



WEST OXFORDSHIRE  
DISTRICT COUNCIL

## WEST OXFORDSHIRE DISTRICT COUNCIL

Name and date of Committee	<b>OVERVIEW AND SCRUTINY – 5th FEBRUARY 2025</b>
Subject	<b>UPDATE ON BUDGET 2025/26</b>
Wards affected	All
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Summary/Purpose	<p>This report provides an update on the budget for 2025/26 following the provisional government funding settlement on 18<sup>th</sup> December 2024.</p> <p>To consider:</p> <ol style="list-style-type: none"><li>1) The Draft Base Budget for 2025/26</li><li>2) The Council's Capital Programme for 2025/26 to 2031/32</li><li>3) The level of Council Tax for 2025/26</li><li>4) The Medium Term Financial Strategy (MTFS)</li><li>5) The Responses from the Statutory Budget Consultation</li></ol>
Annexes	<p>Annex A – Prior Year Comparison Annex B – MTFS 2025/26 Annex C – MTFS Graphs Annex D – Capital Programme 2025/26 Annex E - Council Tax Schedules 1-2 Annex F – Council Tax Schedule 3 Annex G – Council Tax Schedule 4 Annex H - Taxbase 2025/26 Annex I – Proposed Fees and Charges</p>

	Annex J – Proposed Fees and Charges for Trade Waste (Exempt Annex) Annex K - Responses from the Annual Statutory Budget Consultation Annex L - Pay Policy Statement
Recommendation(s)	That the Executive resolves to recommend the following to Council for approval: <ol style="list-style-type: none"> <li>1) The General Fund Revenue Budget as Summarised in Annex A.</li> <li>2) The Updated Medium Term Financial Strategy in Annex B.</li> <li>3) The Capital Programme for 2025/26 to 2031/32 as set out in Annex D.</li> <li>4) The Council’s Pay Policy Statement as set out in Annex L.</li> <li>5) The level of District Council Tax for 2025/26 for a Band D property of £129.38 as shown in Annexes E-G.</li> </ol> And the following for noting: <ol style="list-style-type: none"> <li>1) Fees and charges for 2025/26, as detailed in Annex I and J.</li> <li>2) The Parish Precepts and Tax Levels set out in Annex H.</li> </ol>
Corporate priorities	<ul style="list-style-type: none"> <li>• Working Together for West Oxfordshire</li> </ul>
Key Decision	No
Exempt	No
Consultees/ Consultation	Meetings with Assistant Directors, Business Managers, Heads of Service and key stakeholders such as GLL and Ubico. The Council also conducted the annual statutory budget consultation

## BACKGROUND

- 1.1 The Council will approve the final budget for 2025/26 on 26<sup>th</sup> February 2025. The first draft of the revenue budget for 2025/26 was presented to the Executive on 11<sup>th</sup> December 2024, an updated version on 15<sup>th</sup> January 2025 and this final version, including a contribution to General Fund Reserves (surplus) of £91,280, will be considered by the Executive on 12<sup>th</sup> February 2025.
- 1.2 This draft has been updated with the indicative one off and enduring costs of Publica Phase 2, Investment Property, the impact on employee costs of a 3% pay award and Retained Business Rates income.

- 1.3 The final budget, being presented to the Executive and Council in February 2025, will include strategy papers for Treasury Management, Capital and Investments.
- 1.4 Confirmation of any government compensation for the lowering of the National Insurance threshold and the increase in employers' contributions to 15% has not yet been published. The additional cost burden on the Council for directly employed staff in 2025/26 is £91,000 (£87k for retained staff and £4k for member allowances) combined with an increase for Publica staff charged to the Council of £164,000 and a £108,000 increase for Ubico. It is expected that if compensation is to be paid, it will relate only to directly employed staff.

## 2. MAIN POINTS

- 2.1 In year reporting 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.
- 2.2 This draft of the 2025/26 budget, is a surplus of £91,280 with the picture from 2026/27 onwards becoming less optimistic, with an increasing reliance on the use of reserves to fund front line services and the difficulty in identifying new, sustainable income streams.
- 2.3 While the reserves position for the Council is currently healthy, there remains a financial gap from the estimated impact of changes to Local Government Financing (i.e. the long-delayed reset 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 the MTFs.
- 2.4 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 40% or circa £2m, has been pushed back until April 2026.
- 2.5 Judging from the 2025/26 Local Government Settlement, Shire Districts will be hit the hardest by the upcoming reforms, in favour of redistributing resources to the more population dense Metropolitan Districts and Unitary Authorities with Social Care responsibilities.
- 2.6 Publica Phase 2 costs are included in the budget as £300,000 for one off costs funded through earmarked reserves and enduring costs of £200,000 which are included in the base budget.
- 2.7 The announcement of the Devolution White Paper in December, and the possible impact on District Councils, has increased uncertainty in terms of financial planning over the period of the MTFs. At this early stage we cannot predict the outcome of this proposal and therefore Council budgets, strategies and the MTFs have been produced on an 'as is' basis.
- 2.8 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 announced that a further one-year settlement would be provided for 2025/26, and the provisional settlement was announced on 18<sup>th</sup> December 2024. A multi-year finance settlement was promised 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. A multi-year settlement is now uncertain following the publication of the Devolution White Paper.
- 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 and this was followed by another 0.25% reduction in November 2024. However, there was no reduction in December 2024 with interest rates remaining at 4.75%. 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, this was followed by an increase in October, up to 2.3%, and another in November, to 2.6%. There was a surprise drop in December, to 2.5%, with the largest downward contribution coming from restaurants and hotels which fell to 3.4% from 4% in November. Despite this fall, inflation is expected to increase throughout the year reaching 3% or more.
- 3.8** There are also 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 LOCAL GOVERNMENT FUNDING SETTLEMENT

4.1 The provisional Local Government Funding Settlement was announced on 18<sup>th</sup> December 2024. The settlement was in line with the assumptions made for the first draft of the 2025/26 budget, taken to the Executive on 11<sup>th</sup> December 2024, as the settlement was consistent with the Autumn Budget (30<sup>th</sup> October 2024) and Policy Statement (28<sup>th</sup> November 2024).

4.2 There is a significant reduction in the New Homes Bonus, compared to assumptions made for the first draft of this budget, which is temporarily offset by an increase in the funding floor. The Funding Floor (known as Funding Guarantee in 2024/25) keeps Core Spending Power (Government Grants, Council Tax and Retained Business Rates) at the same level as 2024/25 after taking into account the maximum increase in council tax in 2025/26 of 2.99% or £5 for Shire Districts. See table below for the funding assumed in the MTFS taken to the Executive in December and the final funding amounts.

MTFS line item	Dec Exec MTFS	Settlement	Difference
Council Tax	£5,950,467	£6,306,283	£355,816
Revenue Support Grant	£233,930	£257,281	£23,351
New Homes Bonus	£1,058,060	£506,346	-£551,714
Funding Guarantee/Floor	£1,551,189	£1,964,639	£413,450
Rural & Services Grant	£186,066	£0	-£186,066
Total	£8,979,712	£9,034,549	£54,837

4.3 This is a single year settlement with a multi-year settlement promised for 2026/27 following the consultation on Local Government Funding Reform which closes on 12<sup>th</sup> February 2025. Key uncertainties around future funding still exist with the prospect of significant cuts in funding from the local share of business rates. The Devolution White Paper issued in December 2024 has added to this uncertainty.

4.4 There were no changes to the Band D Council Tax Referendum thresholds of £5 or 2.99%, whichever is the higher.

4.5 The draft local government settlement has been published and the final retained Business Rates income has been calculated ready for submission to the Ministry for Housing, Communities and Local Government, (MHCLG) on 31<sup>st</sup> January 2025.

#### 5. 2025/26 BUDGET ASSUMPTIONS

5.1 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.

5.2 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 as presented to the Executive on 11<sup>th</sup> December 2024.

**Table One**

2024/25 budget surplus		(5,107)
<b>Budget Movements</b>	<b>£</b>	<b>£</b>
<b><u>Changes in expenditure</u></b>		
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 Development Governance Post	50,832	
		600,915
<b><u>Changes in income</u></b>		
Glass recycling contract	(120,000)	
Recycling contract	(300,000)	
Development Management Income	150,300	
Housing Benefit Subsidy loss for Temp Accom	55,138	
Green Waste licences correction to base budget	40,995	
Council Tax Court Fees	(70,000)	
		(243,567)
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)
<b>2025/26 DRAFT BUDGET</b>		<b>(400,314)</b>

### 5.3 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 12 below. The rational and costings for Phase 2 are also detailed in Section 12 below.
- Growth in the Publica contract represents a 3% pay award for 2025/26 and the movement in fixed term contract posts.
- 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 1<sup>st</sup> 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 £363,000 into the Council's cost base, £91,000 for staff directly employed by the Council (retained staff and members), £164,000 within the Publica contract and £108,000 in the Ubico contract. The Local Government Funding Settlement in December did not include compensation for the increased National Insurance burden, but a final settlement announcement is expected imminently. It is recommended that any funding received be moved to the Budget Deficit Reserve to help fund the significant loss of funding in 2026/27.
- The enduring increase in base budget relating to the TUPE of staff back to the Council on 1<sup>st</sup> November 2024 is £213,154.
- Hexagon will assume the lease of Elmfield once the building work has been completed at the end of 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. From an initial budget "ask" of £468,784 for 2025/26 the final budget figure for Ubico is a modest saving of £17,545.
- 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 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 was advertised in December 2024 and commenced in January 2025.
- 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 1<sup>st</sup> 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 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 movement for 2025/26 of £55,138, 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. A Delegation on Purchases of Emergency Accommodation paper is being presented to the 12<sup>th</sup> February 2025 Executive to enable the aforementioned teams to progress any viable options in a timely manner.
- The current year budget for green waste licences should have been based on 33,000 licences across the district. There was an error in the base budget which has been corrected for 2025/26. An increase of £2.50 has been agreed for a Green Waste licence in 2025/26 and has been included in the budget as an additional £82,500.
- 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 1<sup>st</sup> 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 growth for 2025/26 is 1.88% or 901.80 Band D equivalents. This includes 319 Band D equivalents for the charging of the second home premium. 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.
- The MTFS has been updated with the funding position, excluding any compensation for the additional burden of employer's National Insurance, as an increase of £54,837, due to the increase in Council Tax income. The Settlement provided a 0% increase in Core Spending Power.
- 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.

#### 5.4 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 3.8% 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 – as detailed above.

## 6. MOVEMENTS IN VERSION OF BUDGET TAKEN TO EXECUTIVE IN DECEMBER

6.1 The table below shows the key movement in the budget presented to the Executive in December taking it from a surplus of £400,314 (before growth) to an estimated contribution to General Fund of £553,881 before growth.

**Table Two**

Budget surplus presented to the Executive in December 2024	(400,314)	
<b>Budget Movements since presentation to Executive</b>	<b>£</b>	<b>£</b>
<b><u>Revenue Changes</u></b>		
Fees & Charges	(137,500)	
Retained Staff	4,265	
Business Rates for Council owned property	15,554	
Electricity increase	24,500	
Software for Comms Team	8,000	
Home Improvement Agency funding	(8,786)	
Car Park Maintenance	35,000	
Staff Development	150,000	
		91,033
<b><u>Funding Changes</u></b>		
Council Tax due to taxbase increase of 1.88%	(74,717)	
Minimum Revenue Provision	(45,449)	
External Interest	5,775	
Contribution to Earmarked Reserves	1,737,732	
Local Government Settlement	300,979	
Extended Producer Waste payment	(2,338,000)	
		(244,600)
<b>2025/26 REVISED DRAFT BUDGET</b>		<b>(553,881)</b>

- Changes to Fees and Charges include increases in Green Waste Licences of £2.50 per licence (an additional £82,500), an additional £50,000 Trade and Bulky Waste income and £5,000 in Land Charges. These fee increases represent an inflationary increase to offset additional costs in these service areas. The schedule of Fees & Charges for 2025/26 is included in Annex I and J.

- The Council has liability for Business Rates on our owned properties, the budget has been increased in line with actual charges.
- Additional budget has been included for electricity costs in line with the changes to the price cap that came into effect on 1<sup>st</sup> January 2025 and the expected increase in April 2025.
- A condition survey of the district's car parks has identified £167,652 of necessary repairs over the next four years, £35,000 of which will need to be undertaken in 2025/26.
- The TUPE of staff back to the Council, in Phase 1 of the transition, has resulted in the creation of new organisational structures. These have led to additional training needs being identified to ensure that staff are fully supported in their new roles. These include Leadership and Management courses for staff promoted to management positions.
- Minimum Revenue Provision (MRP) is a statutory requirement that the Council recognises the use of their fixed assets over time by charging 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.
- Revenue contribution to capital is the funding of capital expenditure through revenue i.e. ICT hardware, Property Maintenance, Printers and replacing the surface of Witney Artificial Turf Pitch. The contribution has been consistent at £540,000 for many years until the reconfiguration of funding for Community Grants removed budget from this area. This increase restores the budget to £540,000.
- The one off allocation of £2.3m of Extended Producer Responsibility funding, which was not included as part of Core Spending Power in the settlement, is a windfall that creates a significant surplus in the 2025/26 revenue budget.
- This payment is due to the fact that from 2025, some organisations and businesses will have to pay a fee for the packaging they supply to or import into the UK market. The money will then go to local authorities to cover the costs of collecting, managing, recycling and disposing of household packaging waste.
- The payment in 2025/26, resulting from the collection of producer fees, has been announced now to give authorities some certainty so that they can drive the changes needed to deliver an efficient service moving forwards.
- It is recommended that £1.7m of this funding is moved into Earmarked Reserves. This will fund the anticipated reduction in recycling credits as a result of the tax being levied on Oxfordshire County Council for the burning of waste and the Waste Project, the business case for which is being taken to Executive in February. In addition, this reserve will be used to fund Phase 2 of the Publica transition and any additional resource that may be required as a result of the work needing to be done following the Devolution White Paper.
- The Extended Producer Responsibility grant is seen as a one off, with any future allocations being tied to service improvements. At the time of writing, no details

have been published about the future of the scheme or the criteria to keep the grant funding, but it is thought that as long as the Council retains the high level of recycling it currently achieves, the risk of the grant being clawed back is low.

## 7. MOVEMENTS IN VERSION OF BUDGET TAKEN TO EXECUTIVE IN JANUARY

7.1 The table below shows the key movement in the budget presented to the Executive in January taking it from a surplus of £553,881 (before growth) to an estimated contribution to General Fund of £556,824 before growth and £91,280 after growth (see table 4).

**TABLE THREE**

Budgeted surplus presented to Executive in January 2025		(553,881)	
<b>Budget Movements since presentation to Executive</b>	<b>£</b>		<b>£</b>
<b><u>Revenue Changes</u></b>			
Ubico contract		(51,862)	
Business Manager Review		12,945	
Investment Property Business Rates/Service Charges funded through reserves		171,576	
Secondary Pension Contribution		50,000	
Retained Staff inflation		41,101	
Publica Phase Two One Off Costs		300,000	
Publica Phase Two Growth		200,000	
Members Allowances		25,000	
Potential Recycling Credit loss		75,000	
Legal Shared Service		21,378	
			845,138
<b><u>Funding Changes</u></b>			
Council Tax surplus		22,527	
Publica Phase Two one off costs funded through earmarked reserves		(300,000)	
Retained Business Rates		(1,055,228)	
Retained Business Rates to Earmarked Reserves		484,620	
			(848,081)
<b>2025/26 REVISED DRAFT BUDGET</b>			<b>(556,824)</b>

**TABLE FOUR**

<b>Growth Requests</b>	<b>£</b>
Tree Officer 0.5FTE	20,750
RICS Building Surveyor	65,550
Planning Enforcement Officer	38,000
Property Lawyer - now included in Shared Service costs in base budget	0
Leisure Projects Officer - FTC to permanent	24,332
Waste Transformation Lead	56,063
Waste Administrator	33,949
Two New Homelessness Relief Officers	71,000
Two Housing Officer Posts - FTC to permanent	70,000
	<b>379,644</b>
<b>One Year</b>	
Leisure Management Options	
Appraisal/Soft Market	
Testing/Procurement support	35,900
	<b>35,900</b>
<b>Two Years</b>	
External Legal costs for new leisure contract	50,000
<b>2025/26 DRAFT BUDGET inc Growth</b>	<b>(91,280)</b>

- The final Ubico contract sum recognises a saving of £51,862 in addition to the saving reported in the previous version of the budget, giving a total saving from the 2024/25 contract of £69,407. This represents a reduction of £538,191 from the “ask” at the beginning of the budget setting process and highlights the hard work put in by both the Waste Team and Ubico to drive efficiencies into the contract.
- The Business Manager review includes contract inflation for the Revenues & Benefits system of £9,945 and a £3,000 increase for the Out of Hours Service.
- In 2023/24, Executive agreed to the setting up of an Investment Property Reserve to smooth out the natural cycle of voids and rent-free periods. This was in order to augment the revenue outturn position and reduce reliance on general fund reserves in years where there is significant negative impact on the revenue budget.
- The expenditure of £171,576 represents additional Business Rates liabilities, Service Charges and void periods to be funded by the Council based on a prudent approach to the expected cashflow for the year. There are currently two new lease negotiations at an advanced stage which should be brought to the Executive before the end of the financial year, which will improve this position.

- The Secondary Pension contribution is the cash amount the Council pays to the Local Government Pension Scheme (LGPS) monthly to fund historic liabilities in addition to the present service cost paid monthly through Payroll. The amount of this contribution changes year on year based on the number of active pensioners in the scheme.
- Retained Staff inflation includes the final employee costs for 2025/26 and the net of the recharges between West Oxfordshire and Cotswold District Council for shared posts. Posts hosted by Cotswold and recharged to West Oxfordshire are the Tourism Team and Shared Strategic Planning Project Manager (£131,106) and the West Oxfordshire hosted posts recharged to Cotswold are the shared Democratic Services Manager, Building Control Lead, Energy & Resource Officer and the Infrastructure Delivery Manager (£135,206).
- Publica Phase 2 costs cover the services moving back to the Council i.e Waste Management, Project Management, Property Service and Leisure Contract Management. One off costs will be funded through earmarked reserves and will have no net impact on the revenue budget. Enduring costs of £200,000 per year have been included as growth in the base budget. See Section 12 below.
- Members Allowances are set to be overspent in 2024/25, additional budget has therefore been provided to close this shortfall. This figure also includes the additional cost of National Insurance from the reduction in the NI threshold.
- There is a risk that recycling credits from Oxfordshire County Council will be impacted by the changes brought in to tax the burning of domestic waste at the Ardley Energy Recovery facility. No confirmation has been received, but it is prudent to assume that there will be some impact for West Oxfordshire of this change.
- In the first version of the budget a growth request was included for an additional Property Lawyer as 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. This item has now been included in the Shared Legal Service costs in the base budget as seen in Table Three.
- The calculation of estimated Council Tax surplus for the current year was submitted to the Major Preceptors on 15<sup>th</sup> January. This surplus will be distributed during 2025/26 with the amount changing each year. West Oxfordshire's share of this surplus is estimated to reduce by £22,527 to £133,916.
- As detailed above, the one-off costs for Publica Phase 2 will be funded through earmarked reserves.
- The calculation of Retained Business Rates for 2025/26 will be submitted to the Ministry of Housing, Communities and Local Government (MHCLG) on 31<sup>st</sup> January.

The estimate is for growth in Business Rates income of £1,055,228 of which, £787,912 will be moved to the Business Rates Deficit reserve to help close the funding gap from 2026/27 onwards detailed in the MTFS.

## 7.2 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 4<sup>th</sup> September 2024.
- 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.
- Housing Posts – a business case was taken to Executive in January to request that two existing Fixed Term Contract posts be made permanent and two additional posts are approved. This resource is to directly support the average 55-60 households in B&B or hotel accommodation every week, in addition to the 22 hostel places the Council owns which are always full. During 2023/24, 250 households were prevented from becoming homeless because of the intervention of the Housing Team.
- 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.

### 7.3 Budget Risks

- 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.
- 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.



- 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 fill the funding gap identified from 2026/27 onwards, General Fund reserves will be exhausted by 2029.
- The announcement of the Devolution White Paper in December and the possible impact on District Councils is an identifiable risk to our MTFS. At this early stage we cannot predict the outcome of this proposal and therefore Council budgets, strategies and the MTFS will be produced on an as is basis.

## **8. MEDIUM TERM FINANCIAL STRATEGY ASSUMPTIONS**

- 8.1** 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 was the promise of a multiyear settlement from 2026/27 but even that is uncertain now with the announcement of the Devolution White Paper.
- 8.2** As reported in December, the lack of time to consult on funding reforms or the New Home Bonus scheme has resulted in a final year payment of New Homes Bonus for 2025/26. The consultation on the reform of Local Government Funding, including the reform of the Business Rates system, is open until 12<sup>th</sup> February 2025. It is expected that this Council is likely to suffer a 40% reduction in business rates income as a result of this reform.
- 8.3** 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.
- 8.4** 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.
- 8.5** 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.
- 8.6** 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.
- 8.7** The MTFS is based on the most reasonable forecasts of income and expenditure that can be inferred at this point in time.

## **9. FEES AND CHARGES**

### **9.1 Fees and charges are set on three separate bases.**

- Fees that are set centrally over which the Council has no control i.e. premises licences and penalty notices.
- Fees that are set on a cost recovery basis i.e. Building Control, taxi licences and Street Trading. The Council is required to make sure that fees are set at a level that does not generate a profit compared to the cost of providing the service.
- Fees that are discretionary where the Council has full control. These are the commercial services that operate where the Council is in competition with the private sector i.e. Pre Application (Planning) advice, pest control, trade waste, bulky waste and green waste.

### **9.2 For the setting of the 2025/26 budget a review has been undertaken to analyse fees and charges. As a result modest inflationary increases have been charged to Trade Waste, Land Charges and Pre Application Advice.**

### **9.3 Green Waste licences are to increase by £2.50, to £52.50, generating expected additional income of £82,500. The average in 2024/25, for charges levied by other local authorities providing a green waste service, was £59.30.**

## **10. CAPITAL PROGRAMME**

### **10.1 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.**

### **10.2 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 £4m 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.**

### **10.3 The need for additional Temporary Emergency Accommodation is now acute. Therefore £3m has been included in the Capital Programme to purchase and renovate suitable accommodation to reduce the reliance on hotel and bed & breakfast accommodation. A paper analysing the current and future requirements for temporary accommodation along with the request for delegated authority to purchase suitable property is being taken to Executive in February 2025.**

### **10.4 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.

- 10.5** The Public Works Loan Board (PWLB) interest rates are still high but should fall gradually over the next 12-18 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.
- 10.6** 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.
- 10.7** 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.
- 10.8** Further details about the way we fund the Capital Programme is included in the revised Treasury Management, Capital and Investment Strategy papers, included in the February 2025 budget papers.
- 10.9** The Capital Programme is in Annex D but 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.

## **11. STATUTORY OVERRIDE PROVISION**

- 11.1** The statutory override for pooled funds, which requires fair value gains and losses to be taken to an unusable reserve unless the fund is sold, is set to end in 2025/26. The ending of the override would require any gains and losses to be recognised in revenue accounts thus having an impact on our revenue budget. Unrealised losses would reduce available resource to fund core services, while unrealised gains would not represent genuine resource increases that could be used. The government has signalled that they are not minded to reverse this decision.
- 11.2** Our Pooled funds currently have a capital value below their purchase price because of rising interest rates and high inflation. This “loss” would have to be moved to the General Fund in 2025/26 if the statutory override is not extended.
- 11.3** Our Treasury advisors recommended that we set aside an earmarked reserve to smooth out the impact of any unrealised gains or losses that will have to be accounted for through the General Fund, which the Council did at the end of 2023/24.

**11.4** As reported in the Q2 budget monitoring report, one of our Pooled Funds closed in September 2024, the realised capital loss will therefore be funded from the Earmarked Reserve set up at the end of last financial year.

## **12. PUBLICA TRANSITION**

**12.1** 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 24<sup>th</sup> July 2024.

**12.2** 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.

**12.3** 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.

**12.4** The scope of the services in Phase 2 has been reviewed, in light of the Devolution White Paper and the Local Government Review (LGR), and only the following services are now in scope for West Oxfordshire. They are

- Waste Management
- Project Management
- Property Services
- Leisure Contract Management

**12.5** These services have been selected because they are needed to deliver specific Council priorities over the next few years.

**12.6** At the time of writing this report, there is still some discussion with regards to Environmental and Regulatory Services (ERS) for the Forest of Dean District Council. However, this will not have a material impact on the costs of Phase 2 for West Oxfordshire.

**12.7** The options for the services considered in Phase 2 ranged from delivering services on a sovereign basis, delivering on a shared basis, and retaining in Publica.

**12.8** Detailed structure plans have been developed and the associated costs have been modelled.

- 12.9** The savings from the re-structuring of senior roles in Publica were front loaded into Phase 1, so whilst it is possible further savings may result from changes to senior roles in Phase 2, they are not expected to be significant. This is due to the necessity for retaining sufficient senior resource to manage the services remaining in Publica i.e. Revenues, Benefits, Housing, ICT, ERS, Customer Services and transactional finance.
- 12.10** Based on this work, and the resulting cost modelling, £300,000 has been set aside from earmarked reserves to fund one off costs and £200,000 of enduring costs have been included in the base budget.
- 12.11** In terms of timescales for Phase 2, Detailed Transition Plans are targeted to go to Council meetings for a decision in March. The target transfer date is 1<sup>st</sup> July 2025

### **13. BUDGET CONSULTATION**

- 13.1** The Council's budget consultation, via the online engagement platform CitizenLab, ran from 18<sup>th</sup> November 2024 to 15<sup>th</sup> December 2024.
- 13.2** The Council used a wide range of communication channels to promote the consultation including media engagement, social media, website, stakeholders and newsletters.
- 13.3** A total of 370 responses (377 for 2024/25) were received in response to the consultation.
- 13.4** Respondents were requested to give their views with regards to how well certain services were delivered and how important they thought the provision was.
- 13.5** The list of services covered both statutory and non-statutory provision. The responses are summarised in Annex K.

### **14. BUDGET REVIEW TIMETABLE**

- 14.1** A surplus budget of £90,721 was presented to the Executive and Council in January 2025 for approval of the fees and charges, the Council Tax Base and submission of the National Non Domestic Rates 1 (NNDRI) Return ahead of the 31<sup>st</sup> January 2025 deadline.
- 14.2** The Overview and Scrutiny Committee will review the proposed final budget on 5<sup>th</sup> February 2025.
- 14.3** This proposed budget, a surplus of £91,280, will be presented to the Executive on 12<sup>th</sup> February 2025.
- 14.4** The final budget will be presented to and debated at Council on 26<sup>th</sup> February 2025.

### **15. CONCLUSIONS**

- 15.1** This latest version of the budget is a **surplus of £91,280** after growth.
- 15.2** There are significant pressures on the Council's current 2024/25 budget which may mean that the general fund balances will be called upon in the current financial year to bridge the gap.
- 15.3** 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.

**15.4** 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.

## **16. FINANCIAL IMPLICATIONS**

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

## **17. LEGAL IMPLICATIONS**

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

## **18. RISK ASSESSMENT**

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

## **19. EQUALITIES IMPACT**

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

## **20. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS**

**20.1** None.

## **21. BACKGROUND PAPERS**

Budget papers – December 2024 and January 2025

(END)