

Budget 2025/26 Leader's Overview

Background: a new government

1. A new Labour government was elected in July 2024, and the new Chancellor immediately published an audit of public spending which set out in-year pressures of £22 billion. It was made clear that these pressures would affect public spending not only in the current financial year, but in future years as well. A one-year spending review was announced with the Autumn Statement on October 30th and a multi-year spending review is expected in the spring. While we welcome the prospect of a multi-year settlement, which will allow us to plan our service delivery more effectively, the government is reviewing the criteria for the allocation of funding, and we recognise that this may mean a reduction for Oxfordshire in subsequent years as the government focuses resources on areas of greatest deprivation. This budget puts us on a sound footing to manage possible reductions in funding in future years.
2. As part of the Autumn Budget, the Chancellor announced an increase in Employers' National Insurance contributions to 15%, and the national living wage to £12.21 and to £10 for 18-20 year olds. Inflation is expected to continue at above 2% for the next year, gradually reducing until 2028. While we welcome the increase in national living wage and the security this gives to our employees and those of our providers, these factors all add to the pressures on this council's budget. The government has subsequently offered funding covering approximately 80% of the direct cost of Employer NI to the council, though none of the costs borne by our contractors, partners and suppliers will be covered and at the time of writing allocations have not been notified.
3. The government published the English Devolution White Paper on December 16th 2024, in which they set out the most significant reforms to local government since the Local Government Act 1972. The White Paper deals with the creation of strategic authorities and also requires counties with two tiers of governance to progress at pace towards becoming unitary authorities. Our budget recognises that resources will

be needed to take both devolution and local government reorganisation forward during 2025/26 and beyond.

Government funding and council tax

4. In December, the Local Government Provisional Settlement set out that Core Spending Power for local government will rise by 6.0% for councils in England on the basis that all councils agree the maximum council tax increase. However, in order to benefit from that extra funding, we will be raising council tax to the maximum of 4.99%. This will consist of 2.99% in core council tax and 2% adult social care precept. Our core revenue budget will increase from £611.2m in 2024/25 to £646.3m in 2025/26, representing an overall increase of 5.7%.
5. The Provisional Settlement also confirmed the grant funding that this council will receive. The Social Care Grant has been increased and Oxfordshire will receive an additional £10.8 million for adult social care, and a new Children's Social Care Prevention Grant, allocated on a needs-based formula, gives £1.4 million to Oxfordshire, which will be used to increase early years support.

New pressures and investments

6. However, pressures across all our services will total £53.6 million for 2025/26. Changes in demographics, in particular the growing number of younger adults with disabilities that require our support, continue to put pressure on our adult services. The increase in Employers' National Insurance, which will cost this council £3.9 million, plus the effect of this on our providers, is an additional pressure. Demand for services for children with special educational needs and disabilities (SEND) continues to rise. The forecast deficit in the High Needs Block of £21.3 million agreed in February 2024 is expected to be exceeded by £7.1 million and stands at £28.4 million for 2024/25. That brings the forecast cumulative negative balance held in reserves to £84.2 million at the end of March 2025. We estimate that the deficit in 2025/26 will be at least £26.7million, bringing the cumulative deficit to over £100 million. As yet

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the government has given no indication as to how they will tackle the rising deficits of this and every other council with responsibility for SEND.

7. In spite of these pressures, we are pleased to present a balanced budget that allows for investment in key areas of this council's activity, in line with our priorities. This has been achieved through savings that total £30.1m million in 2025/26. Organisational redesign, improved contract management and a fresh approach to commercial opportunities will deliver cross cutting savings that apply to all our services. We are increasing revenue spend on children's services by £17.2 million in 2025/26 to meet increased demand. Other key investments include £3.6 million to be spent on improving the council's responsiveness to flooding including £1.5 million for annual gully clearance, reversing the decision taken by the previous administration to reduce gully clearance to a four-year cycle.

Consultation and engagement

8. Our budget consultation and engagement process has been undertaken in three phases. The annual resident satisfaction survey was sent to 6,000 households in May 2024 and generated 978 responses. We were particularly interested in hearing the views of younger residents and therefore augmented the paper survey with 167 street interviews with people between the ages of 18 and 44.
9. This council is committed to putting future generational fairness at the heart of our decision making, and we have therefore included children and young people in the budget setting process through two focus groups and two sounding board events, designed to engage them in conversations about citizenship as well as provide feedback on our budget proposals
10. Last year we introduced a Budget Simulator into our consultation and engagement programme and we have used this used again in formulating our budget for 2025/26. This interactive tool allows residents to have their say on the areas where they would like council to focus on spending, where they think savings could be made, and whether we should raise council tax and by how much. The simulator

was available during June and July 2024, and 1,060 residents submitted their views, as did 30 young people. At the time, before the Provisional Settlement was announced, we expected our budget to have a £13.9 million funding gap.

11. A public consultation using an online feedback form on the Let's Talk Oxfordshire website in December 2024 was widely advertised using posters in libraries, newsletters and social media and resulted in 143 responses. The majority of respondents cited roads and transport, particularly flood mitigation, as the area in which they would most like to see more investment.

Capital expenditure priorities

12. The limitations of our revenue budget mean that any borrowing for capital investment must be very carefully considered to ensure it is affordable both now and in future. We have a large pipeline of projects, especially those that would contribute to achieving our net zero target and modal shift in transport, but there is very little flexibility in the revenue budget, out of which we would need to repay any additional borrowing.
13. Nevertheless, there are a number of projects which we need to fund now, and we have approached capital expenditure with a view to ensuring that those projects which contribute to health and safety, schools and business-critical services are given priority. A total of £10.6 million has been allocated to projects which include health and safety improvements in two of our landfill sites, investment in fire safety in our properties, energy saving measures for school sports facilities and a two-year investment in our IT and cyber security infrastructure.
14. Our consultation and engagement exercise has highlighted the importance to our residents of highways maintenance, and we have therefore included in this budget a total of £58.8 million to be used for highways improvements. In last year's budget we included £7 million for surface dressing. This year we are allocating £38.6 million to a two-year programme which will extend surface dressing, prevent potholes from occurring and improve drainage across our highways network. We are

also allocating £16.2m for repairing and maintaining bridges and £4.0 million for improvements in road safety.

15. Active travel, and improvements to our market towns to promote better air quality and safer walking and cycling, are central to this administration's priorities. We are allocating funding to projects that include better footpaths, more active travel in rural areas, and enhancements to the market squares in Wantage and Banbury. We are also including a feasibility study for the long-awaited Thame to Haddenham Active Travel Link. £11.1 million has been allocated to the completion of the Watlington Relief Road, funding for which had to be removed from the Growth Deal that was negotiated by the previous administration. This important project will take heavy traffic, including school buses and lorries, out of the historic Watlington town centre, freeing residents to walk and cycle safely, and improving air quality.

16. Energy saving projects, projects that generate revenue and projects that unlock additional funding from other sources are also included in the capital budget. These include £4.0 million to unlock £22.5 million of funding from S106 on a variety of schemes waiting to be delivered. We will also create in partnership with the Oxfordshire Nature Partnership and the Trust for Oxfordshire's Environment a funding pot designed to unlock significant private investment in nature recovery across the county. Our contribution to that fund will be £0.5 million. This follows the successful launch of our 100 Together initiative in 2024, a follow up to which will be held in June 2025. Rail is a key priority for us and we are including £1 million in our capital budget to kickstart initiatives at stations across the county to improve the rail customer experience and support sustainable travel plans.

Councillor Liz Leffman

Leader, Oxfordshire County Council
February 2025