

CABINET - 19 JANUARY 2010
SERVICE AND RESOURCE PLANNING – 2010/11– 2014/15

**Report by The Leader of the Council
& Cabinet Member for Finance and Property**

Introduction

1 This Administration was elected on a strap-line of *Low Taxes, Real Choice; Value for Money*. We remain committed to our medium term objectives:

- ❖ World Class Economy
- ❖ Healthy & thriving Communities
- ❖ Climate Change & The Environment
- ❖ Better Public Services

We will deliver these improvements and changes in ways that reflect the needs of customers and local communities. Details can be found in the Corporate Plan which is also on the agenda for this Cabinet Meeting for recommendation to the February County Council.

2 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 2010/11 budget and the Medium Term Financial Plan (MTFP) for 2010/11 to 2014/15. In making these proposals the Cabinet have considered the Directorates' budget priorities and pressures and the efficiency savings and service reprioritisations alongside their priorities and pressures.

3 This Cabinet has considered the comments on the draft budget proposals from individual Scrutiny Committees held in November and December 2009 as well as the outcome of the public consultation on the budget which was undertaken on 24 and 28 October 2009. A report from The Oxford Research Agency summarising the outcomes is attached at Annex 1 with a link to the full report.

4 The 2010/11 budget process has been particularly difficult and built on the turmoil in the financial markets and the impact of the national economic downturn which had started to emerge last year. The Cabinet has taken actions during the year to ensure that the Council is well prepared, not only for the coming year but also for the next Comprehensive Spending Review (CSR) period. The CSR should have taken place this year but has been deferred until after the General Election. By the time it is completed and reflected in the Local Government Settlement, there will be precious little time to act on the outcome which is why the Cabinet has reflected the likely impact of the next CSR in this Medium Term Financial Plan.

5 The Cabinet set out in July new savings targets for the next five years, having built in the pressures we expected to have in those years. In addition, Directorates have continued to look for efficiencies within their services to fund any other new pressures. In the majority of cases, they have been able to achieve this and the detailed papers show all these changes.

6 Below I set out the main areas of investment as well as the changes from the position reported to Scrutiny and how I have taken these factors into account in developing the budget proposals.

Investment Proposals and Changes arising from Scrutiny

Children Young People & Families

- 7 There has been additional investment of £3.8m from 2010/11 onwards into the care of our most vulnerable children. This is to supplement further the increases previously agreed for our Placements Budget to deal with the increase in children and young people needing care; to deal with the *Southwark Ruling* which determines the support needed for 16 and 17 year old homeless youngster and also to provide for Unaccompanied Asylum Seeking Children.
- 8 Working with relevant Cabinet Members and Directors, I have been able to reduce the cuts proposed to the Youth Service from £2.3 million over five years to £350k by 2012/13 with the proposals to flow from a Fundamental Service Review. An alternative package of savings is proposed which is largely taken from rationalisation of the layers of administrative staff which CYP&F believe are deliverable and which I will be monitoring closely.
- 9 I have also re-instated the £100k pa Chill-Out Fund because this was felt by Scrutiny to be particularly valued and brings with it external funding from other organisations.
- 10 Although the County Council was not successful in the recent bid for Building Schools for the Future (BSF), Partnerships for Schools have advised officers to re-apply early this year. To be successful, the Council has to demonstrate financial provision for the costs and I have re-scheduled the previous funding commitment, given that this appears the only likely means of upgrading the Council's school estate in the foreseeable future.
- 11 Unaccompanied Asylum Seeking Children continue to present a £550k pa budget pressure because of insufficient funding from central government for what is a national and international issue. Short of providing these children with a roof over their head (for which the government grant is adequate) and denying them food and other basic necessities (for which the government grant is wholly inadequate) we have little option but to foot the bill here in Oxfordshire. We continue to press government to recognise and to fund adequately its obligations in this area.
- 12 The Cabinet recognises the importance of respite care to support hard pressed carers in providing them with a measure of support and respite in caring for the frequently extremely disabled people in their care. Without the support of these carers, the state would face immensely higher financial costs. This budget maintains the level of respite support and makes some very modest savings in areas of administration of respite care which should not impact on the front line.
- 13 The Cabinet took an early decision to ring fence safeguarding budgets to guard against any repetition of the Baby P tragedy. Accordingly, front line safeguarding services are not subject to any efficiency savings.

Social and Community Services

- 14 There are considerable changes underway within the Adult Social Care area and the Cabinet will continue to monitor the progress on these as the *Transforming Adult Social Care* programme progresses. The Cabinet Member and Director believe that, while there are still significant future year savings to be identified for this area, they will be deliverable in the light of the changes underway.
- 15 I am providing a further £1.1m investment to reflect changes to the continuing care the County Council provides in conjunction with the Primary Care Trust and I have also added £2.9m for Older People and £2.3m for the Learning Disabled for the Demographic pressures for 2014/15,

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building on the significant investment the County Council made last year in recognition of the growing numbers of older and disabled people who will require assistance.

- 16 I have included a roughly estimated figure of £1.4m for 2010/11 with a full year effect of £2.8m for 2011/12 onwards to deal with the non-funded element of the Prime Minister's proposals for funding Personal Care at Home. Details are still emerging on this proposal but the Government has said that they will not be providing any additional funding beyond the already insufficient amount they have provided. I am very concerned that the County Council still does not really know what this scheme will cost but also that Local Government is being expected both to provide part of the estimated funding and, apparently, to underwrite any deficiency that subsequently emerges after the pledge that the Prime Minister rushed out is fully costed.
- 17 Within Community Services, there are no proposed library closures and no plans for any closures. We will be investing in new technology to streamline the service and reduce costs while still providing the front line service across the County. Although this technology will go initially into the larger, urban libraries, I hope to see it rolled out into rural libraries where I believe technological innovation should open the way for much longer access times.

Environment and Economy

- 18 I have included in the medium term proposals, further funding of £1.5m each year from 2011/12 through to 2014/15, totalling £6m, for the additional costs of Landfill Tax based on the Government's latest increases.
- 19 On Concessionary Fares, I originally built in £3m for the additional costs of the Government's proposal that paying for these fares should transfer from District Council control to the County Council. This sum was on the basis that this was the shortfall that the Districts were currently bearing. Since then, the Government has consulted on the grant distribution and the expected outcome was that this should benefit Oxford City. However, when the Government then confirmed their intention to transfer the function to county councils, they also proposed that they would reduce the funding on the basis that local government could deliver even more efficiencies in the process! *Le plus ca change le plus c'est la meme chose!* While I have reduced the original investment I have felt it prudent to leave some funding set aside for this until I see how it will operate in practice.
- 20 Following the discussions at Scrutiny and representations from the business community, I have delayed the re-introduction of evening and Sunday on-street parking charges until 2011/12 and will seek to identify if any alternative sources of funding can be found to achieve the necessary savings. From 2010/11, I have reduced the spending on Street Scene to compensate for part of the saving withdrawn.

Community Safety

- 21 The Fire Cadet scheme was considered at Safer & Stronger Communities Scrutiny Committee to be a small sum for a very valuable service and I have therefore not pursued this saving. The scheme will therefore remain to support young people in developing good citizenship skills.
- 22 I have provided for investment in additional support (through Watch Manager posts) to retained fire stations to ensure the continuing viability of this important service in a rural area.

Corporate Core and Shared Services

- 23 There was considerable discussion at the Strategy & Partnerships Scrutiny Committee about the increasing pressures emerging in ICT. This service maintains the frontline services across the Council and I have looked again at how I can fund the pressures without having to make reductions beyond those already being undertaken to balance the current year position. I have achieved this by taking overall savings in reduced staffing costs arising from the Prime Minister's announcement of a freeze on public sector staff salaries to 1%.
- 24 Given the severe national economic and financial position and the need for restraint in public spending, I believe elected members should make a modest but important public statement about pay in the public sector by freezing their allowances at least for 2010/11. I have therefore requested the Independent Remuneration Panel to recommend a freeze in the basic and special responsibility allowances paid to elected members for 2010/11 and their report is going to the January County Council to give effect to this.
- 25 Shared Services was set up by the then Cabinet Member for Change Management to bring together back-office services from individual directorates and to deliver considerable savings over the medium term. This is being successfully delivered and I hope the County Council will be able to develop the Shared Services concept further, both within the council and with other partners.
- 26 I am proposing that the County Council uses the Efficiency Savings Reserve, achieved through the front loading of savings targets, to fund one-off costs of developing the Oxfordshire Community Network and also the additional development costs of the Customer Contact Centre. In addition, I will consider further funding requirements for the development of SAP HR if the Business Case demonstrates that further savings in Shared Services and across the organisation can be achieved through this work.

Collection Fund

- 27 Any collection fund surplus is treated as one-off investment. Provisional figures from the District Councils are currently estimated at £1.9m. If the final position continues to produce a one-off sum available to allocate, then I would advise that the County Council uses some of it as a revenue contribution to Capital so that minor works, including funding of Carbon Reduction Schemes, can be progressed. I also propose to fund the necessary improved access works at Headington Library from this Minor Works Capital, subject to agreement of a new lease with the City Council.
- 28 If sufficient funds are available, I propose that the remainder be used to reduce the savings on Property Repairs and Maintenance in 2010/11. Once final figures are reported, I will set out proposals for their use to Council.

Council Tax

- 29 I remain concerned that a Council Tax increase of 3.75% is very high in terms of current inflation levels, pay increases in both the public and private sector, state pension increases and the implied threat (of a 3% maximum) in the Local Government Minister's recent capping guidance. I had hoped to be laying before Cabinet and County Council an increase of less than 3%. However, the Prime Minister's imposition of a large part of the funding for Personal Care at Home on local government will add at least £2.8 million to the County Council's budgets in a full year. I am particularly concerned that this uncosted imposition may have significantly higher cost implications for councils like Oxfordshire who currently have a high proportion of self-funding social care clients and I am struggling to identify how this pressure imposed by the Prime Minister

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on local government in the run up to the General Election, can be funded without being a burden on the Council Tax payer. Unless I can find a solution, I fear the Council Tax increase may have to remain at an unacceptably high 3.75%. If it does, I hope we can indicate, on the Council Tax Demand, the cost of Gordon Brown's Personal Care at Home Surcharge.

Balances

- 30 In line with the Financial Strategy, the level of balances is held commensurate with the assessed level of financial risk. The year end forecast of balances was originally expected to be £12.5m, with the risk assessment for the need for balances also at £12.5m. The risk assessment exercise has been re-run and I am satisfied that the level of balances for 2010/11 and 2011/12 can be maintained at £12.5m, however, given the future unknowns, especially around Adult Social Care and Waste Management, I considered that balances in the MTFP should be increased by £1m per year, rising to £15.5m in 2014/15. I will re-assess this position annually and may have a clearer picture of the risks after the election and once the Comprehensive Spending Review is known.

Capital Programme

- 31 The Capital Programme is managed as three separate programmes i.e. Schools, Transport & Highway Maintenance and Other Services. The programme and the funding position were reviewed and it was felt that the deficit which had emerged, mainly due to the reduction in funding, could not be sustained. As a consequence, the existing Other Services programme (where schemes were not contractually committed) was reviewed and prioritised alongside those new costed schemes emerging from the Asset Management Plan.
- 32 As a result of the review, there are a number of changes to the Other Services programme which are set out in detail on the agenda. The key areas which the County Council is continuing to support are (in alphabetical order):
- (a) Abingdon Museum contribution
 - (b) Banbury Day Centre
 - (c) Banbury Library & Arts Centre
 - (d) Bicester Fire Station
 - (e) Charlbury Library
 - (f) Chill Out Fund
 - (g) Macclesfield House IT node
 - (h) Soldiers of Oxfordshire work on Museum Resource Centre
 - (i) Thame Fire Station
 - (j) Wallingford Youth Centre
 - (k) Witney Youth Centre

In addition, the following two areas were in the existing programme but needed additional funds to continue the projects:

- (a) Bicester Library
- (b) Waste Recycling Redevelopment

I have also added the following four items to the programme (in alphabetical order):

- (a) Banbury Connections Centre
- (b) Public Rights of Way – Bridges
- (c) River Thames Bank Repairs

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(d) The Net Young People's Centre Abingdon – initial feasibility

- 33 As I have explained earlier, our best hope of substantial improvement to our school estate lies in the Building Schools for the Future programme which look likely to continue after the change of government later this year. If the General Election brings a Conservative government, I very much hope a more localist approach will give the County Council more discretion as to the criteria for prioritising rebuilding and refurbishment of our own stock. I also hope the current government's obsession with Private Finance Initiative funding can be dropped.
- 34 The County Council is in the early stages of developing the Local Transport Plan 3. Members seeking significant transport investment for their Division need to follow the debate on this and to make their own input at appropriate times. For individual schemes to have any real prospect of inclusion, they will need to comply with national and regional policies and priorities. However, the real issue for the medium term is how much capital funding any government is going to be able to afford to provide for infrastructure.
- 35 As part of the development of our funding options, I have also included a number of areas into the Capital Programme where the services have identified savings which can fund the costs of prudential borrowing. In the following cases, the costs of this borrowing have either already been built into the MTFP; netted off against the savings included in Annex 3 or will only progress if the business case is sufficient to produce net savings after funding the borrowing (In alphabetical order):
- (a) Adult Services ICT System
 - (b) Extra Care Housing
 - (c) Extra Care Housing Land Acquisition
 - (d) Homes for Older People Phase 1 New Builds
 - (e) Homes for Older People Phase 2
 - (f) Learning Disability Supported Living
 - (g) Marywood
 - (h) Moorland
 - (i) Oxfordshire Studies
 - (j) Radio Frequency Identification Devices in Libraries
 - (k) Servite Agreement

Conclusion

- 36 These budget proposals have continued the two major themes of Low Taxes and New Investment
- (a) Low Taxes – the Conservative administration met its previous manifesto pledge to reduce Council Tax increases below 4% two years early. It is now planning to meet the new manifesto pledge to freeze Council Tax under a Conservative Government. I have built in the proposal that by reducing the Council's increase to 2.5%, a new Conservative Government will provide sufficient grant to enable the County Council to set a 0% increase for 2011/12 and 2012/13.
 - (b) Investment – I have reviewed our capital programme to ensure that the County Council is investing in our key priority areas: providing for Children's' Services; for Adult Social Care as well as for Highways and to alleviate the likelihood of future flooding.

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- (c) Investment – I am continuing to support the pump priming of a major new development for schools' infrastructure which will see refurbishment and new buildings in many of the County's schools.
- (d) New Investment – I am proposing to introduce a new Customer Contact Centre which will ensure that the Council's customers receive efficient and effective responses to their queries first time every time.

Cllr Keith Mitchell CBE FCA FCCA

Leader of the Council and Cabinet Member for Finance and Property

Attachment: Annex 1 - The Oxford Research Agency public budget consultation summary