

AUDIT & GOVERNANCE COMMITTEE

15 JULY 2026

ASSESSMENT OF THE COUNCIL'S FINANCIAL MANAGEMENT, CONTROLS & GOVERNANCE

Report by the Deputy Chief Executive (S151 Officer)

RECOMMENDATION

1. **Audit & Governance Committee is RECOMMENDED to note the report.**

Executive Summary

2. Since 2020/21 the Government has provided [Exceptional Financial Support](#) (EFS) for councils who made a request for financial assistance to handle pressures that they considered unmanageable and to enable them to set balanced budgets. The support is provided on an exceptional basis, and where relevant, on the condition that a local authority may be subject to an external assurance review. Some of the councils in receipt of EFS have also issued a Section 114 notice.
3. Councils have sought EFS for a variety of reasons but in almost all cases, multiple issues have combined impacting on financial resilience. An assessment of the causes of financial strain indicates that in most cases where councils have upper tier responsibilities persistent pressures in adult and children's social care has been coupled with a low level of reserves. Other causes of financial strain include costs relating to homelessness, Special Educational Needs and Disabilities (SEND) deficits impacting on cash balances, debt costs, transformation delays, legacy issues and accounting corrections.
4. While Oxfordshire County Council needs to continue to take action to manage demand and costs, the year end position and the assessment against the Financial Management Code for 2025/26, demonstrates strong financial control and resilience. However, there are risks including uncertainty about the management of the deficit on the High Needs Dedicated Schools Grant funding as well as the impact of funding reform on the council's funding over the medium term.
5. The level of reserves is fundamental to financial sustainability so while the council is not currently in the same position as the councils that have sought EFS this report sets out an assessment of the current position and the controls in place to help mitigate risks.

Background

6. The following councils in England and Wales have received Exceptional Financial Support (EFS) from 2023/24 to 2026/27¹. The growth in the number of councils receiving support, and the number of councils receiving support over multiple years indicates that financial resilience issues continue to increase nationally. The number of councils seeking support over multiple years also continues to indicate that once these issues impact on the ability to set a balanced budget it is often difficult to recover with the need to repay borrowing or replenish balances causing further difficulties.
7. Some of the reasons behind requests for EFS include:
- **Historic overspends and budget gaps**, particularly in social care, homelessness, and transport services
 - **Legacy accounting issues**, such as pension fund corrections
 - **Equal pay liabilities and restructuring costs**
 - **Rising demand for social care**
 - **Funding reductions as a result of the Fair Funding Review 2.0.**

2023/24	2024/25	2025/26	2026/27
Croydon	Birmingham	Barnet	Barnet
Cumberland	Bradford	Birmingham	Bedford
Kensington & Chelsea	Cheshire East	Bradford	Bradford
Lambeth	Croydon	Cheshire East	Brighton and Hove
Slough	Cumberland	Croydon	Cheshire East
Thurrock	Eastbourne	Cumberland	Croydon
Westmorland and Furness	Havering	Eastbourne	Cumberland
West Northamptonshire	Medway	Enfield	East Sussex
	Middlesbrough	Halton	Gloucester
	North Northamptonshire	Haringey	Halton
	Nottingham	Havering	Haringey
	Plymouth	Medway	Haringey
	Slough	Newham	Hillingdon
	Somerset	Nottingham	Isle of Wight
	Southampton	Shropshire	Isles of Scilly
	Stoke on Trent	Slough	Lambeth
	Thurrock	Solihull	Medway
	West Northamptonshire	Somerset	Peterborough
	Woking	Southampton	Redbridge
		Stoke-on-Trent	Redcar and Cleveland
		Swindon	Sefton
		Thurrock	Shropshire
		Trafford	Slough
		West Berkshire	Somerset
		Windsor & Maidenhead	Stok-on-Trent

¹ Council's in receipt of EFS in 2020/21, 2021/22 and 2022/23 were included in the report to Audit & Governance Committee in September 2025.

2023/24	2024/25	2025/26	2026/27
		Wirral Woking	Swindon Thurrock Trafford Waltham Forest Warrington West Berkshire Windsor and Maidenhead Wirral Woking Worcestershire Worthing

8. In the majority of cases, external assurance reviews of these councils by the Chartered Institute Public Finance and Accountancy (CIPFA) have shown that multiple issues have compounded to cause financial difficulties.
9. The two most common causes of financial strain, which regularly feature together, are adult and children's social care costs combined with low levels of general fund reserves. In many cases, social care overspends exceed the level of general fund reserves and it then becomes difficult to replenish those to a level where the council is able to set a balanced budget.
10. The average level of general fund reserves in the authorities that have sought EFS (where quantifiable data was available) was £11.5m.
11. Other causes of financial strain, in order of frequency, include homelessness costs, the impact of special educational needs and disabilities (SEND) deficits on cash balances, debt costs, transformation delays, legacy issues and accounting corrections.
12. Where debt was a factor in financial difficulties the councils had very high gearing, with the average general fund capital financing requirement being 2.3 times larger than the net annual revenue budget. Moreover, those councils also had very little borrowing headroom, with the amount of external debt compared to capital financing requirement being between 75% to 95%.

Oxfordshire County Council

13. Financial Management
An assessment against the CIPFA Financial Management Code is undertaken as part of the budget process each year. The most recent [report](#) and [assessment](#) identified that the Council remained well placed to evidence compliance with the Code from 1 April 2026. 17 standards were assessed as green and two as amber with action being taken on the latter through the council's Commercial Strategy and other actions around Financial Management.

14. Regular updates to the Statutory Officers Group and Strategic Leadership Team and Cabinet set out the financial position throughout the year and over the medium term ensuring visibility of the financial position and risks so that action can be taken as relevant. The budget process for 2027/28 has begun and proposals to balance the budget for 2027/28 within the available funding after taking account of the impact of the Fair Funding Review 2.0 has begun.

Financial Resilience & Risks

15. Expenditure for Adults and Children’s Services has increased over the last 5 years. However, it has been possible to manage this within an overall balanced budget and to still top up general balances to the risk assessed level where necessary.

	Actual Expenditure 2021/22 £m	Actual Expenditure 2022/23 £m	Actual Expenditure 2023/24 £m	Actual Expenditure 2024/25 £m	Actual Expenditure 2025/26 £m	Budgeted Expenditure 2026/27 £m
Adult Services	199.6	218.5	229.7	245.1	262.8	295.8
Children’s Services	144.6	172.9	180.0	202.3	216.5	233.1

16. In 2024/25 services achieved a broadly breakeven position compared to the budget as a result of a combination of action to manage social care demand and costs. The council underspent by £12.8m (2.1%) overall, as a result of increased interest on cash balances and pay inflation being lower than anticipated when the budget was set.
17. In 2025/26 services overspent by £9.7m. There were overspends in Adult Services, Environment & Highways and Economy & Place and unachieved cross cutting savings of £5.7m. These pressures were managed using contingency, an underspend on the budget for pay inflation and additional interest on cash balances. During the year £5.5m was added to a budget reserve and an additional contribution of £8.0m was made to the High Needs DSG Risk Reserve. The overall variation for the council was an overspend of £0.1m.
18. As set out in the Provisional Outturn Report to Cabinet in June 2026, the budget for 2025/26 included planned service savings of £28.7m of which £21.8m (76%) were delivered. £2.1m savings relating to organisational redesign, £2.6m related to contract and third - party savings, and £0.8m commercial savings were undelivered in 2025/26. £2.2m savings in Children’s Services were unachieved, but this was offset by an overachievement of savings in Adult Services (£0.5m) and Economy & Place (£0.4m).
19. The risk assessed level of General Balances for 2026/27 is £32.7m (around 4.3% of the net operating budget of £752.9m). The actual level of balances at the end of 2025/26 was £34.2m. There is also on-going contingency budget of £6.2m built into the budget for 2026/27 to provide additional financial

resilience should any service area overspend not be effectively mitigated by corrective actions before the end of the financial year.

20. General fund earmarked reserves are currently forecast to be around £275m at 31 March 2027. £137m of this total is funding for the capital programme and after taking account of a budgeted contribution of £8.0m a further £41m will be held in the High Needs DSG Risk Reserve to meet the councils share of the DSG deficit.

Prudential Indicators

21. The ratio of debt financing costs to net revenue stream for the council is forecast be 4.4% over the medium term, which is marginally below the average of 4.7% for English County Councils who have not sought EFS over the same time period. For councils that have sought EFS, or have issued a Section 114 notice, the ratio is 9.8%.
22. External debt as a proportion to the Capital Financing Requirement is forecast to be 51% for Oxfordshire County Council compared to 75% - 95% for councils who have sought EFS. This indicates that the council has an affordable level of debt, without being overly risk averse. Taken together these indicators also show that if required for cashflow purposes, the council could 'externalise' the capital financing requirement if needed (ie. there is headroom to take external debt if needed).

High Needs Dedicated Schools Grant Deficits

23. The statutory reporting requirements for the 2026/27 accounts require the closing deficit balance on Dedicated Schools Grant to be held within an unusable reserve until 31 March 2028. The total deficit transferred to the DSG reserve at the end of 2025/26 was £55.0m and increased the closing deficit balance to £135.3m as at 31 March 2026. Within the overall total, which also includes positive balances held for Early Years and other purposes, the total unusable High Needs deficit increased from £92.5m at 1 April 2025 to £149.3m at 31 March 2026.
24. Based on the SEND Reform Plan submitted to the DfE in June 2026, there is a forecast deficit of £66.3m in 2026/27 and £78.8m in 2027/28.
25. Subject to approval of the local SEND reform plan and satisfaction of the grant conditions, the Government's High Needs Stability Grant is expected to fund up to 90% of the eligible DSG deficit balance of £135.3m up to 31 March 2026. The grant remains subject to Department for Education approval of the SEND Reform plan, confirmation of eligibility and continued satisfactory progress against required delivery and reporting arrangements.
26. At this stage there is no information about how deficits in 2026/27 and 2027/28 will be managed.

Summary Assessment

27. The council has managed the impact of increasing demand and costs of service delivery and remains financially resilient. However, there is a duty to

ensure expenditure does not exceed the resources available so it is vital that we continue to emphasise and promote the importance of financial management, the delivery of savings and reduce expenditure to protect service delivery and achieve a balanced budget position.

28. While it was possible to manage the service overspend with contingency measures in 2025/26, there is less flexibility in 2026/27. The contingency budget was reduced to £6.2m as one of the changes to balance the 2026/27 budget agreed in February 2026. Pay inflation not used in 2025/26 will be needed to fund pay awards in 2026/27. In addition, interest on cash balances is less likely to be significantly higher than budgeted because of the increasing impact of the High Needs DSG deficit on the cash that the council is holding. Relatively higher interest rates and returns than in 2025/26, were assumed when the 2026/27 budget was set.
29. When setting its budget for 2026/27 the council made clear that it would need to make savings in future years in excess of £20m as a result of changes made by government to formulas that dictate how much individual local authorities will receive in grant money. Rising pressures on budgets due to inflation and demand mean the council is likely to need to save significantly more than this in practice. The council is planning its budget much earlier than normal and looking at all possibilities for savings including staffing levels across the authority. Further details will be shared later in the year but the council will seek to protect frontline services as much as possible.
30. However, despite planned action set out in the SEND Reform Plan the deficit against High Needs Dedicated Schools Grant is forecast to continue to grow at an increasing rate. Until there is certainty about the receipt of High Needs Stability Grant and further detail about how deficits in 2026/27 and 2027/28 will be managed this remains a significant risk to the council's on-going financial resilience.

Financial Implications

31. This report is largely concerned with finance and the implications are set out in the main body of the report.

Kathy Wilcox, Head of Corporate Finance

Legal Implications

32. There are no legal implications arising directly from this report.

Jay Akbar
Head of Legal & Governance
(Deputy Monitoring Officer)

Staff Implications

33. There are no staffing implications arising from this report.

Equality & Inclusion Implications

34. There are no equality or inclusion implications arising from the report.

Risk Management

35. It is really important that services continue to accurately budget, manage and forecast all expenditure to ensure that action can be taken to mitigate and manage issues and the impact on wider financial resilience.

Lorna Baxter, Deputy Chief Executive (S151 Officer)

Background papers: None

Contact Officers: Kathy Wilcox, Head of Corporate Finance
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July 2026

