

# Report to: Scrutiny Committee Cabinet Council



Report of Head of Finance

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To: SCRUTINY COMMITTEE

26 January 2023

To: CABINET

2 February 2023

To: COUNCIL

16 February 2023

## Revenue Budget 2023/24 and Capital Programme to 2027/28

### RECOMMENDATIONS

1. That Cabinet recommends to Council that it:
  - a. sets the revenue budget for 2023/24 as set out in appendix A.1 to this report,
  - b. delegates authority to the head of finance in consultation with the cabinet member for finance to make a one-off contribution to the Oxfordshire County Council pension fund of up to £5 million, subject to confirmation of the results of the triennial pension fund valuation,
  - c. approves the capital programme for 2023/24 to 2027/28 as set out in appendix D.1 to this report, together with the capital programme changes as set out in appendix D.2 and Appendix D.3 to this report,
  - d. sets the council's prudential limits as listed in appendix E to this report,
  - e. approves the medium-term financial plan to 2027/28 as set out in appendix F to this report,
  - f. allocates £500,000 to fund the Communities Capital and Revenue grant scheme,
  - g. asks officers to review the Medium-Term Financial Strategy (MTFS) at the end of the current spending review period.
2. That Cabinet agrees that the cabinet member for finance, in conjunction with the head of finance, may make minor adjustments to this report and the prudential indicators should they prove necessary prior to its submission to Council on 16 February 2023.

## Purpose of report

1. This report:
  - brings together all relevant information to allow Cabinet to recommend to Council a revenue budget for 2023/24 and a capital programme for 2023/24 to 2027/28;
  - recommends the prudential indicators to be set by the council in accordance with 'the Prudential Code' introduced as part of the Local Government Act 2003;
  - contains the opinion of the council's chief financial officer on the robustness of estimates and adequacy of the council's financial reserves;
  - contains the Medium-Term Financial Plan (MTFP) which provides details of the forward budget model for the next five years.

## Strategic objectives

2. The allocation of financial resources within the revenue and capital budgets needs to match the objectives agreed by the council.

## Revenue budget setting 2023/24

### Background

3. The revenue budget for 2022/23 agreed by Council in February 2022 was balanced by a draw on revenue reserves of £2.1 million. Whilst a draw on reserves was anticipated to be required across all years of the Medium-Term Financial Plan (MTFP) agreed in February 2022, following the budget challenge activity undertaken during 2021/22 this was much lower than previously predicted.
4. As noted in the budget setting report, this use of reserves was considered manageable in the period covered by the MTFP and beyond (in light of the reserves and balances available to the council and the council's ability to vary budgets and redirect funding) but still needed to be addressed through the council's long term transformation programme, which will need to continue to evolve as the position of national funding settlements becomes clear in future years.
5. The background and approach to budget setting for 2023/24, reflecting the economic and political turmoil experienced during 2022, were covered in the "Budget setting 2023/24 update report" considered by Cabinet on 19 December 2022.

### Revenue base budget setting 2023/24

6. The starting point for building the council's budget for 2023/24 is to determine the base budget. This represents the costs to the council of continuing to provide existing services on an ongoing basis.
7. Base budgets for 2023/24 have been constructed by heads of service and budget holders, supported by finance business partners from the Strategic Finance

Team. As with the 2022/23 base budgets, they have been tested through a two-stage “base budget challenge” exercise:

- Stage 1 is rigorous officer-based challenge undertaken by the Interim Head of Policy and Programmes and the Head of Finance supported by accountants from the Strategic Finance Team,
  - Stage 2 is a member-led challenge exercise, led by the relevant portfolio holder for the service under review and the cabinet member for finance.
8. The challenge process, which was completed before Christmas focussed on the following key areas:
- Identification and removal of any remaining surplus budgets,
  - Right-sizing budgets to reflect the current economic climate and pressures,
  - Ensuring that all discretionary fees and charges increase by a minimum of five per cent and that the Council delivers on its commitment to ensure that when setting discretionary charges, all relevant costs are included and recovered transparently,
  - Ongoing centralisation of budgets as the impact of our insourcing and increased corporate capacity, which has been a member priority, is utilised to ensure accurate budgeting, proper control of expenditure and the avoidance of potential over-budgeting through double provision.

## Revenue budget 2023/24

### Budget composition 2023/24

9. **Appendix A.1** summarises the movements in the base budget from £16,778,579 in 2022/23 to £18,118,029 in 2023/24. These movements are detailed below.
10. **Opening budget adjustment reduction (£1,326,938) (appendix A.2).** This includes the removal of one-off growth items relating to previous years’ budgets.
11. Additions to the base budget:
- **inflation, salary increments and other salary adjustments £993,811 (appendix A.3).** For all employees an increase in salary of 5.5 per cent is budgeted for 2023/24, reflecting the core settlement agreed with Ridgeway Unison. Increments payable to council employees not at the top of their salary range total £180,781. Other salary adjustments represent a reduction in cost of £263,475.

At this stage, the council has not received formal confirmation of the results of the triennial valuation of the council’s pension fund liability, as calculated by Oxfordshire County Council’s pension fund actuaries. The 2023/24 budget is based on the assumption that the valuation does not have a material impact on the pension costs incurred by the council as employer. In the event that the valuation does require a cost increase, it is proposed that consideration be given to making a one-off contribution to the pension scheme up front from either capital receipts or from prior year underspends. Any such contribution would need to be made during the current (2022/23) financial year.

- **essential growth – one-off £110,061 and ongoing £2,605,066 (appendix A.4)**, these items comprise additional expenditure items, and reductions in income, which have been identified by officers as unavoidable and reflect changes that have occurred in the current year or which are known will happen in 2023/24. Given the value of these additional essential growth items they have been tested and challenged during the base budget challenge by both officers and cabinet members.

12. Deductions from the base budget:

- **base budget reductions £984,129, (appendix A.5)** These base budget savings are reductions in costs identified by officers which may be the result of more efficient working or previously agreed policy decisions, cost reductions outside of the council's control, increases in income, or correction to budgets.
- **In year savings target £300,000.** In undertaking the base budget challenge exercise, officers consider that there is further potential to realise further savings from the base budgets from the long-term transformational programme as identified changes are implemented. As an illustration, further changes across the following areas will be made in 2023/24:
  - Development management,
  - Customer services,
  - Grounds maintenance

13. The contingency budget was raised to £400,000 as part of 2022/23 budget setting. Officers have concluded that this level should be unchanged for 2023/24 as it is reflective of wider economic uncertainty.

14. As a result of these changes the council's revised base budget for 2023/24 is **£18,118,029** some **£1,339,450** more than that set in 2022/23.

### Revenue growth

15. Revenue growth of **£500,000** to support corporate plan priorities has been included in the budget for 2023/24 and also for 2024/25. This is detailed in **appendix B.1** and represents activity in support of increased staff resource focussed on the following corporate plan priorities and the continuation of the active community grants scheme developed in 2022/23:

- Climate action,
- Nature recovery, and
- Community well-being.

16. The previous year's budget also included £500,000 one-off funding. **Appendix B.2** is a report on the outcomes associated with that spending.

### Revenue savings

17. Revenue savings total **£70,000** and are shown in **Appendix B.2**.

### **Borrowing costs**

18. The latest capital programme has no requirement for payment of costs of borrowing in 2023/24.

### **Gross treasury income**

19. Treasury income earned in 2023/24 is currently forecast to be **£5,205,754** and will be allocated as follows:
- £1,845,754 to support in year revenue expenditure;
  - £3,000,000 to support future revenue budgets; and
  - £360,000 reinvested in financial instruments.
20. This is a slight change from the normal practice of the council to use all monies earned in year to support future year's budgets. In the current economic climate, where interest rates have risen sharply in recent months but are expected to fall in future years, capping the transfers to future years at £3 million will have the effect of smoothing the use of treasury income over the earlier years of the MTFP period.
21. More details of treasury income can be found in the council's Treasury Management Strategy report<sup>1</sup>.
22. Including revenue growth and savings, borrowing costs and treasury income results in a net expenditure budget for the council of **£13,342,275**.

### **Reserves and other funding**

#### **Transfers to/from reserves**

23. The proposed transfers to earmarked reserves total **£2,045,754** and reflect:
- The transfer from reserves of projected treasury income earned in 2022/23 and earmarked to support the revenue account in 2023/24 - **£1,375,846**,
  - The transfer to reserves of treasury income earned in 2023/24 - **£3,360,000**,
  - The transfer to reserves of the affordable homes element of the New Homes Bonus (NHB) payment - **£61,600**.
24. Based on the above use of reserves and other funding, the amount of revenue expenditure to be financed from government settlement, council tax and unearmarked reserves in 2022/23 is **£15,388,029 (appendix A.1)**.

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<sup>1</sup> Considered by Cabinet 2 February 2023, Council 16 February 2023

## Funding

### Local government settlement

25. The provisional local government settlement for 2023/24 was announced in December 2022. Whilst the settlement gave “details of funding in 2024/25”, in reality it did not provide certainty as to the numbers for 2024/25.
26. Table 1 below details the government’s funding for the council in 2023/24.

**Table 1: provisional local government finance settlement 2023/24**

	<b>Provisional Settlement £</b>
Settlement Funding Assessment	(2,817,863)
Indexation	(460,324)
NDR at safety net	202,678
<b>Settlement Funding Assessment</b>	<b>(3,075,509)</b>
<b>Other funding</b>	
New Homes Bonus	(1,280,336)
Rural Services Delivery Grant	(44,314)
Services grant	(101,187)
Funding guarantee	(883,142)
<b>Grand total</b>	<b>(5,384,488)</b>

27. The provisional settlement for 2023/24 represents an increase in “core revenue spending power” of 5.3 per cent compared to 2022/23. Whilst the provisional settlement, at a national level, includes an average increase in core revenue spending power of nine per cent, for district councils the average is five per cent. Council tax income is included in the definition of core revenue spending power and, in calculating the increase, government assumes that council tax will increase by the maximum allowed before a referendum is required.
28. Included within the government’s definition of core revenue spending power is NHB, which has become critical to the sustainability of the council’s MTFP. As identified above funding has been provisionally announced along with the settlement this year at **£1,280,336** for 2023/24. This represents one year’s worth of NHB only, which is much reduced from the original scheme.
29. Government has also provided Services grant funding of **£101,187**. It has also provided a one-off funding guarantee as part of this year’s settlement of **£883,142**.
30. At the time of writing this report the final settlement figures had not been received from the government. It is not anticipated that when this information is available it will be materially different to the provisional figures.
31. For budget setting purposes it has been assumed that the council’s “core revenue spending power” will be maintained for 2024/25, but then the one-off, funding guarantee element in this year’s settlement is assumed to fall out for

2025/26 onwards, to reflect the announcement made by the Secretary of State. It is conceivable that this may be too optimistic an approach, or indeed too pessimistic, but given the ongoing uncertainty over local government funding officers consider this to be a prudent approach at this time.

32. The actual funding generated in future years will depend on the outcome of the national review of the retained business rates scheme which will include changes to:

- The percentage of business rates growth that is retained by the different tiers of local government,
- the baseline in accordance with the fair funding review,

As identified in the update report presented to Cabinet before Christmas, it was confirmed by government that this review will not be implemented for the next two years. In respect of NHB, government has announced its intention to set out the future position ahead of the local government finance settlement for 2024/25.

33. Business rates retained by the council as planning authority relating to facilities generating renewable energy within the district is estimated at **£76,894**.

#### **Collection fund**

34. The surplus on the collection fund is estimated in 2023/24 to be **£617,971**.

#### **Use of reserves**

35. The difference between expenditure requirement and the funding available is smoothed over the medium-term financial plan by transfers to and from the general fund balance. The net impact of these budget proposals is a transfer from reserves of **£643,673** in 2023/24. This compares to a budgeted draw on reserves in 2022/23 of £2.108 million, and to the estimated draw of £1.752 million for 2023/24 when the 2022/23 budget was set.

#### **Cabinet member for finance's revenue budget proposal**

36. Based on the amendments detailed above, and as shown in **appendix A.1** of this report, the cabinet member's budget proposal, including growth, is for a net revenue budget of **£13,342,275**. This revenue budget as proposed would result in an increase of £5.00 to current band "D" council tax to **£141.24**.

37. **Appendix C** shows the breakdown of the revenue budget.

#### **Capital programme 2023/24 to 2027/28**

##### **Current capital programme**

38. The latest capital programme (before growth) is attached at **appendix D.1** and is summarised in table 2 below. It is the capital programme as set by Council in February 2022 plus: -

- slippage (caused by delays to projects) carried forward from 2021/22,

- new schemes approved by Council during 2022/23,
  - re-profiling of expenditure on schemes from the 2022/23 financial year to future years where delays to schemes have occurred or additional information is now available to support more accurate profiling,
  - cabinet approved movement of schemes from the provisional to the approved capital programme,
  - the deletion of previously agreed schemes that have completed or are no longer being pursued at this time in their original form.
39. The capital programme also includes CIL receipts that are payable to Oxfordshire County Council and Oxfordshire Clinical Commissioning Group.

### **Cabinet capital programme proposals**

40. **Appendix D.2** contains a list of capital schemes that are being recommended for inclusion and amendment in the capital programme. **Appendix D.3** contains a further list of proposals that will be funded from CIL. Officers will amend the provisional capital programme to include the proposals if approved by Cabinet and Council. All of the CIL funded schemes included in appendix D.3 can be funded from receipts already received by the council.
41. On Appendix D.2, item 5, the proposed Didcot North-East leisure centre, is shown as being fully funded by Section 106 receipts. It should be noted that one source of Section 106 receipts funding this project is the Valley Park development. Up to £3.186 million of those receipts are not scheduled to be paid until after 2030 and will be paid to Vale of White Horse District Council as that is where the Valley Park development is located. Vale of White Horse District Council is expected to confirm as part of its budget setting process that it will pay that element of receipts from Valley Park over to this council.
42. If the council commits to this scheme at this time it is accepting that it will forward fund this scheme, and there is a risk, albeit a risk considered low by officers, that those receipts will not materialise, or will materialise later than expected.
43. On Appendix D.3, item 4 the proposed Didcot Wave learner pool is also partly funded from Section 106 receipts. On this scheme, up to £666,000 of the receipts are not expected to be received until 2030. As with the Didcot North-East leisure centre above, these receipts are from the Valley Park development and will be paid to Vale of White Horse District Council, which is expected to confirm as part of its budget setting process that it will pay that element of receipts from Valley Park over to this council. The council will therefore also forward fund this scheme if its commits to it, albeit to a lesser amount and for a shorter time period than with the Didcot North-East leisure centre scheme.

### **Financing the capital programme**

44. Where permitted, capital expenditure is funded in the first instance from specific government grants, earmarked reserves and other external contributions. The balance of the programme is funded from the council's capital receipts reserve or through prudential borrowing.

45. **Table 2** contains a schedule showing the current and proposed capital programme and how it will be financed, including the growth proposals, if they are approved. The total planned capital expenditure, including the current financial year is **£101.015 million** over five years.
46. The council's usable capital receipts, based on current estimates, are expected to be **£2.494 million** by the end of 2027/28.

**Table 2: current and proposed capital programme with financing**

	2022/23 latest estimate £000	2023/24 estimate £000	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000	GRAND TOTAL £000
<b>Capital programme before growth</b>							
- approved	18,306	13,339	13,790	13,580	1,782	1,782	62,578
- provisional	14,900	3,251	652	626	626	626	20,681
	<b>33,206</b>	<b>16,590</b>	<b>14,442</b>	<b>14,206</b>	<b>2,408</b>	<b>2,408</b>	<b>83,259</b>
Capital growth proposals (Appendix D.2)	0	8,114	1,760	1,510	1,520	20	12,924
Capital growth proposals CIL funded (Appendix D.3)	0	2,280	2,600	107	26	26	5,039
<b>Total expenditure</b>	<b>33,206</b>	<b>26,983</b>	<b>18,802</b>	<b>15,823</b>	<b>3,954</b>	<b>2,454</b>	<b>101,222</b>
<b>Financing</b>							
Grant funding	11,297	2,786	1,518	1,518	1,518	1,518	20,155
Developers' contributions/CIL	12,445	12,738	2,600	107	26	26	27,942
Borrowing	0	8,000	14,500	5,000	0	0	27,500
Usable capital receipts/revenue reserves	9,464	3,460	184	9,198	2,410	910	25,625
<b>Total financing</b>	<b>33,206</b>	<b>26,983</b>	<b>18,802</b>	<b>15,823</b>	<b>3,954</b>	<b>2,454</b>	<b>101,222</b>
<b>Estimated balances as at 31 March 2028 (excluding amounts ring-fenced as part of the the MTFS)</b>							
Usable capital receipts							<b>2,394</b>
General fund balance							<b>7,001</b>
New homes bonus:							
Unringfenced							<b>0</b>
Affordable homes							<b>1,884</b>

### Future pressures on the capital programme

47. **Table 2** also shows the use of council resources to fund the capital programme. As can be seen, borrowing of £27.5 million has been factored into the funding of the programme across the MTFP, although no borrowing is expected to be required during 2023/24. Given the likely need for borrowing, the Section 151 officer intends to conduct a full review of the current capital programme, including funding options, ahead of budget setting for 2024/25.
48. In terms of future capital spending, Cabinet has indicated that it would like to prioritise spending to support the following corporate plan priorities:
- Climate action,
  - Nature recovery,
  - Homes and infrastructure.

### The prudential code and prudential indicators

49. In setting its revenue and capital budgets for 2023/24, the council must agree prudential indicators in accordance with the prudential code (see below). When recommending its budgets to Council, Cabinet must also recommend the prudential indicators.

50. From 1 April 2004, government control of local authorities' borrowing was abolished and replaced by a prudential system of self-regulation. Authorities are able to borrow based on need and affordability, which they demonstrate through compliance with the prudential code developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) which has statutory force by government regulation.
51. The key objectives of the prudential code are to ensure that the capital investment plans of the authority are affordable, prudent and sustainable. To demonstrate that authorities have had regard to these objectives, the prudential code sets out a number of indicators that must be considered covering five distinct areas – capital expenditure, affordability, prudence, external debt and treasury management. Council must approve the indicators through the budget process before 1 April each year, but they can be revised during the year if required.
52. The key indicators that will drive the capital budget decision making process will be those concerning long term affordability, as these measure the impact of capital investment decisions on the overall revenue budget and in particular the precept against the collection fund.
53. In setting or revising the prudential indicators the council is required to have regard to:
- affordability e.g. implications for the precept
  - prudence and sustainability e.g. implications for external borrowing
  - value for money e.g. option appraisal
  - stewardship of assets e.g. asset management planning
  - service objectives e.g. strategic planning for the council
  - Practicality e.g. achievability of the forward plan.
54. Under the code, the head of finance as chief finance officer is responsible for ensuring that the council considers all relevant matters when setting or revising indicators through a report. The head of finance is also required to establish procedures to monitor performance against all forward-looking indicators; and report upon any significant deviations from forward forecasts with proposed actions.
55. **Appendix E** contains the recommended prudential indicators, which have been calculated based on the budget proposals. The head of finance is satisfied that these indicators show that the council's capital investment plans are affordable, prudent and sustainable.

### **The Medium-Term Financial Plan (MTFP)**

56. The MTFP provides a forward budget model for the next five years. **Appendix F** contains the MTFP for 2023/24 to 2027/28. This is a projection of the revenue budget up to 31 March 2028. As identified above it assumes that core revenue spending power will remain unchanged for 2024/25 but will then be lower for the rest of the MTFP period. It also incorporates assumptions on interest income and other pressures on the council, such as inflation and salary increments. Clearly in the current economic climate, these assumptions are subject to greater volatility

than experienced in recent years. This therefore renders the estimates in the later years of the MTFP far more speculative than has been the case historically, particularly given the uncertainty around future government funding.

57. At the foot of the MTFP is an illustration on the use of reserves if, instead of core revenue spending power falling from 2025/26 it is in fact maintained at current levels. This illustration still represents a year-on-year reduction in government funding, but the reduction is less severe, with a consequent improvement in the council's predicted financial position.
58. Last year's budget included within the MTFP an estimate of costs associated with the exit and service transformation required when the Five Councils Partnership contract ends in September 2025. It was proposed that the council would, as allowed under the rules for the flexible use of capital receipts, fund these costs, anticipated at this time to be around £1.5 million, from those receipts. During the year ahead officers expect to be clearer on the timing and nature of such costs.
59. The MTFP also, through the "Future essential growth" row, makes provision in future years for increased costs associated with the delivery of council services. At this stage these costs reflect officers' best estimates of such future pressures. It is anticipated that there will be greater clarity on these costs ahead of budget setting for 2024/25.
60. As a result of the work undertaken over the last two years through the budget challenge process, the revenue budget for 2023/24 is in a much healthier state than that previously predicted and demonstrates the positive impact of decisions taken by the council in recent years. However, whilst the short-term position is more positive, looking ahead over the MTFP the picture is much less certain, due to the following factors:
  - Ongoing uncertainty around future local government funding, especially from 2025/26 onwards,
  - The uncertain economic position,
  - Growing uncertainty over the future cost of service provision as this is impacted by external economic factors, in respect of both services provided in-house and externally.

It should be noted that these factors are out of the control of the Council and their impact is not, at this time, possible to predict with certainty.

61. In all financial years it is estimated that revenue expenditure exceeds revenue income, and there is an increasing draw on reserves to balance the budget towards the end of the MTFP period. Based on these latest estimates, revenue reserves are sufficient to set a balanced budget across the MTFP period to 2027/28, but not beyond. However, more so than in recent years, the estimates in later years of the MTFP should be treated with a degree of caution. Clearly if the potential pressures identified in the later years of the MTFP come to fruition then officers and members will need to work together to address the budget gap, but to do so, at this time, would not reflect the more positive position achieved for 2023/24 and 2024/25 and the positive approach to, and the direction of travel of, the Councils finances that has been sustained over the past three years.

**Table 3: use of reserves during MTFP period to balance the revenue budget**

<b>Financial year</b>	<b>Use of revenue reserves</b>	<b>Use of capital receipts</b>
	<b>£000</b>	<b>£000</b>
2023/24	644	0
2024/25	2,993	150
2025/26	5,224	1,350
2026/27	7,097	0
2027/28	8,495	0
<b>Total</b>	<b>24,453</b>	<b>1,500</b>

62. The council’s MTFs states that the council will hold £50 million of investments of which up to £35 million can be invested in capital schemes that will produce a return of certainty. The remaining balance can be invested in treasury investments. Whilst the treasury investments may in some cases be capable of being realised, investment in capital schemes is not capable of being realised. Such principles will need to be reviewed during the coming year and potentially adjusted in accordance with the level of future government funding and given the likely value of borrowing needed to support the capital programme.
63. As at 31 March 2028 the council is currently projected to have invested or earmarked at least £30 million of the £35 million permitted in capital schemes, including an ongoing £15 million loan to South Oxfordshire Housing Association. A further £15 million has been invested in long term financial instruments.
64. Excluding the £50 million investment, the council is projected to hold £7.0 million of general revenue balances and £7.0 million earmarked revenue reserves as at 31 March 2028.

### **Communities Capital and Revenue Grant Scheme**

65. On an annual basis, the council has considered the amount to be made available for the Community Capital Grant Scheme. From 2018/19, some of this funding has been allocated to revenue projects. The council is asked to consider the amount to be made available for the Community Capital and Revenue Scheme and it is recommended that a grants budget of £500,000 be set for 2023/24 comprising:

- £180,000 for individual councillor grants,
- £320,000 for the communities’ capital grants scheme.

Any underspend on the individual councillor grants will be available to fund additional spend on the communities’ capital grants scheme.

### **The robustness of the estimates and the adequacy of reserves**

66. The Local Government Act 2003 places a statutory duty on the chief finance officer (i.e. the head of finance and section 151 officer) to comment and report on the robustness of the estimates and the adequacy of reserves. The council must have regard to this report when making decisions about the setting of the budget.

67. The construction of the budget has been managed by qualified accountants and as identified above, has this year been subject to significant challenge both by strategic management team and cabinet members.
68. A report was presented to cabinet in December 2022 on progress with budget setting. A detailed briefing on this budget proposal will be given to the council's Scrutiny committee on 26 January 2023. As a public meeting, this session will be open to all councillors.
69. In view of the process undertaken and his own knowledge of the budget, the head of finance is satisfied that the budget for 2023/24 is both prudent and robust and reflects a positive improvement over previous estimated budget positions for that year, reflecting the continued positive direction of travel from 2021/22. However, as demonstrated above and based on current assumptions, revenue expenditure exceeds revenue income in all years of the MTFP. Whilst the council's revenue reserves are sufficient to cover that gap over the MTFP period, the ongoing budget gap will still need to be monitored closely and continue to be assessed and reacted to at the appropriate time, should that prove necessary, noting the significant level of uncertainty around future finances at this point.
70. The Head of Finance is satisfied, based on their knowledge of the current work to deliver the long-term transformation programme, that there is very strong member and officer commitment to ensure financial sustainability is achieved in the longer term, and that responsible action will continue to be taken in a timely manner, should that become necessary as the longer-term financial position becomes clearer as the funding intentions of Government become known in coming years.
71. The transformation activity, which was first agreed in the 2020/21 budget and forms part of the corporate plan delivery activity, is central to the council's efforts to deliver the corporate plan in a way that also ensures we address the ongoing budget gap.
72. The dedicated team of officers, supported by external consultants as appropriate, will drive and programme manage the delivery of the transformation work, which has initially been focussed on the following areas that have been identified in discussions between officers and cabinet members:
- Implementation of the IT strategy,
  - Customer services including front of house,
  - Development management,
  - Cornerstone
  - Grounds maintenance.
73. Details of this work will continue to be presented to cabinet as they progress in accordance with the council's democratic process.
74. The head of finance's full report will be available at full Council.

## **Climate and ecological impact implications**

75. Agreement of the revenue budget for 2023/24 and capital programme to 2027/28 agrees the allocation of funding to support the council's corporate objectives, including the objectives of Protect and Restore our Natural World and Action on the Climate Emergency, for which revenue growth has been included, as it was in previous years.

## **Legal Implications**

76. The Cabinet needs to make recommendations to Council on its spending proposals. Under the Local Government Act 2000 it is Council that must agree the revenue and capital spending plans, and then set the council tax. Council will meet on 16 February 2023 in order to set the budget, and the council tax (including amounts set by Oxfordshire County Council and the Police and Crime Commissioner for the Thames Valley).
77. The requirement placed on the council by the Local Government Act 2003 to set prudential indicators and for the chief finance officer to make a report to the authority on the robustness of the estimates and the adequacy of reserves are addressed within the body of this report.

## **Other Implications**

78. Agreement of the revenue and capital budgets authorises and grants permission for expenditure in accordance with the council's delegated powers and financial procedure rules. The officer, councillor or councillor body who agree to commit that expenditure will fully take into account the human resources, sustainability and equality and diversity implications of individual spending decisions, at the time they are made, as required by law.

## **Conclusion**

79. This report provides details of the revenue base budget for 2023/24, the capital programme 2023/24 to 2027/28, government grants (the settlement), uncommitted reserves and balances, the cabinet member for finance's budget proposals and the resulting prudential indicators.
80. In light of the information provided Cabinet must make a number of recommendations to Council regarding the revenue budget, the capital programme and the prudential indicators.

## **Appendices**

- Appendix A.1 Revenue budget 2023/24
- Appendix A.2 Opening budget adjustments
- Appendix A.3 Inflation, salary increments and other salary adjustments
- Appendix A.4 Essential growth
- Appendix A.5 Base budget savings
- Appendix B.1 Budgeted corporate plan revenue growth
- Appendix B.2 2022/23 corporate plan revenue growth outcomes
- Appendix B.3 Revenue savings
- Appendix C Service budget analysis
- Appendix D.1 Capital programme before growth
- Appendix D.2 Capital growth bids
- Appendix D.3 Capital growth bids funded by CIL
- Appendix E Prudential indicators
- Appendix F Medium term financial plan

## **Background Papers**

Provisional settlement figures (December 2022)  
Council tax base 2023/24 – Cabinet 1 December 2022, Council 8 December 2022  
Treasury management strategy – Cabinet 2 February 2023, Council 16 February 2023