



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and date of Committee	EXECUTIVE - 11 DECEMBER 2024
Subject	DRAFT BUDGET 2025/26
Wards affected	All
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Summary/Purpose	This report provides an update on the developing budget for 2025/26.
Annexes	Annex A – Draft Medium Term Financial Strategy (MTFS) Annex B – Draft Capital Programme
Recommendation(s)	That the Executive resolves to: I. Note the update on the developing budget for 2025/26.
Corporate priorities	<ul style="list-style-type: none">Working Together for West Oxfordshire
Key Decision	No
Exempt	No
Consultees/ Consultation	Meetings with Assistant Directors, Business Managers, Heads of Service and key stakeholders

1. BACKGROUND

- 1.1** The Council will approve the final budget for 2025/26 on 26th February 2025. This first draft of the revenue budget for 2025/26 has been compiled in advance of the announcement of the government funding settlement in December and the conclusion of the public consultation which is currently live, and therefore is subject to change.
- 1.2** This report provides details of the assumptions made for both the revenue budget and the Medium Term Financial Strategy (MTFS) including the current drivers of growth.

2. MAIN POINTS

- 2.1** This first draft of the budget has assumed that there will be no fundamental changes in government funding in 2025/26, following the recent Budget announcement by the new Government. The official settlement announcement is expected in late December 2024. The focussed work has been done on the revenue part of the budget i.e. the cost of providing services, with the funding element left largely as it is for now.
- 2.2** In year reporting, at Quarter 2 is forecasting an overspend this financial year of £85,686 compared to the approved budget which anticipated a contribution of £5,107 to General Fund Reserves. The key factors driving this revenue position are income shortfalls in garden waste and development management, the delayed Elmfield office letting, the empty Carterton Industrial Estate units and increased expenditure on waste and recycling container replacement.
- 2.3** The draft budget for next year being a small surplus after growth assumptions at this initial stage, is encouraging, but the picture from 2026/27 onwards is less optimistic with an unsustainable reliance on the use of reserves to fund front line services.
- 2.4** While the reserves position for the Council is currently relatively healthy, there remains a financial gap from the estimated impact of changes to Local Government Financing (i.e. the long delayed reform of the Retained Business Rates system) and the end of the current leisure contract in 2027 which unless resolved will exhaust reserves over the life of this MTFS.
- 2.5** Local Government Finance reform, also known as the Fairer Funding Review, is supposed to ensure a fairer formula for the allocation of funding to Local Authorities. Originally due to be implemented from April 2020, reform of the Business Rates system, which is estimated to reduce the Council's Retained Business Rates by 45% or circa £2m, has been pushed back until at least April 2026. New Homes Bonus is also due to end in 2025/26 after originally being scheduled to end in 2022/23.
- 2.6** Phase 2 of the Publica transition has added a significant element of uncertainty around the financial impact of returning the next tranche of services back to the Council in terms of both one off and ongoing costs. One off cost will be funded from earmarked reserves in 2025/26 and ongoing costs will be included in the 2026/27 base budget.
- 2.7** The use of reserves to manage short term fluctuations in the Council's financial position is necessary but cannot be sustained over the longer term – reserves can only be spent once.

3. ECONOMIC ENVIRONMENT

- 3.1** In its submission to the Treasury ahead of the Autumn Budget, the Local Government Association (LGA) indicated there was a growing risk of systemic financial failure with 18 councils being reliant on being given Exceptional Financial Support (EFS) by the Government to balance their books in 2024/25.
- 3.2** LGA analysis also showed that due to inflation and wage pressures, together with cost and demand pressures, councils face a £2.3 billion funding gap in 2025/26, rising to £3.9 billion in 2026/27. Councils are increasingly using reserves to manage these cost pressures with 42% of councils drawing on reserves in 2022/23 and 2023/24.
- 3.3** Northamptonshire, Croydon, Thurrock, Woking, Slough, Nottingham, Northumberland and Birmingham have all issued Section 114 notices since 2018 and the LGA reports that one in five council leaders in England believes they are likely to declare bankruptcy in the next 15 months. A Section 114 notice indicates that the council's forecast income is insufficient to meet its forecast expenditure for the next year.
- 3.4** The last decade has seen a reduction in core funding for Councils. Single year settlements, uncertainty about the timing and impact of the proposed local government finance reforms and higher inflation and interest rates all combine to create an ever more challenging financial environment.
- 3.5** Following the general election in July 2024, the new Government has announced that a further one-year settlement will be provided for 2025/26. A multi-year finance settlement is expected from 2026/27 following the forthcoming Spending Review which will set spending plans for a minimum of three years of the five-year forecast period.
- 3.6** Interest rates have remained at a high level during the current financial year. The Bank of England did reduce rates by 0.25% to 5.00% in August 2024. This was followed by another 0.25% reduction in November 2024. Rates are expected to fall further over the next few years, but the speed of this reduction will be dependent on inflation rate movements.
- 3.7** The rate of inflation had been falling during the year with a low of 1.7% in September. However, the bigger than expected increase in October, up to 2.3%, would indicate that the recent Bank of England's Monetary Policy Committee 90-page report suggesting that the Budget would contribute to a rise in inflation (ending the year nearer 2.5%) was correct. An increase in energy prices in October 2024, and a further one due in January 2025, will also contribute to the future trajectory of the rate of inflation.
- 3.8** Whilst inflation has fallen from its peak in October 2022, prices are not falling but are now rising less quickly. There are concerns that the cost of living will rise further, with firms warning that they will have to raise prices to cover the increase in employer's National Insurance contributions.
- 3.9** These increases will also impact Councils with suppliers looking to pass on increased costs and inflationary pressures on the services that the council procures e.g fuel costs on waste and recycling contract.

4. 2025/26 BUDGET ASSUMPTIONS

4.1 The 2025/26 budget setting process has been informed by the financial performance in the current year and the key drivers of variances to budget to date.

4.2 The table below shows the key changes to the budget from a £5,107 contribution to General Fund Reserves in 2024/25 to a balanced budget in 2025/26 with an estimated contribution to General Fund of £400,314 excluding growth and £7,154 including growth.

2024/25 budget surplus		(5,107)
Budget Movements	£	£
<u>Changes in expenditure</u>		
Reversal of one off items from 24/25	(527,731)	
Publica contract	166,220	
Retained Staff	188,965	
National Insurance increase retained staff	87,514	
National Insurance increase Publica contract	163,874	
Publica Review Phase One costs	213,154	
Closure of Elmfield as an operational building	(99,094)	
Ubico contract	(17,545)	
Budget Holder review	93,726	
Depot Repairs, Maintenance and Rent increase	125,000	
Elections	78,000	
Waste bins & boxes	78,000	
FTC Planning Services Transformation Post	50,832	
		600,915
<u>Changes in income</u>		
Glass recycling contract	(120,000)	
Dry Mixed Recycling contract	(300,000)	
Development Management Income	150,300	
Housing Benefit Subsidy loss for Temp Accommodation	55,138	
Green Waste licences correction to base budget	40,995	
Council Tax Court Fees	(70,000)	
		(243,567)
<u>Changes in funding</u>		
Use of Earmarked Reserves	(548,830)	
Council Tax second home premium estimate	(218,543)	
Council Tax Base additional income before growth calculation	(62,556)	
Provisional government funding assumptions	79,635	
Capital Charges	(2,261)	
		(752,555)

2025/26 DRAFT BUDGET		(400,314)
Growth Requests	£	£
Permanent		
Tree Officer 0.5FTE		20,750
RICS Building Surveyor		65,550
Planning Enforcement Officer		38,000
Property Lawyer		68,616
Leisure Projects Officer - FTC to permanent		24,332
Waste Transformation Lead		56,063
Waste Administrator		33,949
		307,260
One Year		-
Leisure Management Options Appraisal/Soft Market Testing/Procurement support		35,900
		-
		35,900
Two Years		
External Legal costs for new leisure contract		50,000
2025/26 DRAFT BUDGET inc Growth		(7,154)

4.3 The key changes to the budget from 2024/25 to 2025/26 are as follows:

- The reversal of one-off growth items from 2024/25 includes the one-off costs for the Publica Review Phase I, the contingency against leisure contract income and the removal of the budget for the Leisure Strategy review agreed as two year funding in 2023/24. There is currently no plan to include a contingency against leisure income in 2025/26.
- The West Oxfordshire share of the Phase I Publica transition costs are detailed in Section 7 below.
- At the time of writing it is difficult to estimate the one off or enduring costs of Phase 2 of the Publica transition. Detailed structure plans are not yet at a sufficiently advanced stage to be able to model the financial impact on the partner Councils. It is fair to say however that the more complicated nature of roles being considered in Phase 2 i.e. the majority of roles are fragmented, may result in higher costs than seen in Phase I. Phase I primarily dealt with posts where Officers were already working

for an individual Council i.e. Elections, Democratic Services and Finance where the TUPE was straight forward and essentially “lifted and shifted” them to the Councils.

- The savings from the re-structuring of senior roles in Publica have been front loaded into Phase 1, so there are no material savings expected in Phase 2.
- Growth in the Publica contract represents a 3% pay award for 2025/26 and the movement in fixed term contract posts. The Publica budget for 2025/26 will be finalised in December but it is not anticipated that there will be any material change to the figures included in this draft version of the revenue budget. The final adjustments will be reported in January 2025.
- The retained staff budget has been increased by 3% in line with the Publica and Ubico contract assumptions and includes the staff transferred back to the Council on 1st November 2024.
- The announcement in the budget of a reduction in the National Insurance threshold from £9,100 to £5,000 and an increased employer’s contribution of 15% adds an additional £359,000 into the Council’s cost base, £87,000 for staff directly employed by the Council, £164,000 within the Publica contract and £108,000 in the Ubico contract. It is hoped that the Local Government Funding Settlement in December will include compensation for the increased National Insurance burden. There has been no confirmation that any compensation will be forthcoming and so nothing has been included in the MTFs at this stage.
- The enduring increase in base budget relating to the TUPE of staff back to the Council on 1st November 2024 is £213,154.
- Hexagon will take up the lease of Elmfield once the building work has been completed in mid-January 2025. The budget movement is the net of the removal of the Business Rates liability in 2024/25 and the rental income receivable in 2025/26.
- Over the last few months, the Finance and Waste Teams have been working very closely with Ubico on a zero-based budgeting exercise and discussions about waste round re-organisation. Whilst these workstreams are not yet finished, the base budget has been updated to reflect the latest proposed budget figure from an initial budget “ask” of over £400,000 for 2025/26.
- It is anticipated that savings related to round re-organisation will be finalised in the coming weeks and will be included in the revised draft budget to be presented to Members in January 2025.
- Postage costs have risen sharply in the last two to three years and have had a material impact on the cost of running Electoral registration. An increase of £78,000 is required to cover the printing and postage costs of voter registration and poll cards.
- During the last 12 months a consistent overspend on waste and recycling bins and boxes has been reported through quarterly budget monitoring. The additional budget included in this first draft of the revenue budget is representative not only of the additional households in the District but also the level of replacement bins and

boxes required as a proportion of the total that are coming to the end of their useful life.

- A part time 15-month fixed term position to assist with the transformation of the Planning Service will be advertised in December 2024 for January 2025 start.
- In October 2024, the Council awarded a tender for the district's glass recycling. An average of 75% of this glass will be recycled and turned back into bottles and jars with the remainder used in aggregates. This contract introduces a new income stream to the Council worth an estimated £120,000 - £130,000 dependant on market price fluctuations. In addition, the signing of a new Dry, Mixed Recycling (DMR) contract on 1st October achieves a £300,000 annual budget saving.
- In 2024/25 the target for Planning application income was increased due to the government increasing Planning Fees by 25% in December 2023. The impact of this was expected to be seen during 2024/25 but unfortunately this has not been the case. Planning application income is notoriously volatile and very sensitive to prevailing economic conditions and market confidence. At Q2, income was below target by £170,000 with only the receipt of a major planning application able to turn the situation around. It is therefore prudent to reduce the income budget for next year to recognise the weakness in the market and the speed at which major applications are being received.
- The issue of the use of temporary emergency accommodation in the district has been well documented and reported over the last four years. Numbers of people in emergency accommodation are currently higher than during COVID. Due to legislation the council is only able to recover a small proportion of the cost of housing benefit paid out for temporary accommodation through subsidy. The net cost to the Council is therefore increasing year on year. With the proposed increase for 2025/26, the net loss of Housing Benefit Subsidy to the Council has been calculated at £229,000.
- Potential sites either to build or buy suitable properties for temporary accommodation are being actively investigated by the Homelessness, Estates and Housing Delivery teams.
- The current year budget for green waste licences should have been based on 33,000 licences across the district. There is an error in the base budget which has been corrected for 2025/26. No increase is proposed for the annual cost of a green licence in this version of the budget.
- As the Billing Authority for Council Tax and Business Rates the Council is awarded costs to fund the administration of debts. The collection of Council Tax and Business Rates is a statutory duty and the Council endeavours to support taxpayers who are unable to pay through payment plans, discretionary reliefs and the Local Council Tax Support Scheme. The budget has been amended to reflect the current position.
- Earmarked reserve movements are calculated every year and are used to fund posts and projects that have been agreed by the Executive to further Council Priorities. Examples of this are homelessness prevention and support and project management.

Eventually, all permanent posts will need to be funded through the base budget as earmarked reserves will be exhausted over time.

- Legislation to allow the charging of a Council Tax premium on second homes comes into effect on 1st April 2025. Modelling has calculated that the additional tax raised will be in the region of £2.1m, of which West Oxfordshire will be entitled to 9.9%, or £218,543. The remainder will go to the County Council (78.5%) and Thames Valley Police (11.6%).
- Taxbase for 2025/26 will be presented to Council in the January 2025 version of the draft budget. The taxbase as reported to the Government in October 2024 shows that the actual position is 323.80 Band D equivalents higher than the estimate made in January 2024. This equates to growth of £62,556 (0.68%) before including any growth in the taxbase to the end of March 2026. It is recommended that Council Tax increases by the maximum of £5 to bring the district precept to £129.38 per Band D equivalent for 2025/26.
- Public Sector Audit Appointments (PSAA) is tasked with appointing external auditors, consulting on and setting the external audit scale fee that is charged to Public Bodies. The PSAA is likely to increase the scale fee by 10%, or £19,000 from April 2025.
- Following the announcements made in the October Budget that relate to public sector funding, the MTFs has been updated with an indicative funding position, excluding any compensation for the additional burden of employer's National Insurance, as a reduction of £79,635. The announcement of the Local Government Funding Settlement will be made in December and the budget and MTFs will be updated accordingly.
- Fees & charges that are not set centrally are reviewed each year on a cost recovery basis. Where non statutory services are charged for it is important that the Council sets fees and charges at a level of at least full cost recovery to make sure that Council Taxpayers are not subsidising what amount to commercial services.

4.4 Inflationary Pressures

- Pay award – over the last four years, the approval of the national pay award has been agreed later and later in the year. The pay award for 2024/25 was approved in October 2024 at the greater of £1,290 or 2.5%, which is in line with the base budget assumption of 5% pay inflation for both Publica and retained staff.
- Contract inflation – this is applied to individual contracts i.e. Ubico, Publica, Danfo (Public Conveniences) and Jade Security (Cash collection) based on their specific contract terms or agreed forecast expenditure, not as a generic percentage.
- General inflation – the rate of Consumer Price Index (CPI) inflation has fallen significantly over the last 12 months and is reported in October at 2.3%, up from 1.7% in September. Inflation impacts the cost of supplies and services i.e. building

maintenance, external legal fees and fuel which tend to be higher than the level of CPI inflation.

4.5 Items to be Reported in January

Due to the timing of this first draft of the budget, there are some funding items that cannot be included in this draft of the budget and instead will be reported in January 2025. These items include

- Council Tax Base – the district has seen sustained growth in the Council Tax Base over the last decade. Early indications are that there will be a modest increase of between 1.00% - 1.3% for 2025/26 which would equate to an additional £25,000 - £33,000 of income, over and above the £62,556 already included in the Budget Movements table above.
- Capital Programme – revision of the Capital Programme is underway in consultation with Business Managers and Senior Management. The level of capital expenditure must be balanced against the availability of cash reserves and the cost of external borrowing.
- Minimum Revenue Provision (MRP) – there is a statutory requirement for the Council to recognise the use of their fixed assets over time that will charge a cost to revenue over the useful life of that asset i.e. vehicles over 7 years and property over a maximum of 50 years. The movement in MRP year to year is due to the level of expenditure estimated in the Capital Programme.
- External Borrowing – the level of external borrowing is dictated by the estimated level of expenditure in the Capital Programme offset against any capital receipts used to fund asset purchases.
- Retained Business Rates – the estimate of Retained Business Rates is submitted to the Ministry of Housing, Communities and Local Government (MHCLG) every year on 31st January in the form of NNDR 1. Permission to submit the National Non-Domestic Rates (NNDR) 1 form will be included in the January budget papers. At this stage it is not possible to estimate what the Business Rates income for 2025/26 is likely to be.
- Government Funding – an indicative figure for the movement in government funding has been included in the MTFS in advance of the announcement of the Local Government Funding Settlement in December, based on the limited information provided in the October budget.

4.6 Growth Requests

- 0.5 FTE Tree Officer – changes resulting from the retirement of a long serving officer and the Publica transition has left the Council with 0.5 FTE to deliver the Council's range of statutory arboriculture duties, including the administration of legislation relating to trees in Conservation Areas and Tree Preservation Orders. This role also provides general professional advice on the care and management of

trees and specialist tree-related advice to the Council's Planning Service on development proposals, to Town and Parish Councils, contractors, consultants, architects and the public. It is requested that this post is increased to 1 FTE.

- RICS Building Surveyor – the Property and Estates team is part of Phase 2 of the Publica Transition which is expected to go live in 2025/26. The Council owns a large portfolio of both operational and investment properties and are currently outsourcing building survey work (i.e. condition surveys, repair specifications and option appraisals) to external consultants at a cost of £73,000 in 2023/24 and £48,000 in the first half of 2024/25.
- With the increased requirement for ongoing condition surveys as part of the newly adopted Asset Management Strategy, and the need to manage the property portfolio more proactively and effectively, the request is to employ a qualified Building Surveyor to take on the work that is currently outsourced. Our reliance on external contractors delays building maintenance projects as we are subject to the timescales of external companies not our own.
- Planning Enforcement Officer – an additional proactive Planning Enforcement Officer role was recommended by the Overview and Scrutiny Committee to Executive on 4th September 2024.
- Property Lawyer – the shared legal service is under resourced and needs to routinely instruct external legal firms to undertake property related work i.e. lease renewals and lease surrenders. In 2023/24 the cost of external legal work related to our Investment Properties and Marriotts was £55,000 and stands at £31,000 in the first half of this year. The recruitment of a specialist Property Lawyer would provide resilience to the shared legal service and offer some succession planning in the team in the short to medium term.
- Leisure Projects Officer – a Leisure Projects Officer has been employed on a two-year fixed term basis since May 2023. The project work to translate the Leisure Strategic Outcomes Planning Model (SOPM) to the re-tendering of the Leisure Contract in 2027 requires resource over and above the existing 2 permanent FTE in the Leisure team. This growth request is to support this essential project work and the successful delivery of the new contract.
- Waste Transformation Lead – alongside potential partners across the County, the Council's waste team is entering into a transformation period in relation to how, by whom and where waste and recycling services will be delivered. The request is to recruit a permanent Transformation Lead for the Waste Service in advance of Phase 2 of the Publica transition to ensure that work with our counterparts in the other Oxfordshire districts can get underway as soon as possible. The cost of this post is the difference between the Publica shared Waste Business Manager and the new West only post which would be part of the Phase 2 transition.
- Waste Administrator – the request is for an administration post to manage the day-to-day tasks of the waste team i.e. raising invoices, responding to queries from Customer Services, raising Purchase Orders and liaising with Ubico. This recruitment

will free up time for the Waste Lead to focus on contract management and transformation.

- External Leisure Contract Support – over the next two years it will be necessary to employ external specialists to appraise leisure options, undertake market testing, support procurement and legal advice to re-tender the leisure contract. It is anticipated that the cost of this external support will be £85,900 in 2025/26 & £50,000 in 2026/27.

4.7 Budget Risks

- Publica transition – the second phase of the Publica transition must be identified as a risk because the financial impact on the Council's budget is as yet unknown. Any one-off costs associated with Phase 2 will be funded through earmarked reserves with permanent growth to employee costs included in the base budget from 2026/27.
- Interest Rates – interest rates are now slowly starting to come down which for the Council is a double-edged sword. On the one hand, it will make the inevitable external borrowing that the Council will enter into more affordable, but falling interest rates adversely impact the returns we make from our cash balances.
- In 2023/24 and 2024/25 Treasury Management short term investing has produced income returns far higher than budget due to prevailing global economic conditions and the high rate of return from the Money Market Funds and DMO (Debt Management Office). As interest rates fall back, so do these income returns.
- Level of Reserves – General Fund balances are currently healthy when compared to cost of services, however, the MTFs shows that unless we are able to plug the funding gap identified from 2026/27 onwards, General Fund reserves will be almost exhausted by 2030.
- Retained Business Rates – the review of the Business Rates system has been delayed since 2020. For the last three years the MTFs has anticipated that this will happen in 2026/27 with no real indication of any dampening of the impact through temporary government funding. Retained Business Rates therefore remain a risk due to the lack of confirmed intent by the current government in terms of the scope and timing of the review. The consensus is that the impact on District Councils will be significant.
- The Leisure Contract – the existing leisure contract returns a significant level of income to the Council, which cannot be matched by the new contract from 2027. The leisure offering by the Council is currently under review and until the project is further advanced it is not possible to say what the new contract will look like. It is however likely that in the early years of any new contract the Council will not receive any income, but rather will be paying a fee to the leisure operator. This is in line with the early years of the current contract. The impact on the MTFs is a loss of income of £2.4m.

5. MEDIUM TERM FINANCIAL STRATEGY ASSUMPTIONS

- 5.1** Consensus seems to be that central government is unlikely to significantly increase funding to local government in 2025/26. Any reallocation of funding is likely to benefit councils with responsibilities for Adult Social Care and Children Services rather than District Councils.
- 5.2** The timing and impact of local government reforms makes the development of an MTFS a challenging exercise with another single year funding settlement announced for 2025/26. There is however the prospect of a multiyear settlement from 2026/27.
- 5.3** With the General Election in July 2024, no consultation has taken place on funding reforms or the New Home Bonus scheme and so it has been assumed that New Homes Bonus will be received for a final year in 2025/26 with an assumption that some kind of replacement funding will be rolled into the Settlement Funding Assessment (SFA) in 2026/27.
- 5.4** The business rates reset, delayed since 2020, is forecast to take place in 2026/27 with a possible 45% reduction in business rates income.
- 5.5** The MTFS assumes a general inflationary increase of between 2% and 2.5% will apply to the cost of services from 2026/27 onwards, excluding contracts where the actual inflationary increase is known i.e. Ubico contract, salary inflation, Publica contract and some software licence agreements.
- 5.6** Salary inflation over the last 3 years has been higher than we have historically estimated. For 2025/26 there is an assumed 3% increase, but this is expected to fall back over the life of the MTFS.
- 5.7** The Asset Management Strategy (AMS) was approved by Executive in November 2024. This document will provide a clear strategy for the future decision making and investment in the Council's land and property assets. A rolling 5 year repairs and maintenance programme, informed by the Asset Management Strategy will feed into the Capital Programme to identify both expenditure and financing requirements.
- 5.8** This Council, like all local authorities, is facing external budget pressures that will impact the MTFS. The inflationary impact of goods and services that the Council procures, energy prices and interest rates have all had a significant impact on the financial performance in recent years and will continue to do so in the future.
- 5.9** The MTFS is based on the most reasonable forecasts of income and expenditure that can be inferred at this point in time.

6. CAPITAL PROGRAMME

- 6.1** The review of the Capital Programme is ongoing with the final proposal being put forward in January 2025.
- 6.2** Historically the Council has funded the Capital Programme through internal borrowing (use of cash balances), capital receipts and grant or S106 funding. Given the likely scale of capital expenditure over the life of the MTFS i.e. waste vehicle fleet replacement, decarbonisation of the leisure centres, proactive maintenance of our property portfolio and the provision of affordable housing at the same time that our cash reserves are significantly depleted

compared to previous years, it is likely we will need to rely on external borrowing to fund elements of the Capital Programme from 2025/26.

- 6.3** It was anticipated that external borrowing would be required in 2024/25, but this has not been necessary due to the delay in the renewal of waste vehicles which makes up a significant proportion of the Capital Programme. Expenditure of at least £3m on waste vehicles is likely before the end of the next financial year and it is unlikely that the Council can fund this expenditure through internal borrowing.
- 6.4** The financial impact of external borrowing is in the revenue account where the MTFS already shows a significant funding gap in future years. This impact includes the cost of borrowing i.e. interest and MRP – the charge we must make to represent the use of the asset over its life. For vehicles this would be borrowing with the associated costs for 7 years, for land and property it would be 50 years.
- 6.5** The Public Works Loan Board (PWLB) interest rates are still high but should fall gradually over the next 12 months in line with the expected trajectory of the Bank of England Base Rate. There are however other options for borrowing other than PWLB i.e. Local Authority to Local Authority lending. The Treasury Management Strategy will be updated with a framework for future external borrowing.
- 6.6** The Council receives a capital receipt each year for the Right to Buy and Clawback of properties sold by the Housing Association in the year which funds a small proportion of the Capital Programme. Additional capital receipts can only be achieved through the disposal of assets where the income can then only be used to fund capital expenditure, not to support the provision of services.
- 6.7** The Council may wish to cash in an element of Pooled Funds in the future to finance capital expenditure if it proves to be more cost effective than to take on long term debt. However, interest generated from the Pooled Funds is instrumental in supporting front line Council services so any decision to release cash from long term investments should be carefully weighed against the impact on the MTFS in the longer term.
- 6.8** Further details about the way we fund the Capital Programme will be included in the revised Treasury Management, Capital and Investment Strategy papers, included in the February 2025 budget papers.
- 6.9** An initial draft of the Capital Programme is in Annex B but as always, inclusion in the Capital Programme does not mean that the expenditure is authorised. Identifying the possible spend, and including it in the Capital Programme, ensures that potential borrowing requirements are identified. In most cases, a business case would still need to be prepared and brought forward for review.

7. PUBLICA TRANSITION

- 7.1** Following the Human Engine report in November 2023 and the Local Partnerships report in March 2024, the Council approved the Detailed Transition Plan (DTP), for returning the majority of services to the Council, on 24th July 2024.

7.2 The key financial information contained in the DTP was:

- Indicative enduring annual increase to West Oxfordshire District Council revenue budget of £185,000 per annum (pro rata for 2024/25 would be £77,000) with one-off costs of restructuring between £207,000 to £301,000 being the “most likely” and “maximum” scenario respectively.

7.3 The latest updates for these costs are:

- Project office - £275,000 for 2024/25. This is higher than the £200,000 in the 2024/25 budget, but is a forecast based on current set up and may be lower by the end of March 2025.
- Enduring Local Government Pension Scheme (LGPS)/restructuring costs – £213,000 per annum (pro rata £89,000 for 2024/25 compared to £75,000 in the 2024/25 budget).
- One off costs of restructuring (redundancies) - £300,000 set against £500,000 that was earmarked in the 2024/25 budget cycle.

In summary the actual costs of Phase 1 are within the overall budget assumptions made in the 2024/25 budget cycle.

7.4 Discussions with regards to Phase 2 are at a very early stage and will require detailed cost modelling and due diligence before any decisions can be made.

7.5 It should be noted that all the savings from changes made to the Publica management structure, have been taken in Phase 1. There will be no further savings of this kind in Phase 2.

8. BUDGET CONSULTATION

8.1 The Council’s budget consultation, via the online engagement platform CitizenLab, went live on 18th November 2024 and will run to 15th December 2024.

8.2 The Council has used a wide range of communication channels to promote the consultation including media engagement, social media, website, stakeholders and newsletters.

8.3 Feedback from the consultation will be presented to the Executive in January 2025.

9. BUDGET REVIEW TIMETABLE

9.1 The next draft of the budget, including the Local Government Finance Settlement will be taken to the Executive on 15th January 2025.

9.2 There is an All Member Briefing on 9th January 2025.

9.3 The Overview and Scrutiny Committee will review the budget at single dedicated meeting on 5th February 2025.

9.4 A final budget will be presented to the Executive on 12th February 2025.

9.5 It will be debated at Council on 26th February 2025.

10. CONCLUSIONS

- 10.1** There are continued uncertainties and cost pressures, as detailed in this report, which will have an impact on the 2025/26 budget and the MTFS.
- 10.2** This report contains the first draft of the 2025/26 budget. The Local Government Finance Settlement expected in late December, the feedback from committee meetings and the budget consultation process will provide inputs into the final budget,
- 10.3** The Council will need to set realistic budgets, balancing current need and future financial stability, to ensure that adequate reserves are maintained over the medium term.

11. FINANCIAL IMPLICATIONS

- 11.1** There are no financial implications arising from this paper as it outlines the approach and context of the 2025/26 budget setting process.

12. LEGAL IMPLICATIONS

- 12.1** Apart from the statutory duties and obligations set out in this report, with regards to budget setting process, there are no further implications.

13. RISK ASSESSMENT

- 13.1** None required as a result of the content of this report.

14. EQUALITIES IMPACT

- 14.1** No direct equalities impact with regards to the content of this report.

15. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 15.1** None.

16. BACKGROUND PAPERS

Budget papers – February 2024

(END)