

National context

The Council is setting its budget in the context of the last ten years in which local government has been subject to major funding reforms and spending power has reduced substantially. This trend has been driven by reductions in central government funding which have culminated in the 2019-20 financial year being first in which Oxford City Council, common with many other local authorities, has received no revenue support grant from central government. While the funding reductions from central government have in recent years been offset by real terms increases in council tax and business rates revenues and ring fenced funding for social care, overall since 2009/10 councils' spending on local public services has reduced by 17%, equivalent to a 23% reduction or nearly £300 per person¹.

Nationally over the last ten years local government spending has become increasingly focused on social care services for adults and children, which now account for 57% of all service budgets. This has come at the expense of discretionary services such as planning, housing, transport, leisure and cultural services where spending levels per person have halved in some cases.

Councils are now largely funded by income generated locally from council tax and business rates revenues, as well as fees and charges. These revenues are unlikely to keep pace with rising demands and costs in the years to come in the absence of large increases in council tax and improvements in productivity in key services such as adult social care. Without productivity growth, the current adult social care system is expected to take up a steadily increasing share of local revenues over the coming fifteen years, continuing the squeeze on funding for discretionary services. These pressures will be most acutely placed on county and unitary authorities with responsibility for social care but cuts to upper tier services can be expected to have knock on effects for district councils, for example by increasing demand for district level services such as housing and homelessness.

It remains to be seen how the policies and spending decisions of the new government elected in December 2019 will impact local authorities in the years to come. Similarly it is difficult to predict what the UK's departure from the EU will mean for the UK national and local economies, employment and the strength of key sectors such as manufacturing and financial services. Clearly there are some significant downside risks which have the potential to negatively impact local authority finances through reduced income and additional demand for services in the years ahead.

Local authorities continue to innovate to meet the challenges to local service delivery by sharing services and operating in a more networked and collaborative way than ever before. This collaboration is happening locally in Oxfordshire where the City Council is working in partnership with other local authorities on shared priorities such as increasing the supply of affordable housing, tackling homelessness, reducing congestion and improving air quality. Another key strategy of the City Council is to generate sustainable long term income from its commercial property portfolio and

¹ <https://www.ifs.org.uk/publications/14563>

wholly-owned companies in order to support the funding of local public services into the future.