

Medium Term Financial Strategy 2009/10 to 2013/14

1. Introduction

The County Council first approved a Financial Strategy in October 2002. A major review and revision was carried out in 2005/06, and the Strategy for 2009/10 – 2013/14 represents an annual refresh of that version, ensuring that it is kept up to date and relevant. It now covers a five-year period in alignment with the Council's other major plans.

The Financial Strategy for the period 2008/09 to 2012/13 agreed by the Cabinet as part of the 2008/09 budget process set out the principles behind the Medium Term Financial Plan (MTFP). These principles were:

- The target of savings will be £5m for each year 2008/09 and 2012/13, to provide headroom to allocate to non-discretionary pressures which are unavoidable and political priorities.
- Policy choice pressures coming from Directorates should be met by compensating savings from each Directorate.
- Additional one-off income should be allocated to one-off pressures.
- Revenue balances will be maintained at a level commensurate with identified risks.

2. Background

Since the Strategy was last updated there have been a number of changes which impact on the organisation of the County Council's finances.

In early 2007 it was agreed that the Financial Management Implementation Plan, which was put in place as a result of issues identified in 2004, was substantially complete. This has been reflected in the Council's Use of Resources assessments which show significant improvements in all areas of financial management and control, with an overall score of 3 achieved for 2007. To identify further improvements a fresh review is being undertaken in 2008. The CIPFA Financial Management Model is being used to assess the current position and provide evidence for a new action plan. This will be implemented in 2009/10.

With effect from 1 June 2008, there were organisational changes, with the reinstatement of the post of Head of Finance and Procurement who is the deputy S151 officer. This post reports to the Assistant Chief Executive & Chief Finance Officer who reports directly to the Chief Executive and is a full member of the County Council Management Team (CCMT).

Financial and management accounting transferred to the Shared Services Centre in December 2007. The centre, which is now fully operational, encompasses the majority of the transactional finance work of the County Council, as well as the operational human resources work. This project will deliver savings by bringing together staff and through improved working with the SAP System, as well as improving standardisation and the control environment. The project remains on target achieve savings set out in the

business case, though currently forecasts estimate slippage of around nine months in achieving the full savings. This forecast is fairly cautious and the plan remains to eliminate this slippage and deliver the savings in accordance with the business case timetable.

3. Financial Context

3.1.1. Oxfordshire has a gross revenue budget in 2008/09 of £865m, a net budget of £366m, and a capital programme of £110m. It held balances of £22.4m at the end of the 2007/08 financial year (this represents around 2.6% of gross revenue expenditure). The financial strategy states that balances will be maintained at a level commensurate with risks which have been assessed at around £11.5m for 2008/09. The MTFP plans for balances at around this level but the position will be reviewed annually.

3.1.2. Since 2004/05 our Council Tax has risen by an average of 4.6% a year. The table below shows the actual increases up to 2008/09 and the proposed increases thereafter up to 2012/13. The Cabinet elected in May 2005 pledged to decrease the rate of increase in Council Tax over the period of the Medium Term Plan. The proposal was to reduce the level of increase by 0.125% each year, reducing the increase to 4.0% by 2008/09. However, the Cabinet met this pledge earlier than planned, giving a council tax increase of 4.0% in 2007/08, and reducing further the increase to 3.875% in 2008/09. The Medium Term Plan agreed in February 2008 includes a planned increase of 3.875% each year from 2009/10 to 2012/13.

Year	Increase
2004/05	6.25%
2005/06	4.5%
2006/07	4.375%
2007/08	4.0%
2008/09	3.875%
2009/10	3.875%
2010/11	3.875%
2011/12	3.875%
2012/13	3.875%

3.1.3. The Government made changes to the funding arrangements of Local Authorities from 2006/07, which included the introduction of the Dedicated Schools Grant. The impact on Oxfordshire has been to move us into the grant floor. This means that we receive only the minimum grant increases determined by the Government.

3.1.4. In 2008/09, Oxfordshire received £11.5m of damping grant, required to bring us up to the minimum level. This reduces over time as our formula grant catches up with the minimum increases with damping grant of £9.0m in 2009/10 and £6.7m in 2010/11.

3.1.5. Being on the grant floor has significant impacts on our Capital spending proposals. Whilst there is still an element of supported borrowing within the

grant mechanism, the impact of the grant floor means that any additional allocation of supported credit approval is in effect not supported through increased grant, and requires additional council tax to fund.

- 3.1.6. The Council's MTFP has built in the costs of funding supported borrowing at an increasing cost rising from £35.2m in 2008/09 to £39.7m in 2012/13. As part of the budget process for 2008/09, the Council choose not to fund in full the increased cost of borrowing associated with the Transport capital allocations above those already included in the MTFP. The result was to reduce the borrowing totalling £6.5m over three years from 2008/09 to 2010/11. For each year decisions will be required about the affordability of the capital programme, as this is essentially funded through the Council Tax, and reduces investment in other areas.

4. How we are managing our finances

4.1 Council wide context

- 4.1.1. The Council has adopted a One Team approach, which is driven through the Corporate Plan and Service & Resource planning process to deliver the key, strategic and operational priorities for Oxfordshire. For these reasons we have committed ourselves to:

- maintaining our balances at a level commensurate to our risks
- ensuring that we extract efficiency savings and provide investment to reduce future costs
- challenging the organisation to meet the government target of 3% efficiency savings for reinvestment in organisational priorities
- streamlining our embedded approach to service and resource planning
- exploring the potential for leveraging in private sector investment, for example in property and IT. This includes assessing the potential for Private Finance Initiative funding in appropriate cases
- exploiting new opportunities for additional funding, such as Local Authority Agreements, building the Government's confidence in our performance so that we can obtain new grant.
- tightening financial management and control where this is needed

4.2 Building Balances

- 4.2.1 A key part of the original strategy was to achieve an increased level of balances by 2006. This was achieved and our balances reached 2% of net budget by 2005/06. This was achieved whilst still increasing our stability and making some significant investment in our infrastructure. The Council has since recognised that the level of balances needs to reflect the risks faced by the authority, and not be measured by an arbitrary percentage. Since

2006/07 it therefore sought to ensure that the balances are adequate to support the identified risks based on an annual risk assessment.

- 4.2.2 The Council has achieved a secure and robust level of balances that ensures it to be effective and sure-footed when it comes to managing its resources and responding to unexpected pressures. An overall assessment of all the financial risks currently facing the Council in 2008/09 is around £11.5m.

Action: We will:

- Maintain balances at a level commensurate to the identified risks over the period 2009/10 to 2013/14.

4.3 Creating Headroom

- 4.3.1 We set ourselves a target of creating headroom in the budget to meet unavoidable pressures and target resources to priority areas. The target of £5m per annum has been achieved through service efficiency savings since the Cabinet introduced the policy in 2006/07; this provides resources to target to priority areas.

- 4.3.2 A Change Fund was created as part of the budget setting for 2007/08, which oversees major change projects throughout the organisation and is managed by an officer and member Change Management Board. There is an ongoing budget which is maintained at £0.5m. The Council has also invested £7m in revitalising SAP since over a 4-year period up to 2007/08 including the introduction of e-procurement.

- 4.3.3 We have reviewed our outturn and carry forward arrangements in light of the underspend in 2007/08. Requests which can not be demonstrated to be an acceptable use or where there is no clear timetable for spend have not been approved. The carry forwards which are not approved will be added to balances.

Action: We will:

- Ensure savings are achieved to create headroom in the budget.
- Ensure that the Change Fund is retained to provide pump-priming resources for change management initiatives.

4.4 Efficiencies

- 4.4.1 The Executive first created a policy requirement for efficiency gains in 2002. Since 2003/04 we have had an annual efficiencies target. We planned for cumulative savings of £23.9m between 2003/04 and 2008/09, and a further planned £4.8m in 2009/10. We have found cumulative Gershon Efficiency savings of £29.1m during the three year period ending in March this year and so we have comfortably met the target of £24.3m.

- 4.4.2 The government announced as part of the Comprehensive Spending Review (CSR) in October 2007 that local government was tasked with achieving 3% efficiency savings targets over the period of the review up to 2010/11, all of which will need to be cashable.

Action: We will:

- Continuously improve our services through efficiency gains.
- Continue to identify claimable efficiency savings to meet the value for money indicator in 2008/09 and thereafter, led by the Service & Resource Planning Group.

4.5 Re-examining our service priorities

4.5.1 In 2006/07 CCMT established and implemented a framework designed to integrate service and resource planning for all services. This process is now well embedded in the organisation and 2009/10 will be the fourth year the framework is applied. The process uses business plans to set out service activities linked to outputs, outcomes and resources, information on the budget and staffing, information on performance indicators and benchmarking and service developments linked to the four long themes. The business planning process is key to determining the service priorities.

Action: We will:

- Produce business plans for each service area which set out clearly defined outputs and outcomes, performance and benchmarking information and service developments linked to the four long themes.

4.6 Budget management

4.6.1 With the integration of the Service and Resource Planning processes the Council is clear about the priorities it has for Service Delivery, and where it needs to focus its resources in order to achieve its desired outcomes.

4.6.2 Since 2005/06 bids for growth have not been automatically allowed, but directorates have been required to produce a financial plan of how resources can be better directed internally to absorb pressures. Some £14.3m of internal pressures were met within existing budgets for 2008/09.

Action: We will:

- Continue to ensure that there is an effective integrated Service and Resource Planning process.
- Continue to review our budget process and budget management arrangements for 2009/10 and subsequent years to maximise effective use of resources and create headroom for our priorities.

4.7 Procurement

4.7.1 The Council has put into place a procurement strategy designed to ensure value for money and economies of scale. Procurement capacity has been built up by using procurement savings to fund additional posts to strengthen expertise and capacity. Building on the Procurement Strategy established in 2003/4, the County Procurement Team (CPT) is today directly influencing at least £150 million of expenditure each year across all areas of the council

and to date (2007/8) has saved in excess of £4.5m in immediate cash savings plus helped avoid a huge amount of other costs and mitigated significant commercial risks on major acquisitions.

4.7.2 The Council has invested in an e-procurement system based on SAP and after the first year of full operation this system is helping to maintain appropriate levels of financial control over higher volume expenditure areas and to help develop procurement plans for specific categories of spend. Government Procurement Cards have been introduced as a low transaction cost process to cater for infrequent and low volume low value spend, complementing the e-procurement solution. The overall scope and progress of CPT and all aspects of de-centralised procurement is monitored and directed by the member chaired Strategic Procurement Board. In July 2007 we redrafted and simplified the procurement strategy and have adopted both a Procurement Policy and Associated Protocols for delivering an effective Procurement service to the County.

Action: We will:

- Continue to invest in our procurement strategy in 2009/10 so that we can maximise corporate value for money and achieve identifiable savings.

4.8 Fundamental Reviews/Strategy and Performance Reviews

4.8.1 The rolling programme of Fundamental Reviews, has from early in 2008, been supplemented by Strategy and Performance reviews. In 2007/08 there were Fundamental Reviews of ICT, Cultural Services and Day Centres. The reviews seek to test whether the existing service arrangements are fit for purpose identifying opportunities for change in service provision, and enabling these key services to remain within agreed budgets and contribute towards achieving the efficiency savings target. Strategy & Performance reviews provide an opportunity to look in more depth at strategy and performance issues in key service areas. Four reviews have taken place in 2008, Transport and Waste in Environment & Economy and Community Services and Adults in Social & Community Services.

Action: We will:

- Continue to review services through Fundamental Reviews or Strategy and Performance reviews, and seek to identify opportunities for change by challenging historical methods of service provision.

4.9 Investing in our Services

4.9.1 We have identified that it is important to invest in our services in order to achieve improvements. We have set out our achievements. We need to continue to exploit opportunities for leveraging in investment from a variety of sources.

4.9.2 We have successfully worked in partnership with both public and private partnerships and continue to search for opportunities to do so. Most notably we have achieved success with the Osbourne Group and SEEDA to fund the

Oxfordshire Castle project and with private partners to implement the Oxfordshire County Network.

4.9.3 We have taken advantage of the opportunities offered by the Government's relaxation of prudential guidelines to maximise our borrowing from 2004/05, in order to address our capital priorities and to invest to save. The Council has agreed a capital programme of £25m for backlog maintenance on the Council's buildings covering the period 2005/06 to 2010/11. Funding will be through prudential borrowing with schools covering the costs of the additional borrowing. In Social & Community Services, loans to Foster Carers, Kinship Carers and Adopters are to be met through prudential borrowing and the savings come from the Social & Community Services revenue budget from 2006/07. Further use of prudential borrowing has been agreed to provide the extra capacity required for people with Learning Disabilities and for the funding of the Better Offices Programme from 2007/08. In 2008/09 Council agreed to funding £25m of investment over the next ten years through prudential borrowing in order to help address the unmet capital needs of the authority relating to non-schools and non transport services.

Action: We will:

- We continue to explore the opportunities offered through PFI, Public/Private Partnership and Prudential Guidelines.

4.10. Financial Administration and Management Information

4.10.1 Significant improvements were achieved through the Financial Management Implementation Plan. More consistent processes for the use of SAP as the prime financial record and as the basis for budget monitoring and control are now in place and underpin the Shared Services arrangements.

Action: We will:

- Implement the recommendations of the 2008 review of financial management;
- Identify and follow up further improvements in our budget monitoring process;
- Pro – actively engage officers, members and public in the Service and Resource Planning Process through clear and effective communications and training;
- Seek ways of improving performance management information and making this more accessible;
- Extract efficiency savings from procurement, Shared Services and by ensuring that we maximise the benefits of our investment in SAP and ICT.

5 Delivering Change

- 5.1 We are focused on improving our performance. The Corporate Core are responsible for leading and initiating the changes we need to get the best out of all our resources – our finance, our ICT and our staff. We have developed and embedded integrated service and resource planning in our processes over the past three years and we are committed to reviewing the way in which we deliver our services. This financial strategy provides an overarching view of how we are managing our finances to maximise our opportunities for change and development leading to continuous improvement.

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