

Financial Strategy 2010/11 to 2014/15

1. Purpose

The purpose of the Financial Strategy is to set out how the Council intends to finance its services and priorities and the principles upon which the medium term financial plan and the capital programme are based.

2. Introduction

The County Council first approved a Financial Strategy in October 2002. The strategy has been updated on an annual basis to reflect the five year medium term planning period, with the last major revision in 2005/06 reflecting the start of the previous administration. This refreshed strategy covers the period 2010/11 to 2014/15 and co-incides with the new administration.

3. Corporate Plan

The financial strategy underpins the development of the Medium Term Financial Plan (MTFP) which in turn forms an integral component of the Corporate Plan. Our forward planning process, the Service & Resource Planning process, ensures resources are allocated in accordance with the Council's objectives and priorities.

The Council objectives of Low Taxes, Real Choice and Value for Money drive the Service & Resource Planning process.

4. How we will manage our finances?

Our financial planning reflects:

- the allocation of sufficient funding to resource our key strategic priorities;
- the need to fund adequately our core service requirements;
- our commitment to council tax payers;
- the financial resources forthcoming from Government;
- our ongoing commitment to achieve efficiency savings to ensure improved value for money and service provision.

5. Meeting our pressures and priorities

- Savings targets will be issued by Directorate for each year of the MTFP. This will provide resource (which may be reallocated) to fund priorities and any unavoidable financial pressures which arise in this period;
- Additional spending arising from policy choices will be funded from compensating savings;
- Additional one-off income generated will be used to fund one-off spending pressures or priorities.

6. Efficiency savings and efficiency strategies

- Oxfordshire's Business Efficiency Strategy (at Appendix 1) sets out the overarching strategy.
- Each Directorate has produced a Business Improvement & Efficiency Strategy which sets out their broad approach to business improvement and efficiency.
- We will continue to identify claimable efficiency savings to meet the Government's Value for Money indicator (National Indicator 179) equivalent to 3% annually (plus 1% in 2010-11).

7. Balances

- Balances will be maintained at a level commensurate with identified risks, based on an annual risk assessment. The risks reflect unplanned or unforeseen events such as severe weather.
- Any income which is fortuitous to the Council will be added to balances.

8. Reserves

- Reserves will be held for specified purposes only and reviewed on an annual basis.
- New reserves require approval by the Cabinet.

9. Use of grant funding

- The use of general grant funding for both revenue and capital will be maximised.
- Where grant bids are required, these need to be linked to council objectives.
- Exit strategies are required for grant bids and relevant grant funding;

10. Carry Forward arrangements

- Revenue overspends will only be allowed to be carried forward where there is a clear plan or rationale for recovering the overspend and should be the first call against any underspends within the Directorate.
- Requests to carry forward revenue underspends which can not be demonstrated to be an acceptable use or where there is no clear timetable for spend will not be approved.
- Carry forwards which are not approved will be added to balances.

11. Invest to Save

- Resources provided through the Change Fund are available to provide pump-priming resources for change management initiatives.
- Invest to save opportunities for capital projects offered through Prudential Borrowing will be accepted.

12. Managing our Resources Effectively

- Continue to ensure that Directorates manage their budgets effectively in-year.
- Financial management roles and responsibilities are transparent and embedded across Directorates.
- Financial literacy is actively promoted throughout the organisation.
- Effective financial controls are in place in all areas of financial management, risk management and asset control.

13. Effective Procurement

- Pursue further improvements in the way we procure goods and services to maximise corporate value for money and achieve identifiable savings.

14. Related Strategies

Strategies related directly to the Financial Strategy are the Capital Strategy and the Corporate Asset Management Plan, the Treasury Management Strategy Statement and Annual Investment Statement and the Minimum Revenue Provision policy statement:

- The Capital Strategy sets out our capital investment plans and explains how capital investment contributes to the Council's Vision and Priorities within the Corporate Asset Management Plan. It demonstrates how the Council prioritises, targets and measures the performance of its limited capital resources. It also shows how the Council intends to maximise the value of its investment to support the achievement of its vision and priorities. It provides the framework for determining capital spending plans and the effective use of the Council's limited capital resources.
- In accordance with the Local Government Act 2003, the Treasury Management Strategy sets out the Authority's strategy for borrowing to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Annual Investment Strategy sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- The Council is required by statute to charge a Minimum Revenue Provision (MRP) to the General Fund Revenue account each year for the prudent repayment of debt. The MRP Policy Statement sets out our policy on the annual MRP.

Oxfordshire's Business Efficiency Strategy

Context

The council has become much more efficient in recent years. It is useful to remind ourselves of efficiencies already in the pipeline as a result of the Council's prudent management of resources over recent years. In the life of the last administration alone we have delivered £40m efficiency savings. A further £13m of efficiencies is planned in the current year.

We have also moved from a position a few years ago where the council's accounts were being qualified, to one where we are highly regarded by auditors for our financial management and efficient use of resources.

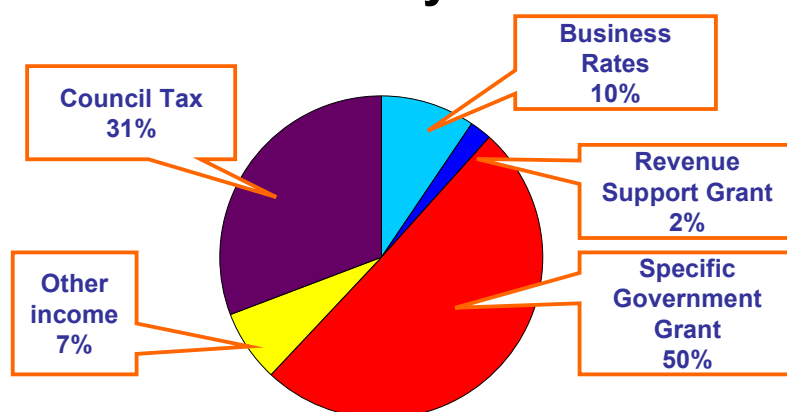
Council wide we have slimmed down management, reduced support service costs (by introducing a Shared Services centre) and improved productivity/cost effectiveness, whilst improving performance year on year.

Our Scope for Manoeuvre

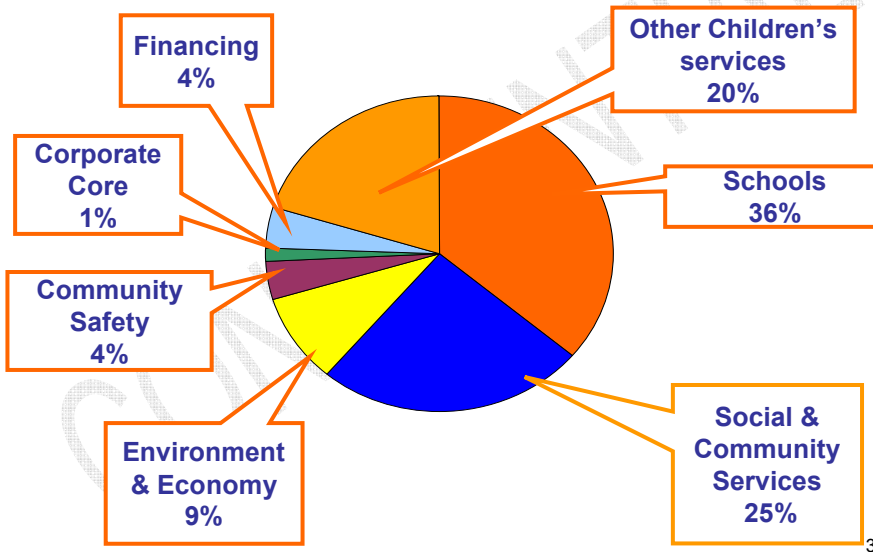
Although our gross budget is almost £900m per annum, half of this is ring fenced by the government for specific purposes, (principally for schools, but also for the careers service, early years & adult education), and cannot therefore be used for other purposes.

This puts more pressure on the remaining areas of expenditure to bear the full impact of our savings targets. This is graphically shown in the following charts

Where the money comes from

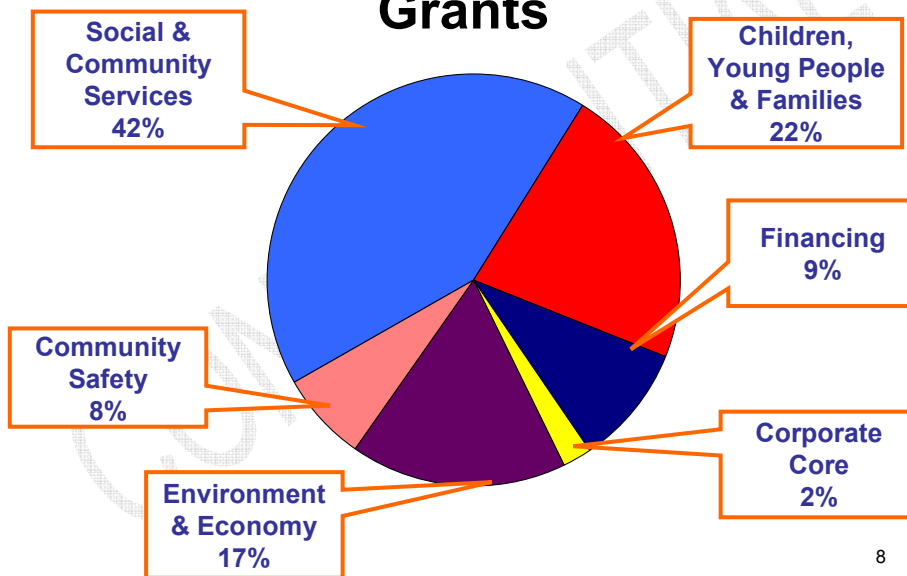


What is it spent on?



The bulk of our overall spending is for children's services. However, once the Dedicated Schools Grant (DSG) and other specific grants are taken out, the balance of spending (and therefore focus for savings) changes dramatically towards adult social care:

Services Funded excl. Specific Grants



Financing = Cost of financing capital programme (debt repayment and interest)

The way in which services are delivered varies across the council too, with the majority of Environment and Economy's costs, and adult social care being delivered via external contracts, whereas other services are more reliant on directly employed staff. This means that the extent to which savings will be found from procurement, as opposed to direct staff reductions and internal re-engineering of services, will vary.

The Challenge Ahead

In July 2009 we decided that to prepare for the difficult years ahead we needed to get ahead of the game by a radical efficiency drive to deliver £60m savings over the next 5 years. This £60m is on top of £30m already in the Medium Term Financial Plan, with most savings planned for the early years. The efficiency target for 2010/11 is £19m.

Since July a number of additional pressures have emerged and so effectively the savings target for 2010/11 – 2014/15 has grown from £90m to closer to £106m. This is 24% of our controllable budget (once the DSG and other specific grants are excluded). In the four months since July directorates have identified savings which exceed the original savings target. The scale of savings found to date is impressive and the effort to sustain the drive for further efficiencies must be sustained in the months ahead.

Most importantly the 2010/11 position is largely balanced so we can now concentrate on subsequent years and in particular on 2011/12 which is the most difficult year.

Some of the additional pressures have only surfaced in recent weeks and whilst we are confident that savings can be found, we need to recognise that we are now moving into more difficult territory, and a period when hard choices will need to be made.

This is a rather different environment to the last few years when we have been able to focus more on choices for reinvestment, rather than for savings and cuts.

Given the level of public debt at a national level, resources for local government can only get tighter so there is also a need for us to reposition thinking across the board to prepare our staff and customers for a radically different approach in the medium term.

This puts an increasing emphasis on the importance of clear priorities and political guidance on both **which** service areas members wish to protect, and on **the way** in which we should provide them in the future.

Our Strategic Approach

Our efficiency strategy is based around the council's objectives of *Low Tax, Real Choice and Value for Money*.

Low tax

The last council delivered our commitment to reduced levels of council tax increases two years ahead of schedule.

The current financial strategy proposes a 3.75% increase for the period of this council although the administration has made it clear that should a Conservative government be elected in 2010, then council tax would be frozen for two years (2011/12 and 2012/13) whilst a major review of the funding formula is carried out.

Councils will be given additional grant equivalent to 2.5% per annum for two years to facilitate this. In practice this means that we would need to contain our rise in those years to 2.5%. In light of this the current schedules have been revised to incorporate a 2.5% council tax rise in 2011/12 and 2012/13.

Real Choice

Delivering “Real Choice” in services has been a political commitment of the council for the past four years and this fits well with an ethos that promotes community self help and local diversity. Increasingly, we have been moving towards a preventative rather than reactive response in different services, and to commissioning services rather than directly providing them, which enable more flexibility. The different elements relating to real choice include:

Giving individuals and communities more control and influence

- the Personalisation agenda in adult social care
- community led planning
- the focus on localities in the next highways contract

Increasing Self Help

- Improvements in the website and self service functionality
- Encouraging “Pride in Place”, community self help and increased promotion of volunteering to support service delivery

Commissioning of services

For the future we will make our priority the commissioning of the right service rather than the delivery. This will lead to an increasingly mixed economy of provision.

Integration with other providers

We will look at opportunities to share specialist services with other organisations (neighbouring counties, districts, police etc) and in particular we will work closely with the NHS to exploit opportunities for joint commissioning of services to reduce duplication and improve ease of access and flexibility.

Value for Money

Minimising Back Office costs

Ongoing work to streamline all back office functions is our first priority. We want to maximise these savings but we must be careful not to reduce support costs which impact adversely on sharp end services or damage corporate capacity to meet the needs of the administration.

Back office savings can make a significant contribution to our overall efficiency target but we cannot look exclusively in this area. The total gross expenditure budgets for Corporate Core and Shared Services only amounts to £64m and most of this is spent supporting the sharp end services and providing the tools to enable them to operate, which they cannot manage without e.g. ICT and legal support.

Lean Services

Reducing service costs without significant impact for service users is our second priority. With the magnitude of savings required it isn't possible to completely avoid impact on service users but managers have worked hard to avoid this wherever possible. Where there are proposed reductions in services the proposals are made because current service standards are not considered to be financially viable over the medium term. Where this is so the advice of CCMT is that early action to change services is preferable to delaying the inevitable.

Within the proposals from all services there are examples of savings in back office costs. Within Corporate Core significant savings (100 posts) are proposed: the effect will be to reduce costs by 23% over 5 years. This is a major reduction but there is more potential for savings from: -

- Reducing management costs (fewer managers with fewer layers of management)
- Developing a One service approach for communications and possible for performance management activities
- better use of telephone and video conferencing to avoid travel time and travel costs

Rationalising our assets

- Rationalising our asset base (less office space, in fewer more energy efficient centres)
- looking at the scope for more shared services with other organisations e.g. shared training and recruitment
- Standardisation of ICT systems and maximising the potential of existing ICT technology to reduce costs

Less bureaucracy in how we work

- reducing the number of internal meetings
- less process in our procedures
- shortening chains of command for decision making
- encouraging a "can do" and problem solving culture throughout the council
- Reshaping HR/ Shared Services to avoid duplication and modernise HR practices

Going forward

Invest to Save

There are a number of areas, such as the introduction of the SAP HR module to reduce the cost of recruitment, improvements to Customer Contact, and areas in Adult Social Care where investment in infrastructure could deliver future savings.

There are some one-off funds available which should be allocated to the delivery of projects which can achieve the greatest returns.

Communicating our approach

The position nationally and locally has changed since the early part of the summer when we communicated our increased efficiency programme. Given the scale of the challenge going forward it is important that careful thought is given to future communication, and to the way in which we monitor our performance and work on the changes to the culture that will be needed.

Capacity

All of these options require more detailed analysis and discussion with all directorates. Project teams are being established and we anticipate firming up on potential savings and timescales for delivering during 2010. As part of this we will need to ensure that we have the capacity to deliver and I would anticipate that a fair amount of lower priority work will need to be stopped.