

CABINET - 29 JANUARY 2013
SERVICE & RESOURCE PLANNING - 2013/14 to 2016/17
Report by Leader of the Council

Introduction

- 1 This report should be read in conjunction with the report from the Assistant Chief Executive & Chief Finance Officer and takes account of the latest financial information. Together, the two reports set out the details of the Cabinet's proposals for the 2013/14 budget and the Medium Term Financial Plan (MTFP) for 2013/14 to 2016/17. The Business Strategies will continue to deliver the changes planned taking on board the medium term objectives of the Council, details of which can be found in the Council Plan which is also on the agenda for this Cabinet Meeting for recommendation to the February 2013 County Council.
- 2 This, my first budget since becoming Leader and Cabinet Member for Finance, is not only at a time of reducing funding levels but also at a time of significant changes in the way local authorities are funded. Other major changes run alongside this with the localisation of council tax support, the impact of changes in funding for schools, with funding for central education services transferring out of formula grant; also the transfer back to local authorities of public health services.
- 3 Our prudent financial planning over the medium term will enable us to manage these changes and do our bit to pay off the budget deficit inherited from the last government. Whilst we are in a strong position to manage the future known reduction in local government funding, the significant amount of savings that have been achieved over the last few years make the position going forward more difficult. Between 2011/12 and 2013/14 our government revenue funding has reduced by £53.8 million or 25.8%. On top of this we have had to manage significant pressures particularly in adult social care and children's' social care.
- 4 The Council has been at the forefront of making efficiencies for years.
 - We embarked on a savings programme in 2006 with the establishment of shared services, one of the first in the country, reinvesting savings of £28 million of back office functions in frontline services.
 - Our pooled budgets with health for older people and people with learning disabilities, established in 2002 and 2006 respectively, some of the largest in the country, enable efficiencies through joint working.
 - Our Better Offices programme completed in 2010 reduced office space, introduced video conferencing reducing the need for travel and through the introduction of a hot desk system ensured better use of the remaining accommodation.
 - We stopped providing bottled water for our Committee Meetings in 2010 and have also frozen councillor allowances for three years from 2010.

- We are also reducing the costs of elected councillors by over £100,000 by reducing the number of councillors.
- We are working with other councils providing ICT to the City and working with Hampshire; the fire service is working with Berkshire & Buckinghamshire and our Internal Audit service is working with both Buckinghamshire and Thames Valley Police.

However, whilst we will always endeavour to make more efficiencies, make more savings in back offices and deliver services in a different way to protect our frontline services and services that are popular or people really appreciate, you can only go so far.

- 5 In the year 2010/11 before the coalition government took control we saved £35 million. We then embarked on a 4 year programme to save £119 million. This included reducing the cost of directors by 40%, a greater saving than achieved by sharing with other councils. The staff costs have been reduced by 20% with the workforce reduced from approx. 5,500 to 4,500. But, with further funding reductions now identified for 2013/14 and the medium term along with some new pressures we have had to increase our savings plans. We now have to make an extra £46 million of savings bringing the total of savings to £200 million.
- 6 We are on course to have saved £127million by the end of 2012/13 with existing plans to deliver a further £27 million by 2014/15. We are now setting out how we will be able to deliver additional savings of £46 million whilst still ensuring that essential services are protected. Our focus remains on protecting as far as we can the most important services while providing value for money in tough times.
- 7 Some of the savings we have made have been used to re-invest in our priority areas. These have allowed us to manage some of the pressures which are continuing to arise, such as through the growing numbers of Older people, and the increased demands on our Children's care service. We are again continuing with this re-investment. We will be utilising £13.7m of our savings back into the most important areas of our services in 2013/14 which is on top of the £45.9m re-invested since 2011/12.
- 8 This Cabinet has considered the comments on the draft budget proposals from individual Scrutiny Committees held on 10 January 2013 as well as feedback from the public consultation through Oxfordshire Voice Panel in October/November 2012. The Council has also invited comments on its overall proposed budget; this consultation will close on 1 February 2013. Consideration of responses to this will be taken into account in the final budget proposals to Council on 19 February 2013.

Budget Proposals

- 9 Below are the major proposals the Cabinet are proposing. The Cabinet continues to protect front line children's safeguarding services along with the Fire & Rescue Service with savings in those areas to be achieved only through genuine efficiency of working. As set out above, we have proposed savings, but have also been able to provide some additional funding for key priorities.

Children, Education & Families

- 10 Children's social care has always been a service this council has protected from cuts. This area has seen a steep rise in referrals and care proceedings over recent years leading to unmanageable caseloads. To address this issue we will invest an additional £1.4m to recruit additional experienced professionals to help with the most difficult young people and reduce current caseloads to a more manageable level.
- 11 There are 44 Children's Centres across Oxfordshire. These have been funded through Early Intervention Grant, which is being reduced nationally. We are not proposing to close any of the centres, but will continue to review the management and support structures in the Directorate to make them more streamlined thus protecting the front line service delivery.
- 12 The change in the national schools funding formula from April 2013 will not provide Oxfordshire with any additional resources, despite being one of the lowest funded authorities in the country. The changes will result in sizeable turbulence in funding for some schools with winners and losers arising from the new simplified formula. Schools will however be protected from significant year on year losses through the minimum funding guarantee being fixed at a maximum of a -1.5% loss per year. Given the reduced numbers of schools which we will have responsibility for, it will be possible to reduce the resource managing their school improvement.
- 13 There are two savings within the service (relating to the Southwark Judgement and All Right Exhausted cases) which are areas which we have invested previously, but now find that the level of investment provided was more than was required. These are easy savings to take, as they will not reduce services.

Social & Community Services

- 14 Adult Social Care accounts for 40% of our spend. We recognise that there is an ageing population which will continue to grow, and pressures on this budget will continue to grow too. We are continuing to invest in this area, however, as such a large proportion of our spend we must do all we can to minimise the spiralling costs.
- 15 We are investing an additional £10.3m in 2013/14, although some of this will drop out in later years. This is in addition to the sums we have built in over previous years which will allow for the increases in demography. These investments are spread across the older people, physical disabilities and learning disabilities.
- 16 Some of the sums shown as savings are in fact additional income coming from the NHS, as the government have recognised that the NHS funding should be protected, but unless the whole health service, including Adult Social Care, are considered together, then real cost reductions cannot be made. Some of the other real savings proposed arise from our agreed strategy about trying to make sure that we limit people's need for care by intervening early and in the right way.
- 17 We are however, proposing that the older people's pooled budget manages its own pressures, which we recognise is a risk, so have set aside some corporate contingency and will monitor performance closely in the coming year.

- 18 For the other elements of the Directorate, which includes the Oxfordshire Fire and Rescue Service, Trading Standards and Community Safety, there are minor savings, offset by additional funding in 2014/15.

Environment & Economy (including Oxfordshire Customer Services)

- 19 Whilst work on the Highways represents another major budget area, we have done everything we can to reduce the impact on this area, as we recognise the importance it has to the economy to keep Oxfordshire moving. We are not making any savings in 2013/14 and are re-instating a previous reduction. Whilst there are some savings in future years we hope to be able to offset this if we are able to maintain the Area Stewardship fund through one off funding in the future. Our plan is to change the way the fund has operated, keeping the knowledge of local members, but restricting the use of the fund to maintenance areas.
- 20 We will need to continue to balance our Parking Account. To do this we are no longer going to be able to provide free parking at our Park and Ride sites. We recognise that the public will find this hard, although it will remove the confusion caused by the City Council already charging at their sites. We will consult over the level of increase in the Spring with a view to introducing the charges from the Autumn.
- 21 The other areas of savings we can achieve through our waste disposal responsibilities reflect a combination of sound procurement, and the phased removal of non-statutory incentives for waste targets which have now been achieved, through the excellent work of the Oxfordshire Waste Partnership.
- 22 We are keen to ensure that our Customer Services Centre is providing the best response to the public, and are therefore investing further in that area. We are also continuing to drive efficiencies out of our back office organisation, and are continuing with various projects to revise the way we deliver those services. Given the changes we are introducing in new technologies we feel confident that we can derive further savings from these areas. Given the changing relationship with schools though, we feel it is now the right time to phase out the subsidy we have been providing for their back office support.

Chief Executive's Office

- 23 The Change Fund was introduced in 2005/06 in order to ensure that funding was available to invest in projects which delivered efficiencies. We have since reduced the ongoing budget for this fund, but have increasingly used the efficiency reserve to deliver the same objective. We are therefore proposing to remove this fund.
- 24 The Big Society Fund was introduced in 2011/12, and changed into a Councillor Community Budget in 2012/13. Whilst it has been successful in delivering local projects, we do not feel we can continue to guarantee base budget funding for it. If one off funding becomes available before the budget is finalised, we will consider whether the scheme could be extended for another year.
- 25 The other savings are proposed through reductions in charges to the Council, or through further structural changes to be implemented in future years across the CEO office.

Public Health

- 26 We are pleased to see Public Health returning to Local Government. Included within this year's budget will be the funding, matched by a ringfenced government grant, which has been confirmed for 2013/14 and 2014/15 at £25.3m and £26.1m respectively. This is good news for the Council and it reflects our growing role in overseeing the health and wellbeing of the people of Oxfordshire. We are already well engaged with the county's public health priorities having appointed a Joint Director of Public Health 6 years ago. His annual reports have already been influential in shaping Council Policy. We now have the opportunity to shape public health services ourselves over the coming years – a challenge we relish greatly.

Council Tax

- 27 In 2011/12 and 2012/13, the Government provided the funding to achieve their pledge of freezing council tax if authorities held their levels of increase at 2.5%. As our MTFP had proposed increases of 2.5% for both years we were in a position to take up this grant and freeze council tax in both 2011/12 and 2012/13. However, as the grant for 2012/13 was only a one-off grant, to ensure that essential services are maintained the funding needed to be replaced in 2013/14. Consequently our proposed levels of increase in council tax for 2013/14 and beyond were set at 3.75%.
- 28 In October 2012, the government announced funding available to councils to freeze council tax for a third year if authorities held their increases to 1%. The grant will be provided for two years to 2014/15 and would mean a shortfall in funding from 2015/16 of £6.7 million. In addition, the government announced a maximum council tax increase of 2% for 2013/14, any increase above this triggering a referendum. As our MTFP had assumed an increase in Council Tax for 2013/14 of 3.75% we have to make savings of £9.8m to get to the 2% level in 2013/14 and to reduce the following year to 2.5%, as it is unlikely that a subsequent referendum level would allow a higher increase.
- 29 In total the cost of accepting the freeze grant for 2013/14 and reducing the ongoing levels of increase would have added another £14.2 million to the savings we need to make. We believe that this would mean we would have to make unacceptable savings which the public do not want to see.
- 30 In order to maintain essential services we are therefore proposing a Council Tax increase in 2013/14 of 1.99%. This is a £23.12 increase for the year, equivalent to 44p per week. We appreciate that our residents both families and pensioners are feeling the squeeze but we believe that 44p per week to ensure our services which protect the most vulnerable in our society are maintained can be justified.
- 31 For 2014/15 we have planned for an increase in council tax of 2.5% and for future years we have maintained increases at 3.75% in line with the current MTFP. As there are high levels of uncertainty about future funding and future levels of inflation we feel this is a reasonable position, but will review these increases each year as part of the budget setting process.

Capital Programme

- 32 In line with revenue, our capital programme to be approved by Council in February 2013 will only extend up to 2016/17. In 2011/12 we did a lot of work on bringing our capital programmes into a single pot and being clearer about the areas for prioritisation. We continue to use this methodology to prioritise areas of investment and are able to present a balanced programme with additional £22.9m of investment over the medium term to 2016/17.
- 33 At the time of writing we were still awaiting the announcement from the Department for Education on their funding allocations. Until we receive this figure we will not be able to access the requirement for funding school places, and any impacts this may have on other parts of the Capital Programme. It is proposed that allocations for schools structural maintenance and schools access initiative are reviewed in line with the grant once it is announced.
- 34 I am pleased to say that we are able to include in the programme all capital investment needs related to statutory requirements and maintenance of essential infrastructure and capital investment proposals supporting the delivery of updated business strategies. This will includes £3.6m for large highways structural maintenance schemes to be determined.

Conclusion

- 35 The council faces some real challenges in the future with increasing need for our most vulnerable at a time of reducing funding which now extends well beyond the medium term. By the end of 2016/17 we will have saved £200 million, but will have reinvested £59.6m back into our priority services. We continue to be committed to look for different ways of working, reducing our costs and accepting that some services will need to change. We are again able to put forward a set of proposals which will continue to ensure that our critical services are maintained and we continue to provide a level of service we can afford.
- 36 The recommendations are set out in full in the Assistant Chief Executive and Chief Finance Officers report.

Cllr Ian Hudspeth
Leader of the Council