290 on all pay points up to SCP 43 and 2.50% for all other pay points made in May 2024 was the final offer.
53. While GMB members voted to accept the offer, the other two unions rejected it and are balloting on whether to take strike action. The ballot began on 4 September 2024 and closes on Wednesday 16 October 2024. Since it remains unclear when there will be any agreement it is not currently possible to assess the on-going impact on the 2025/26 budget.
54. Because inflation was forecast to fall back during 2024/25 the MTFS assumes pay inflation increases of 2.5% in both 2025/26 and 2026/27. The increase in the National Living Wage may impact on whether this is sufficient to meet the potential increase in 2025/26.

#### Contract Inflation

55. Funding for contract inflation has been built into service budgets for 2025/26 based on the contractually specified and timing of uplifts for different contracts. Funding for 2025/26 was added to the plan on an indicative basis and will need to be reviewed and updated as part of the process.
56. The ability to meet the additional cost of both contract and pay inflation within the available funding will need to be considered as part of the Budget & Business Planning process for 2025/26.

#### Social Care Pressures

57. Pressures in Children's Services over the last two years have been driven by a combination of care placements costs, staffing (particularly the reliance on agency staff to cover vacancies) and Home to School Transport. Children's Services have implemented a number of organisational, governance and business process controls as well as market management actions to address the underlying pressures and the overspend reduced to £7.7m by the end of 2023/24.
58. While action is continuing to be taken to manage them, these demand and inflationary pressures remain a significant challenge and risk in year and beyond.

#### Contingency

59. 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.

60. £7.3m contingency budget is available in 2024/25. The level of on-going contingency budget that will be held for 2025/26 will be considered as part of the Budget & Business Planning process.

## Un-ringfenced grant funding changes built into the plan for 2025/26

### Services Grant

61. Services Grant reduced from £2.9m in 2023/24 to £0.4m in 2024/25. No further funding is expected in 2025/26.

### Social Care Grant

62. The Social Care Grant was increased from £32.7m in 2023/24 to £42.5m in 2024/25. £4.8m of the increase was announced in the Final Local Government Settlement for 2024/25 in February 2024. Since it was unclear whether this additional funding was one – off or on-going this was used to support one – off investments in Adult’s and Children’s Social Care in 2024/25. The existing plan assumes £4.8m grant funding falls out and there is no further increase in 2025/26.

### New Homes Bonus

63. £1.7m un-ringfenced funding from the New Homes Bonus, which was extended by a further year into 2024/25, is expected to fall out in 2025/26.

64. An update on each of these grants, and changes to any other grants where those may be consolidated or reallocated, is expected to be received as part of the Local Government Settlement for 2025/26.

## Dedicated Schools Grant (DSG) and High Needs Deficit

65. The Department for Education (DfE) usually provide information in mid / late July each year on indicative funding levels and funding formula changes for the DSG Schools Block, High Needs Block and Central School Services Block for the following financial year. The funding information for the Early Years Block DSG is usually received in November / December each year from the DfE. The date of the provision of the 2025/26 DSG funding information is currently uncertain due to the General Election on the 4 July 2024.

66. Demand continues to outstrip the growth in the grant funding for High Needs DSG and as set out in the Business Management & Monitoring Report to Cabinet in September 2024 the forecast deficit compared to Dedicated Schools Grant (DSG) funding for High Needs is £21.3m in 2024/25. Continued increases in demand mean that annual deficits against the grant funding are expected to grow in future years.

67. 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 £21.3m in 2024/25 will increase the total accumulated negative balance for High Needs held in this reserve to £77.1m at 31 March 2025.
68. The regulations which require the negative balance to be held in an unusable reserve were due to come to an end on 1 April 2023. In December 2022 the government agreed to the extension of the DSG statutory override for a one-off period of three years (up to March 2026). An announcement about the arrangements from 1 April 2026 onwards is awaited.
69. 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 2025/26.
70. Updates on the forecast High Needs budget and deficit for 2025/26 will be considered as part of the Business & Budget Planning process.

### General balances and earmarked reserves

71. 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
72. 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 2024, and explained further in Annex 1b, the risk assessed level for 2024/25 is £30.2m. This is equivalent to 5% of the net operating budget of £611.2m agreed by council in February 2024 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 2025/26.
73. Most of the funding held in reserves is expected to be used for specific agreed purposes to support revenue expenditure or to fund the capital programme. Further detail, including a breakdown of reserves into grant funding that hasn't yet been spent, funding for corporate priorities and risks, and funding for the capital programme, is provided in Annex 1b.

## **Government Announcements**

### Adult Social Care Reform

74. As part of the Autumn Statement 2022 the previous government confirmed that the national rollout of social care financing reforms would be delayed from October 2023 to October 2025. Funding for implementation would be maintained within local government to enable local authorities to address adult social care pressures and was allocated through the Social Care Grant.
75. As part of the Chancellor's Budget Statement in July 2024 the Government announced that the reforms would be cancelled. Increased funding from these reforms has been rolled into previous Settlements and has, in effect, been baselined into local authority budgets.

### Waste Packaging (Extended Producer Responsibilities)

76. In July 2023 Defra announced that Extended Producer Responsibility (EPR) for packaging fees would be delayed. This means that payments to local authorities, which were due to start in October 2024, are now expected to start in October 2025 but further information is awaited.
77. Due to the lack of detail and information currently available it is difficult to predict the long term impact. However, since EPR was expected to help meet the cost to the council of managing packaging waste those costs will continue to need to be met by the council until this is implemented.

### Planning

78. The Government released a consultation on the updated National Planning Policy Framework (NPPF) on 30 July 2024. This includes mandatory housing targets, changes to green belt rules, and a strategic planning approach which could impact on future growth in the council tax base.
79. The consultation which runs until 24 September 2024 seeks views on the Government's proposed approach to revising the National Planning Policy Framework in order to achieve sustainable growth in the planning system. The government are also seeking views on a series of wider policy proposals in relation to increasing planning fees, local plan intervention criteria and appropriate thresholds for certain Nationally Significant Infrastructure Projects.

## **Approach for 2025/26**

80. The updates set out in this report could have a range of potential impacts and ahead of Government announcements later in the year funding remains really uncertain. Annex 1d summarises possible changes to funding and sets out optimistic, pessimistic and most likely scenarios for each funding source. It also shows the possible change in funding compared to the assumptions in

the current MTFS. The final funding is expected to be a mix of these so scenario planning will be developed to look at different funding combinations.

81. As explained in paragraph 26 planned expenditure budgets are £13.9m higher than anticipated funding in 2025/26 assuming a council tax increase of 1.99%.
82. New budget proposals and updates on funding known at that point will be published on 28 November 2024 as part of the agenda for Performance & Corporate Services Overview & Scrutiny Committee on 6 December 2024.

## **Capital & Investment Strategy**

83. 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.
84. The programme is updated quarterly and fully refreshed 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.
85. 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.
86. The capital pipeline agreed in February 2024 provides funding for schemes which were agreed to support the council's priorities, have an agreed need, a confirmed alignment with the prioritisation framework and a basic mandate. These schemes are subject to further development ahead of being added to the firm capital programme. There is a further pre-pipeline of schemes with no current funding identified. These schemes are at a very the early stage and it is not yet clear if they meet a predicted need and/or align to the prioritisation framework. Updates to the pipeline and pre-pipeline will be considered as part of the business and budget planning process for 2025/26.
87. Proposed changes impacting on 2025/26 and future years will be published on 28 November 2024 as part of the agenda for Performance & Corporate Services Overview & Scrutiny Committee on 6 December 2024.

## **Budget Engagement**

88. 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.

89. The council's approach to budget engagement for 2025/26 aims to:

- Involve, inform and engage 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.

90. A three-phase approach to consultation and engagement to support 2025/26 business and business planning is organised into three distinct phases:

- **Phase 1:** Representative residents' survey
- **Phase 2:** Participatory engagement: Budget simulator, focus groups and sounding boards for children and young people
- **Phase 3:** Public consultation on the substance of the 2025/26 budget

#### Phase 1: Representative residents' survey

91. The representative residents' survey ran between 28 May to 12 July 2024. It used a blended approach of postal surveys with an option to respond online, sent to 6,000 randomly selected households across the county, with one reminder mailing to non-responders on 21 June and 18 shifts of on-street interviews, targeting adults aged 18 - 44 years. The randomly selected sample of 6,000 is an increase from last year's 5,100.

92. Some of the key findings from the budget setting, service satisfaction and priorities sections of the 2024 residents' survey are set out in the bullets below, with the full executive summary included as Annex 2 to this report and in the you said, we did section of the county council's [Let's talk Oxfordshire website](#).

- 43 per cent of respondents were satisfied with the services provided by Oxfordshire County Council, 28 per cent were neutral and 28 per cent of respondents were dissatisfied.
- Across the 20 different council services included in the survey, the degree of residents' satisfaction varied widely, as did the proportion of respondents able to rate each service. Following the removal of "don't know" responses, libraries achieved the highest service satisfaction score of all the 20 services (68 per cent satisfied and net satisfaction of +62 per cent) and the maintenance of roads received the lowest (14 per cent satisfied and -62 per cent net satisfaction).



- Around a quarter of respondents (26 per cent) spontaneously suggested road surfaces in poor repair/dangerous/too many potholes as the most important issue that residents in their local area faced.
- In terms of residents' views on the council's nine priority themes, after reading summary notes those most likely to be prioritised by respondents when asked to select the two most important priorities for the council to concentrate on were 'prioritising the health and wellbeing of residents' (48 per cent), followed by 'creating opportunities for children and young people to reach their full potential' (29 per cent), 'investing in an inclusive, integrated and sustainable transport network' (28 per cent), and 'supporting carers and the social care system' (24 per cent).
- When respondents were given a brief explanation of the financial challenges that the council faces and asked for their views on ten possible approaches to make savings / generate income, the highest agreement was for the council to 'Reduce costs by operating from fewer buildings and using those we keep to their full capacity' (85 per cent). This was followed by 'reduce costs by using digital technology where it improves how we work and helps us be more efficient' (79 per cent), 'reduce staffing costs by redesigning services, using fewer agency staff and/or holding vacancies' (69 per cent), 'reduce the costs of the contracts we use to provide services' (68 per cent) and 'reduce costs by collaborating more with partners in voluntary & community sector so we're no longer the main funder & provider for every service' (63 per cent).
- By far the least popular ideas were generating additional income by increasing council tax (58 per cent disagreed) and reducing spending on frontline services (60 per cent disagreed).
- With regards to council tax increases, respondents were again given contextual information and asked whether they agreed or disagreed that the council should consider varying levels of council tax increases to help fund adult social care and other key services. Overall, 42 per cent of respondents supported a 2.99 per cent increase in council tax, 23 per cent supported a 3.99 per cent increase and 19 per cent supported a 4.99 per cent increase.

### Phase 2: Participatory engagement: Budget simulator, focus groups and sounding boards for children and young people

93. The council's online budget simulator is a participatory engagement tool and aims to help people to:

- learn more about the services we provide and the financial challenges we face; and
- have their say on where we should focus savings and spending, by adjusting core service budgets and council tax income to set their own, ideally balanced budget for the council.

94. The budget simulator is organised into core council services under 10 service groups and gives people 20 service items (sliders), on which to make choices and a further slider to consider an increase in council tax. A range of contextual information is built into the simulator and the financial figures are based on the forecast budget for 2025/2026 at the time of its launch, taking account of pressures and proposed savings.
95. The budget simulator was open for engagement between Wednesday 19 June 2024 and Sunday 21 July 2024 and in all 1,060 adults submitted a budget. It was also piloted with young people in focus groups, where 30 young people completed it.
96. Set out below are high level findings from **adult** budget simulator exercise. The full report from both the adults budget simulator, which includes analysis of the accompanying qualitative comments are included in Annex 2 to this report. It is also in you said, we did section of the county council's [Let's talk Oxfordshire website](#) alongside a reports of the young people's budget simulator, the young people's focus groups and the young people's budget sounding boards.

#### Slider movements (organised by service group)

Service	% of people who move the slider to decrease budget (-5% or -10%)	% of people who made no change (selected 0%)	% of people who moved the slider to increase budget (+5%)
Adult social work	34%	53%	13%
Age well - care and support for older people	25%	59%	16%
Live well - care and support for vulnerable adults	29%	62%	9%
Children's social care	15%	68%	17%
Family help	26%	57%	18%
Education and schools	10%	57%	34%
Special educational needs and disabilities (SEND)	13%	57%	30%
Home to school transport	30%	59%	11%
Highways maintenance	12%	47%	41%
Street lighting	52%	40%	8%
Place transport and infrastructure	37%	42%	21%

Service	% of people who move the slider to decrease budget (-5% or -10%)	% of people who made no change (selected 0%)	% of people who moved the slider to increase budget (+5%)
Strategic planning	47%	43%	11%
Environment and climate action	45%	33%	21%
Waste disposal	18%	66%	16%
Public health	25%	53%	23%
Fire and rescue	9%	77%	13%
Trading standards	39%	52%	9%
Libraries	35%	51%	15%
Museums and history services	46%	43%	10%
Running the council	67%	29%	3%

97. When considering and weighing-up choices, the service area items which respondents most frequently selected for an increase in budget were:

- Highways maintenance (41%) \* (to maintain service not to improve it)
- Education and schools (34%)
- SEND (30%)
- Public health (23%)
- Place, transport and infrastructure (21%)
- Environment and climate action (21%)
- These were all selected by 20 per cent or more of respondents.

98. Conversely, the service items which respondents most frequently selected for a decrease in budget (selected by at least 40 per cent of respondents) were:

- Running the council (67%)
- Street lighting (52%)
- Strategic planning (47%)
- Museums and history services (46%)
- Environment and climate action (45%)

99. The table below shows the impact of people's choices on service item budgets, by presenting the average budget percentage change. This ranges from 1.27% to -4.47%.

**Average budget percentage change (in rank order)**

Service item	Average budget change as %
Highways maintenance	1.27%
Education and schools	1.05%
Special educational needs and disabilities (SEND)	0.63%
Fire and rescue	0.07%
Children's social care	-0.11%
Waste disposal	-0.27%
Public health	-0.43%
Age well – care and support for older people	-0.68%
Family help	-0.69%
Live well – care and support for vulnerable adults	-1.29%
Place, transport and infrastructure	-1.33%
Adult social work	-1.40%
Home to school transport	-1.49%
Libraries	-1.53%
Trading standards	-1.95%
Environment and climate action	-2.36%
Museums and history services	-2.58%
Strategic planning	-2.59%
Street lighting	-2.92%
Running the council	-4.47%

100. Overall, 659 people chose to increase council tax on top of the 1.99% already proposed in the simulator to 'balance' their budget. On average, the budget simulator shows that people were willing to increase by 1.28 per cent.

101. In addition to adults completing the budget simulator, 30 young people also submitted a budget using an identical, but separate children and young people's budget simulator. All but one of these completing it during a focus groups setting.

- When considering and weighing-up choices across the 20 service area slider options presented in the budget simulator, young people were most likely to select the following service areas for an increase in budget: 'environment and climate change' (21 young people), education and schools' (20 young people), 'public health' (19 young people) and special educational needs and disabilities' (15 young people).

- Conversely, the service items which young people most frequently selected for a decrease in budget (selected by at least half of all respondents) were: 'libraries' (17 young people), 'museums and history services' (16 young people) and 'street lighting' (16 young people).
- Focusing now on the impact of slider choices on service item budgets, the average budget percentage change ranged from 3 per cent to -2.83 per cent.
- Overall, 23 young people chose to increase council tax on top of the 1.99% already proposed. On average, they were willing to increase it by 1.33 per cent.
- At both of the two sounding boards events and at one of the budget simulator focus groups, young people were asked to consider the council's nine strategic priorities. Specifically, they were asked to deliberate in group format on which two priorities were most important to them as young people and which two were the least important to them.
- 'Creating opportunities for children and young people to reach our full potential' and 'prioritise the health and wellbeing of residents' were more likely to be selected than any others in the young people's top two strategic priorities selected by six out of eleven groups. These were selected by participants at both the sounding boards and budget simulator focus group, however the second ranking strategic priority at the focus group was 'put action to address the climate emergency at the heart of our work' selected by two of the three groups.
- For 'create opportunities for children and young people to reach our full potential', most of the comments were about needing a good education so young people have better life chances and to fulfil their potential; *"if we don't build their future, who will lead the world?"*
- For 'prioritise the health and wellbeing of residents', a majority of comments focused on everyone had the right to feel healthy, in mind and physically. Many comments said that the negative impact of this has a greater 'knock on effect' from pressure on the NHS, contributing to society and potential for death. *"Health and wellbeing is most important because without it people are unable to have good futures or contribute to the community"*.
- The strategic priority most likely to be chosen as the least important by the young people when combining the views expressed in the sounding boards and the focus group was: 'play our part in a vibrant and participatory local democracy' chosen by over half of the groups (seven out of the eleven groups). There were a fair number of comments about young people not being able to vote, so felt they were not able to be part of the participatory democracy. There were also comments, stating there were systems in place

for a participatory democracy already *“In my opinion we already have a good system set up for voting and democracy, so everyone has a say”*.

- This was followed by ‘invest in an inclusive, integrated and sustainable transport network’ (five out of the eleven groups – with all five chosen from the eight groups at the sounding boards, making it their ‘top’ least important strategic priority out of the nine). Most comments shared the idea that there were more important issues, and that people could walk if they needed to get somewhere. It was felt that there were already some good aspects to transport that already existed, such as public transport, it was well organised and it aided people too. However, a few comments did state cost, access in rural areas and getting to school did need to be improved, as well as its sustainability credentials.
- *It should be noted that ‘invest in an inclusive, integrated and sustainable transport network’ was not selected by any of the three tables in the budget simulator focus groups. These groups were more diverged in their opinions, with three of the nine strategic priorities each receiving one vote.*

## **Budget and Business Planning Timetable**

102. Revenue and capital budget proposals will be published on 28 November 2024, ahead of being considered by the Performance & Corporate Services Overview & Scrutiny Committee on 6 December 2024. 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 17 January 2025.
103. The district councils are required to provide council tax bases, council tax collection surpluses/deficits and business rate forecasts by 31 January 2025. Provisional figures are expected in mid-December 2024. These will be used to inform the budget proposed by Cabinet in January 2025.
104. 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 expected to be announced in late December. The final settlement is likely to be announced in late January/early February 2025. This will confirm the general funding available to the Council for 2025/26.
105. Cabinet will take into consideration the comments from the Performance and Corporate Services Overview and Scrutiny Committee in December 2024 and January 2025, as well as feedback from the public engagement and consultation, alongside the funding available announced as part of the provisional local government settlement, in setting out its proposed budget on 28 January 2025. The capital and investment strategy, including the treasury management strategy, and review of charges will be included as part of the proposed budget.

106. The Council meeting to agree the 2025/26 revenue budget, medium term financial plan and capital programme will take place on 11 February 2025. The council is legally required to share the county council precept with the district councils by 1 March 2025.

107. A timetable for the budget and business planning process is attached at Annex 3.

### **Staff implications**

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

### **Climate implications**

109. Climate Action is a policy priority for Oxfordshire County Council. The council will publish commentary on the potential climate implications of changes to service and capital delivery arising through the budget planning process.

### **Equality and inclusion implications**

110. 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 December 2024. More detailed impact assessments, which will take account of feedback from the public consultation and from scrutiny, will accompany the Cabinet's proposed budget in January 2025.

### **Risk management**

111. 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**

112. The Council is required by law to set a balanced budget for 2025/26 before 1 March 2025. 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:

Ian Dyson,  
**Director of Financial & Commercial Services**

## Legal implications

113. 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 2025, will lead to the council tax requirement being agreed in February 2025, together with a budget for 2025/26, two-year medium term financial strategy and ten - year capital programme.
114. 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 and Governance and Monitoring Officer**

LORNA BAXTER

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