County Council

10 February 2012

Additional Papers

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Peter G Clark
County Solicitor and Monitoring Officer
Head of Law and Governance

To: ALL MEMBERS OF THE COUNCIL

CC Directors and other relevant officers

Please ask for Deborah Miller
Direct Line: 01865 **815384**
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Our Ref:

Date: 06 February 2012
Direct Fax: 01865 783195
Your Ref:

Dear Councillor,

Additional Papers for Council – 10 February 2012

I enclose the following additional papers in relation to item 8 (Service & Resource Planning 2012/13 – 2016/17):

- Supplementary Report by the Assistant Chief Executive & Chief Finance Officer;
- Commentary by the Assistant Chief Executive & Chief Finance Officer on the Cabinet's budget proposals;
- Amendments by the Liberal Democrat, Labour and Green Groups (CC8 Labour), (CC8 Lib Dem) and (CC8 Green)
- Commentary by the Assistant Chief Executive & Chief Finance Officer on the above Amendments;
- Annex 6 (Dedicated Schools Grant);

Please bring these additional papers to the Council meeting on 10 February 2011.

Kind Regards

Deborah Miller
Principal Committee Officer
for and on behalf of P G Clark
County Solicitor and Monitoring Officer
Head of Law and Governance

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COUNCIL – 10 FEBRUARY 2012

BUSINESS STRATEGY AND SERVICE & RESOURCE PLANNING 2012/13 – 2016/17

Supplementary Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. The report and addenda to Cabinet on 17 January 2012 set out information known at that time on the revenue budget for 2012/13 along with the Medium Term Financial Plan (MTFP) and Capital Programme for 2011/12 to 2016/17.

2. The Final Local Government Settlement has still not been notified but the County Council's share of the District Council's collection fund surpluses has been finalised and is set out in this report. In addition, some information in respect of reserves is also provided.

Final Local Government Finance Settlement

3. From communications with Communities and Local Government, the Local Government Association understands that the current plans are for the Final Local Government Finance Settlement for 2012/13 to be debated by Parliament on 8 February 2012. As this is a matter for Parliament, confirmation of the settlement will not be given until it is debated. A further report will be provided when the settlement is confirmed along with any implications that result.

Collection Fund

4. All of the District Councils have now confirmed the County Council's share of income from collection fund surpluses and shortfalls. In total £4.019m will be received. The MTFP included an assumption of a £1.6m surplus; this is £2.419m more than included in the MTFP and is available on a one-off basis for 2012/13.

Reserves

5. The Service & Resource Planning report to Cabinet in December 2011 set out that those specific grants for 2011/12 announced after the budget had been set in February 2011 that were due to continue in 2012/13 provided additional funding and have been used towards balancing the overall budget.

6. In April 2011 the Financial Monitoring Report to Cabinet stated that, in relation to use of these grants in 2011/12, that a decision on how the extra funding was allocated should be delayed until after the outcomes of the various consultations were known. Given the outcome of the libraries consultation was only agreed by Cabinet in December 2011 it is proposed that the £2.043m remaining funding in

2011/12 is added to the Efficiency Reserve and can be utilised in 2012/13 or later years to support one-off budget proposals.

Conclusion

7. This report reflects a number of changes since the last report to Cabinet on 17 January 2012 but does not provide the final funding position for the Council. The Medium Term Financial Plan, which forms Annex 1 of the Council report, reflects all of the changes described in this report.

Sue Scane
Assistant Chief Executive & Chief Finance Officer
30 January 2012

Contact Officer: Lorna Baxter - Head of Corporate Finance
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COUNCIL – 10 FEBRUARY 2012

Business Strategy and Service & Resource Planning 2012/13 – 2016/17

Commentary on the budget 2012/13 – 2016/17 by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report sets out my commentary on the Council's overall financial position and also comments on the Business Strategy and Service & Resource Planning 2012/13 Report from the Cabinet. My commentary fulfils the requirement of Section 25 of the Local Government Act 2003.

2. My first report to Council set out information on the confirmed Collection Fund position. My supplementary report sets out finalised information on the Local Government Settlement which, now confirmed, provides a confirmed position on the funding available to the authority for 2012/13.

3. This commentary takes account of information provided in my supplementary report and the latest financial monitoring information which was presented to the meeting of the Cabinet on the 17 January 2012.

4. In this commentary I have considered the robustness of the Directorate estimates for 2012/13 and the Medium Term Financial Plan (MTFP) based on the outturn position for 2010/11; the forecast in year for 2011/12; the Directorate Business Strategies for 2011/12 – 2014/15; the priorities of the Council set out in the Corporate Plan for 2012/13 – 2016/17. I have also considered the risks and opportunities throughout the budget and how the risks have been mitigated, the estimates for strategic measures and the capital programme and the adequacy of balances and reserves.

Cabinet's Budget Proposals Overview

Context

5. With a whole series of funding reforms set to be introduced from 2013/14, planning for the medium term has never been more challenging or more important. The thorough planning started back in June 2009 when the scale of the economic challenge started to emerge has provided a strong base to respond to the financial challenges which local government now faces. Reductions to funding as part of the Spending Review in 2010 for the four years to 2014/15 which were factored into the MTFP agreed by Council in February 2011are now known to continue well into the next Spending Review period and are expected to be as much in the first two years, 2015/16 and 2016/17, as the previous four.

6. As details have not yet emerged on the Local Government Finance Bill, which will set out the changes to the funding system and the Council Tax Benefit localisation, maintaining the previous agreed assumptions for the MTFP is a reasonable position, although it will need to be reviewed once further information is received, and plans put in place to address any funding shortfall should there be one.

7. Provisional Central Government funding for 2012/13 was announced in January 2011 along with the final Local Government Finance Settlement for 2011/12 and a series of specific grant announcements. The provisional settlement for 2012/13 was announced in December 2011, and was in line with the two year announcement from January 2011. The final settlement for 2012/13, which was published on 31 January 2012 proposed no change to the provisional figures and should be approved on 8 February 2012. Draft specific grant allocations have also been confirmed. As there has been almost no change since setting the 2011/12 – 2015/16 budget and MTFP, it was reasonable for the Cabinet to continue as planned with the delivery of the Business Strategies. This has meant little change to the Business Strategies for the period 2012/13 to 2014/15

8. The budget for 2012/13 is robust and deliverable reflecting the second year of the four year Business Strategy agreed by Council in February 2011.

Directorate key risks

Children, Education & Families

9. In setting the budget for 2011/12, the setting up of the new Early Intervention service was a key risk. The service became operational in September 2011, and provides a single integrated service to families through seven hubs. Although the risk has not materialised there were further savings planned for 2012/13, which given the infancy of the service would have created further risk. The Cabinet proposal removes this risk by removing the savings required from this service. This should allow the service to develop in a stable situation.

10. In 2010/11 the Children's agency placements budget underspend by £1.145m. The latest Financial Monitoring Report to November 2011 reported to Cabinet in January 2012 set out a forecast underspend in 2011/12 of £0.775m. This reverses the trend of the previous continuing and increasing pressure on the budget and overspending. The changed position reflects a more careful use of resources with the budget being delegated to area managers who are responsible for determining needs of individual children. It still remains a volatile budget which has to react to needs but the risk of significant overspend in 2012/13 is reduced.

11. In the 2011/12 budget setting process, the Unaccompanied Asylum Seeking Children service was funded with direct expenditure, as grant income was no longer expected. However, after the budget was set in February 2011, notification was received that this grant would be paid, based on the number of clients supported. This means that there is now additional funding in this budget compared to previous years and compared to needs. The proposal is to remove

the £0.3m. As the budget provides more funding than needed, there is no risk to the service in doing this.

12. Home to school transport is another service area which has historically seen significant budget pressures and overspending. Since the transfer of the service to the Integrated Transport unit in 2007, there has been continuing reductions in spend with underspends reported annually from 2006/07 with a forecast underspend of £0.718m for 2011/12 based on the Financial Monitoring Report to Cabinet in January. Savings had been built in from 2008/09 and continue into the MTFP, but these have now been brought forward as they are expected to be achieved early.

13. The per pupil allocation for the Dedicated Schools Grant remains unchanged in 2012/13 from 2011/12. However, the funding for the pupil premium will double in 2012/13 from the 2011/12 rate. The two year local government pay freeze affects teachers as well as the Green Book staff in schools. On this basis, whilst there will be other inflationary and cost pressures to be absorbed, there will be no pressure arising from the pay award. The increase in funding arising from the pupil premium should meet inflationary pressures in schools budgets as a whole however the impact on individual schools will be different.

14. In mid-December 2011, the Prime Minister announced a troubled families' initiative aimed at turning lives around for families, getting parents into work, children attending school, reducing crime and anti-social behaviour and cutting costs for the State. Additional funding of £1.6m is proposed spanning two years to respond to this initiative. Work in Oxfordshire is already very much focussed on the more vulnerable members of the community whether in the context of their social care, educational or other needs. The new CEF structure means that the Directorate is well placed to respond, with the lead being taken, by the Early Intervention Service working in close partnership with the Youth Offending Service and Children's Social Care.

Social & Community Services

15. Due to its size, the Adult Social Care budget had the largest savings target for 2012/13 compared to other services. Delivering these in a service driven by demand was always going to be challenging.

16. Many of the savings were driven through the required changes in service in moving to personal budgets. With clients having the ability to choose their provider with personal budgets, competition was expected to and has led to a lowering in cost of home support. Linked to this, the internal home support service was closed down during 2011 with service users being transferred across to external providers. The amount of home care has increased over the last year and the budget will fund further increases in 2012/13 and future years.

17. Inflationary increases on external contracts were minimised again in 2011/12 leading to savings which were built into the MTFP. Further savings are included in the MTFP for 2012/13 to 2014/15 but there is a risk going forward that this cannot be sustained.

18. As most of the spend for adult social care is now in the form of contracts or through personalised budgets there is limited scope for reducing costs. The Homes for Older People contract is now in its tenth year of a 25 year contract. Despite this contract being at the forefront of service delivery in 2002, social care provision is now quite different from that envisaged as part of the contract. Working with the Oxfordshire Care Partnership, the council is seeking to re-negotiate the contract and provide Extra Care Housing (ECH) places and extra nursing places instead of the residential places included in the contract currently. In many cases the cost of ECH is less than that of residential care places so savings can be achieved. In addition, there is scope to increase the income to the County Council through Oxfordshire Care Partnership having more people who are funding their own care in the homes.

19. The Older People and Physical Disabilities pooled budget has in the past been managed in totality rather than as individual client groups. In 2010/11, the physical disability part of the pool overspent by £1.144m. This was carried forward to be managed in 2011/12. However, the Financial Monitoring Report presented to Cabinet in January 2012 set out a forecast overspend on physical disabilities of £1.733m which includes the overspend brought forward from 2010/11. The continuing overspend reflects the increase in client numbers over the past few years. Additional funding for demography has been provided for older people and learning disabilities for several years at the level which reflected the expected increase demand for spending. However, in the case of people with physical disabilities, there was no demography funding until very recently. A review has identified that the level of demography funding that had been provided understated the likely impact of increased demand. The proposed budget includes additional funding in 2012/13 of £0.8m to correct the underlying budget and an additional £0.206m in 2013/14 and each year beyond for demography. This should be sufficient to meet needs and provide a sustainable position going forward. The overspend in the current year has been highlighted monthly in the Financial Monitoring Reports and is likely to require a contribution from balances.

20. The older people part of the pooled budget has been supplemented this year with additional funding of £6.1m from health with PCTs transferring this funding to local authorities to invest in social care services to benefit health, and to improve overall health gain. It has now been confirmed through the NHS Operating Framework that this transfer of funding, albeit at a slightly different level, will continue for the Spending Review period to 2014/15. It was thought in agreeing the MTFP last year that the funding would only be provide for two years and a pressure of £1.5m was built into 2013/14 when it was expected to fall out and leave some residual costs. This is now proposed to be removed from the MTFP. The risk remains that the funding falls out in 2015/16 after the Spending Review period, though this would coincide if the Dilnott review proposals are implemented. Those proposals would fundamentally change the way in which social care is funded. The Government's intentions on this matter will be revealed when the White Paper on Adult Social Care is published in the spring.

21. The Council takes on responsibility for Public Health from April 2013. Funding for this will be through a ring-fenced specific grant. Shadow allocations are expected imminently with allocations for 2013/14 due to be announced at the end of 2012.

The Council has been working closely with Public Health colleagues to provide information to the Department for Health on expenditure across Oxfordshire on public health functions and in preparation for the transfer to the Council. These preparations should place the Council in a good position to take on this new function.

22. Another key change in the relationships with Health, is the move away from the Primary Care Trust (PCT) to a new GP commissioning group (GPCG). In Oxfordshire this is being developed on an almost County wide basis, with a single GP commissioning body replacing the PCT. There has been close working between the PCT, GPCG and Adult Social Care, and this should minimise the risks of any cost shunting between sectors, and lead to improvement for patients and clients to get the best care when they need it.

23. Savings of £1.3m were included in the current MTFP for 2012/13 relating to Community Transport. The proposed MTFP rephrases and reduces this saving to £0.6m by 2014/15 with savings in 2012/13 of £0.2m still being required. The changes reflect the proposal to continue providing transport for people who meet the FACS eligibility criteria. Detailed proposals are currently being developed and there is a risk that a delay in agreeing and implementing them will lead to a shortfall in the savings achieved, although now the saving requirement is reduced, it is no longer a significant risk.

24. The MTFP agreed in February 2011 included savings of £1.7m over the medium term relating to the restructure of the Libraries network. Proposals for changes went out to consultation in May 2011. The proposal, to keep all libraries open with some support from volunteers was a significant change from the original suggestion to withdraw funding from twenty libraries and a response to the public concern. The revised proposal which went out for public consultation would have saved £1.053m. Following the consultation further adjustments were agreed by Cabinet in December 2011 resulting from modifications in the volunteering levels in community and community plus libraries. The savings now total £0.986m a reduction of £0.714m compared to the existing MTFP. Of the £0.986m saving now required, £0.673m relate to changes not related to the community library proposals. These savings should therefore be deliverable.

Environment & Economy

25. The proposed MTFP includes reductions in the waste budget predicated on the continuing lower levels of waste disposal that have been seen over the past few years. There is a risk that when the economic position recovers that waste disposal increases as it can be seen nationally that during a recession or periods of low growth, that waste disposal is reduced. However if the reduction is due to changes in behaviour, the trend should be maintained.

26. Oxfordshire has one of the highest rates of recycling rates nationally. Through the Oxfordshire Waste Partnership, we have worked with the District council to achieve recycling rates that are considerably higher than the targets set out in the agreed Waste Strategy. This success has been achieved in part by a scheme of non-statutory financial incentives. Building on this success the targets in the

Strategy are being reviewed, with the potential to set higher targets still. As part of this there will be a need to review the way the current non-statutory incentives work with the expectation that this will produce a saving in the medium term, although the delivery of this will be a risk. .

27. The Council re-tendered its Highways contract last year, with a new contractor taking over from April 2011. They delivered contract savings in 2011/12, and further savings of £1.4m are required in 2012/13. In addition, there is a further pressure in 2012/13 as the contract includes an RPI increase, which is higher than the inflation allocation built into the budget, so further efficiencies will be required to deliver a balanced financial position.

28. There is also a procurement exercise underway for Property and Facilities management which is due to commence in July 2012. Savings have also been built into that procurement, and as the process is yet to be finalised these remain a risk.

29. The Customer Services operating model is planned to be extended with in Oxfordshire Customer Services (OCS) to include Human Resources and Finance. This project is linked to the implementation of an employee and manager self-service transformation. This will fundamentally change service delivery in OCS, provide a more efficient service delivery model and enable staff and managers to handle more processes electronically themselves. Savings are based on a 10% reduction in cost over the three years to 2014/15. There are risks around changing the way the organisation works, re-designing process and the implementation of a new system, however, this way of working is not unusual in other business' and the savings should be deliverable.

30. Another linked project which will deliver savings is the telephony project. This will change the method of communication from desktop phones to using the functionality provided on PC's through Windows 7 or through mobile working. This will be a major change for how people work but provides flexibility and better ways of working.

Chief Executive's Office

31. Changes in the Chief Executive's Office are deliverable in that costs relate mainly to staffing. The risk this poses is around the capacity to deliver and given the significant changes around the Open Public Services White Paper, the Localism Bill, and the Local Government Finance Bill, this will need to be managed carefully.

Overall

32. The overall impact of the directorate business strategies which combine to form the overarching council strategy, as set out in the Corporate Plan, have been recognised and resourced in the MTFP. There are risks associated with a number of the individual elements of the plans, but these are mitigated by the reserves and balances.

33. The continuing levels of change emulating from central government does provide another risk, particularly concerning the council's ability to manage that change at the same time as delivering the business strategies. However, there should be sufficient resources available in the Efficiency Reserve to manage the one-off implications of the change programme. The reserve was set up for this purpose. Given the likely smaller cost base that the Council will have by 2015/16 this is reflecting a new way of working, which will require more adaptable resources.

Balances

34. An assessment of financial risks to the budget and medium term plan has been undertaken to determine the appropriate level of balances. In setting the 2010/11 budget it was recognised that there were increased risks arising from the national economic position, with the requirement to make significant financial savings over the following 4 years. The need was identified for increasing levels of balances to ensure that any shortfall in achieving savings was able to be managed in a controlled way. In the event, the delivery of the savings in 2010/11 was achieved and the latest forecast for 2011/12 shows those targets are expected to be achieved also.

35. In addition to the risks included in previous years, in an increasingly difficult economic environment there are other risks which need to be taken into account. The consequences of a recession or the collapse of the Eurozone would be widespread, and have implications for many of the council services. There would be an increasing risk of some market failures which the Council would need to be in a position to respond to.

36. There are also further changes that the government has consulted on which will impact in 2013/14 and beyond, this means that the need for increased levels of balances over the medium term remains. In 2013/14 there are the changes in the funding of local government, as well as structural changes which include the transfer of Public Health from the NHS, and the potential for changes to Academy funding. In the following years there is likely to be changes in Adult Social Care funding arising from the Dilnott review, as well as the impact of the 2014 Spending Review, of which the current expectation is for further reductions being required from local government funding.

37. The Cabinet has accepted the recommendation to maintain the increasing levels of balances from 2012/13 to 2015/16. The level of balances is reviewed on an annual basis and once certainty of these risks is clarified then adjustments can be made at that time.

Reserves

38. Estimated earmarked reserves at the start of 2012/13 are now higher than estimated this time last year for a number of reasons. Firstly, school reserves are now higher than previously estimated, although these are expected to decrease as funds held for specific projects are spent. As schools transfer to Academies any balances, whether surplus or deficit will also transfer.

39. The second element of reserves, which has increased from previous year estimates relates to the carry forward reserve. This is the reserve into which the year-end directorate balances are transferred. The treatment of this changed due to the introduction of the IFRS for the 2010/11 accounts, which meant that unspent specific grants had to be treated as a carry forward rather than a receipt in advance. This increased the apparent level of reserves by around £6m.

40. The final element relates to additional reserves being created to help manage the decreasing base budgets from services, to fund specific pieces of work. These are mainly small in nature, generally less than £0.5m.

41. There are a number of corporate reserves which we would also expect to be holding, such as for insurance and capital. There is however, a plan for the majority of reserves to be utilised over the medium term planning period, which is evident in the reducing balance by 2015/16.

42. One reserve worthy of specific comment is the Efficiency Reserve. It was created in 2009/10 to help manage the investment needed for service redesign, efficiencies to be delivered and for redundancy costs. It now anticipated that it will be used through to 2015/16 by which time there should be more clarity on the ongoing financial position, and any ongoing impacts would need to be built into the base budget.

Inflation

43. The proposed MTFP provides no changes in inflation assumptions from the existing plan with increases of 2% for non-pay budgets and 3% for contracts.

44. The high inflation figures seen since the middle of 2011 are expected to reduce in early 2012 as the impact of the VAT increase in January 2011 falls out and previous steep increases in import and energy prices. The weaker global economy will also reduce inflationary pressures and the Bank of England and other forecasters expect the Consumer Price Index (CPI) for inflation to be near to its 2% target by the end of 2012. On this basis, the 2% increase for non-pay inflation seems adequate.

45. There is some risk around contracts, especially where they are subject to indices such as the Retail Price Index (RPI) or the Baxter Index which are often higher than CPI. In these cases, Directorates will need to manage any difference between the index that needs to be applied to the contract and a 3% inflationary uplift on the budget.

46. In his Autumn Statement, the Chancellor announced a cap in public sector pay of 1% beyond the two year freeze for 2013/14 and 2014/15. He also stated that departmental budgets would be reduced accordingly to reflect the cap. On that basis, it is expected that the reduced cost to the council will be offset by reduced Formula Grant funding. So whilst a 2.5% increase is included in the MTFP is 1.5% more than is needed taking into account reduced Formula Grant equivalent to 1%, effectively the excess provision is 0.5%. It is considered prudent to retain this sum

as a contingency should there be any pay groups which are awarded a pay increase higher than the 1% cap.

Strategic Measures

47. The risks around the Treasury Management function have for the past four years been around the stability of the banking sector, the emerging Eurozone crisis, and a lack of domestic and global growth giving rise to a recession. This has been managed by reducing the exposure to banks generally and foreign banks in particular. There has also been a reduction in the length of any deposits, in order to reduce risk. The ongoing risk remains however, that there is a collapse of one of the major UK banks or the unmanaged dissolution of the Eurozone, and the government does not provide support to the sector. If that does happen, then the impact will be broader than just on strategic measures, or indeed the Council.

48. The proposed MTFP includes reductions in interest receivable on deposits based on prudent levels in the assumed level of Bank rate and rate of return. The proposed MTFP is now based on the Bank rate remaining at 0.5% until 2016. At this time last year the economic outlook was much more positive with markets expecting a rise in UK interest rates in the summer of 2011 rising to 2.75% by June 2013.

Council Tax levels

49. The existing MTFP included a Council Tax increase of 2.5% for 2012/13. The Cabinet is proposing to utilise the Council Tax freeze grant which was announced in October 2011and set a zero increase from the 2011/12 level. In their proposed MTFP, the Cabinet has built in the implications of the 2012/13 Council Tax Freeze Grant being one off only and the on-going implications this has from 2013/14.

50. The existing MTFP includes Council Tax increases of 3.75% in the years beyond 2012/13 and the Cabinet's proposed MTFP does not change this. This will need to be reviewed each year in light of the provisions in the Localism Bill where excessive increases in Council Tax will trigger a referendum. The Secretary of State will determine the excessiveness principles above which an authority is required arrange a referendum seeking the support of the local electorate. For 2012/13, Council Tax increases that exceed 3.5% will trigger this referendum requirement. The Localism Bill also abolished the capping regime. The Council could if it wished seek to hold a referendum to have a higher increase, but need to be mindful of the costs and the implications.

Capital

51. When setting the 2011/12 Capital Programme a firm programme was agreed for 2012/13, with a provisional programme for 2013/14 – 2016/17, although the additional funding for 2016/17 was not included. The programme now presented confirms the programme for 2012/13 and 2013/14, and the provisional programme for 2014/15 – 2016/17 but now includes an estimate of the additional funding available in 2016/17.

52. The major elements of the programme relate to Education and to Transport and growth related infrastructure. Both of these are subject to substantial changes arising from the Government, particularly in the area of Education, and the estimates included in the programme are therefore subject to more likelihood of change than in the past. Whilst the proposal remains for a firm programme for two years, the level of capital investment for the five year planning period is subject to change in line with funding.

53. The capital proposals address the reduction of £3.5m from the education settlement, which was partly from structural maintenance allocation and partially from basic need announced in December 2011. The structural maintenance reduction arises from the schools that have converted to academies or are about to. The Department for Education are passing the capital maintenance funding directly to academies and further relatively large reductions may be expected on an annual basis. This will impact on the remaining amount available for the authority to allocate compared to the number of maintained schools. Therefore, the assumptions for future year's allocations of capital maintenance have also been reduced by 50% to reflect the likelihood of further academy conversions.

54. The reduction in the basic needs allocation is mainly due to a change in the methodology for allocating funding for pupil places; the methodology now includes both numbers on roll and capacity data. The Basic Needs allocation has been protected through the reduction of the Schools Access Initiative (SAI) Programme. The council will continue to be responsible for Basic Needs irrespective of the mix of maintained, academy or free schools. New schools to be delivered as part of the new developments in growth areas will have an impact on the possible mix within the sector and will therefore make the allocation of basic needs more complex in the future.

55. The programme includes the establishment of a Rolling Fund by April 2012 to support growth through addressing infrastructure bottlenecks in the County. Consideration will be given to the allocation of the Growing Places Fund currently being set up by the Local Enterprise Partnership (LEP) and to the schemes identified through the Infrastructure Framework, as there may be a need to align programmes of investment or provide match funding for some of these schemes.

56. The remaining programme then applies the prioritisation principles as set out in the Capital Strategy, with schemes under categories 1 – 4 being included, but with a small number of schemes remaining on hold. Options appraisals will be carried out for these schemes to facilitate decision-making ahead of the next capital budget setting process.

57. The latest Capital Programme as reported to Cabinet in January for 2011/12 was £69.0m (excluding devolved schools capital). The latest 2011/12 programme attached to the Cabinet's proposal shows a decrease in planned spend to £64.0m. The actual and committed spend to the end of December 2011 was 84% providing greater confidence in the deliverability of the agreed programme by the end of March 2012.

58. The traditional streams of funding the capital programme are likely to reduce over the medium term. In addition to the likely reduction in capital grant associated with the reductions in public sector funding, there will be reductions related to schools converting to academies; and therefore potentially less capital receipts. There are a number of alternative funding models which could replace these such as Public Private Partnership, Private Finance Initiative, Local Asset Backed Vehicles and Tax Increment Financing. Use of any of these models would need to be considered very carefully as they are much longer term vehicles, tend to require revenue commitments and are potentially higher risk.

59. The introduction of the Community Infrastructure Levy as a new tariff based mechanism for contributions from developers towards infrastructure should provide greater flexibility and a more predictable funding stream than the current Section 106 arrangements. However, it is still not clear what the tariff/ levy income can be spent on, how it will be apportioned, how it will be transferred from charging bodies to infrastructure delivery organisations, and how it will affect the future of the S106 agreements. This gives rise to some risk in the funding of capital infrastructure over the medium term.

60. Overall, the proposed programme is balanced with sufficient level of contingencies. The provisional nature of the future years' programme will mean that the Council has some flexibility to respond to changing or unforeseen requirements or changes in funding. However any significant change in the future years' funding will require a more thorough review of the programme as part of the Service & Resource Planning process.

Local Government Finance Bill

61. Whilst some details on the localisation of business rates have been set out as part of the Local Government Finance Bill, it is still too early to tell what the implications are for individual authorities. More detail is expected in the spring 2012, though it is not expected that we will know the draft funding levels until December 2012, as part of the draft Local Government Finance Settlement.

62. The funding assumptions for future year grant in the Cabinet proposal have remained on the basis of information on changes expressed at the national level from the Chancellor's Budget and Autumn Statement.

63. In addition, the localisation of Council Tax benefits is included in the Finance Bill. This will require Billing Authorities to propose their own scheme for Council Tax benefit, and manage the financial implications of that scheme, with a consequent impact on precepting authorities. As the implications of this change can't yet be quantified it has not been built into the Cabinet's proposals, although, along with the localisation of business rates it has fed into the justification for holding higher levels of balances in future years.

Academies

64. The Department for Education (DfE) issued a consultation in December which changes the methodology for deducting funds from Formula Grant to be passed to

Academies to meet responsibilities which to the Academy upon conversion. For 2012/13, Communities and Local Government (CLG) will calculate the cost of Local Authority Central Services Equivalent Grant (LACSEG) towards the end of the 2012/13 financial year based on the actual number of pupils in Academies in each authority. This is a change from the current methodology which removes funding on a pro-rata basis nationally. Where the costs of LACSEG estimated are less than the amounts removed from Formula Grant, CLG will refund the difference through an un-ring fenced specific grant. Where costs are above the amounts removed, no additional funding will be recovered from Local Authorities. On this basis there is no risk to Formula Grant funding for 2012/13.

65. A permanent solution is however from 2013/14 is being sought as part of the Local Government Resource Review. CLG will explore removing all funding from the Local Authority and transferring it to the DfE. The DfE would then administer a grant to Local Authorities and Academies proportionate to the number of pupils for which they are responsible according to a national rate. There is a risk that the amount returned to the Local Authority could be less than it currently spends in support of those pupils, thereby creating a pressure on the budget.

66. When schools transfer to Academy status, the Local Authority does retain some responsibilities such as home to school transport, SEN provision, exclusions, pupil placed planning (which links to capital basic needs) and some responsibilities around admissions. The financial implications of these are not currently possible to determine as it will partly depend on the number of schools converting and their individual arrangements.

67. There are also potential financial implications around the loss of traded services income in Oxfordshire Customer Services. Currently there is a good take up of traded services by schools who have converted to Academies and there are no immediate financial implications. The loss of income from all secondary schools and several primaries could also be managed. It would result in some staff reductions, but the services could be scaled back to accommodate the reduction in income. However, in the longer term the position is extremely uncertain. Whilst there is currently good take up of services and few Academies, future income is not guaranteed. As the market for provision of services such as payroll and finance expands there is less certainty that services will be bought back. It is likely in the longer term that there will become a point at which the loss of income will reach a tipping point where the provision of traded services is not viable.

Pension reforms

68. There are no pension changes built into the proposals for 2012/13, which is the second year of the Local Government Pension Scheme (LGPS) tri-annual revaluation. There are however, proposals from Government which are being negotiated with the unions which could affect the pension liabilities of the council in the medium term period.

69. It was originally envisaged that a revised LGPS would be introduced from April 2015, and that there would be increases in employee rates from April 2012. This could have required a reduction in the Employer rate, although it was unclear how

this could have been actioned without legislation. In addition to union protest, there had been concerns that given the freeze on pay the increases in employee rates could have led to a reduction in scheme membership. This could have multiple impacts: in future years it could lead to more resource requirement for the council as people had less pension provision to look after themselves; more immediately, if there was a decrease in membership of the scheme it could lead to a cash flow deficit, if the pension liabilities outweighed the contributions from serving members.

70. Following negotiation with the unions, whilst these have not yet concluded, it now appears possible that the new scheme will be introduced a year earlier, from April 2014, but that there will not be employee increases from April 2012. In the light of the continuing uncertainty it is reasonable for no changes to be made at this time to the previous revaluation proposals built in to the plan. The employers' pension provision will need to be reviewed on an annual basis.

71. In addition to LGPS some Council staff are also impacted by the Fire Fighters Pension Scheme and the Teachers' Pension Scheme. Changes are being proposed to both of these as well, although unlike the LGPS they are not funded schemes with the employer contribution rates being set by Government. There are no proposals to change the employer rate, the proposed changes increase in members' which are deemed necessary to address the imbalance between the employer and employee contribution rates.

Statement of Assurance

72. I have made a thorough examination of the Cabinet's Budget proposals as set out above. I am satisfied that the budget proposals are sufficiently robust, recognising the risks discussed. This constitutes my Statement of Assurance on the Budget proposals 2012/13 - 2016/17 under Section 25 of the Local Government Act 2003.

Sue Scane
Assistant Chief Executive & Chief Finance Officer

2 February 2012

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COUNCIL – 10 FEBRUARY 2012
SERVICE AND RESOURCE PLANNING – 2012/2013
Report by the Leader of the Opposition

Introduction

1. The Liberal Democrat opposition have always made it clear that the Council needs to invest in the basic frontline services that local people rely on every day. Our budget concentrates on three priorities: children and young people, elderly and vulnerable people and communities.

2. We have already seen evidence of the adverse impact that changes to youth services and to services for the elderly are having, and we have put forward some measures to ease the pain within the financial constraints that we have to accept. Part of the solution lies in helping communities to work together with the council; this needs starter funding, but not necessarily on-going costs.

3. We set out in the Annex our proposals to amend the Cabinet's budget to invest more in these priorities, whilst making savings to back office functions and income-generating proposals, and setting a council tax increase of zero in the first year.

Investment and saving proposals

Children, Young People & Families

4. Our children are our future. Every child should be given the best possible start in life. Our amendments put an additional £1.230m into the Children, Young People & Families budget.

5. We are very pleased that the Cabinet has seen fit to maintain child protection services, and we agree with this priority.

6. We consider the youth service has undergone radical changes, especially in the way the service is now run. However, as the new 'hub' models are still bedding in, we believe that by investing an additional £0.210m to employ extra outreach youth workers, or full time equivalent, but working across the whole area and spread across 3 years, this will enable some basic support for the youth service during this transitional period. This is a modest increase, on which we would hope to build when the financial situation is better.

7. We are concerned by cuts in grants, and will instead provide an additional £0.090m each year in grants to youth organisations and advice centres.

8. We are providing £0.700m towards family intervention projects. We know that this is an area where the Coalition government has committed to giving match funding help where it is needed most to enable real support

and early intervention to support struggling families. If not addressed, then this brings increased costs to the council in future years. This will also help the council in its objectives to help break the cycle of deprivation.

9. Finally, we understand how important it is for some who do not speak English as their first language, but who are trying to function in society, to have help with basic English classes. We have therefore, proposed to spend £0.050m in this area, which we believe will also help attainment in schools by engaging parents better with teachers and children‘s services.

Adult social care

10. Adult social care is facing dramatic changes in Britain as people live longer. Our residents should grow older feeling valued, fulfilled and healthier. We are therefore investing an additional £3.820m in social care services for adults.

11. Without the voluntary effort of family and friends, the quality of life of disabled, ill and elderly people would be much lessened, and more people would of necessity have to rely on limited and cash-strapped social and health services. We want to show these carers how valuable they are, and to provide them with the support they need, including respite. We therefore invest an additional £0.200m a year in family carers.

12. We know how important it is to ensure that people are able to stay in their own homes, however this can be difficult for the elderly or those with disabilities. We therefore propose investing £0.250m each year for occupational therapists and £0.050m on the equipment budget for the elderly and vulnerable.

13. We are very concerned about the measures to charge for transport to Day Centres and the effect this may have on the users of the day centres. We therefore propose not taking the savings in this area until plans are in place to deal with this which totals £1.3m over the next 3 years.

14. Finally, because we understand the problems with the complicated assessments for those with learning disabilities, mental health needs and other cases, we propose £0.340m a year towards helping to alleviate this situation.

Community Services

15. We propose £0.100m for support to Post Office regeneration, knowing how vital this service is to our communities particularly in rural areas and that now is an opportunity to do this especially as Oxfordshire has been chosen as one of the 25 pilots in the Coalition government’s programme with Post Office Ltd.

Roads and the environment

16. We recognise that Oxfordshire's highways continue to need investment. However, we accept that the use of the Area Stewardship Fund is a new mechanism to ensure that maintenance work and other schemes previously covered by the highways budget can be spent in the different localities in the county. We support this and believe that more investment could be made in this area and therefore propose an additional £0.600m to go into this fund.

17. Public transport is important in our rural county and we propose an additional £0.050m a year to spend on bus subsidies.

18. We are pleased to put £1m in our Capital budget to ensure early design work can begin on the railway station at Wantage Road, Grove in line with the aspirations of the Oxfordshire Rail Transport Strategy. We believe it is important that the County Council show real commitment to this project.

Savings

19. We pay for this investment in front line services by cutting backroom functions, by cutting reserves, by energy efficiencies and by potentially increasing income.

20. We note that our previously proposed savings in many backroom functions have been accepted now by the Cabinet. However, we feel that a small additional saving can still be made from the marketing budget.

21. We make some changes to reserves:
    - contributing £1.059m from balances
    - contribution from the Efficiency Reserves
    - reducing the Change Fund which we think is over inflated

22. We believe that there are more energy efficiencies which can be made by reducing energy use across the council and we are therefore taking an additional saving of £0.050m a year in this area.

23. There is a Collection Fund surplus of £2.419m that can be used.

24. Taking £0.500m from the pensions past service deficit budget in Strategic Measures in the second year. There is so much uncertainty about pensions for 2014/15 so we will reassess our position nearer the time and make good any shortfall if needed.

Council Tax

25. We accept the zero Council Tax rise this year, because it is being funded by Government. In the following two years, we propose Council Tax rises in line with the Cabinet proposals.

Conclusion

26. We consider that these amendments show our commitment to investing in our priority, frontline services, whilst removing the worst excesses of the Cabinet's cuts, particularly in Adult Social Care where the sweeping cuts are hitting the most vulnerable in our society. They strike a balance between spending on the essential services that residents in our community rely upon and the need to keep Council Tax levels as low as possible.

27. **We therefore RECOMMEND Council to approve:**

    (a) a budget for 2012/13 and a medium term financial plan for 2013/14-2016/17 as amended in Liberal Democrat Annex 1;

    (b) the Council Tax for 2012/13 as set out in that annex and in particular a Council Tax for Band D equivalent properties of £1161.71.

COUNCILLOR ZOE PATRICK
Leader of the Opposition

Liberal Democrat Group
Budget Amendments

Year on Year	2012/13 £000	2013/14 £000	2014/15 £000	Total Investment Over 3 Yrs £000
Additional Savings/Funding				
Social & Community Services				
Charge for Museum entry		-150		-300
Chief Executive's Office				
Marketing Budget	-50			-150
Reduce Change Fund	-100			-300
Cross Directorate				
Savings in Energy Usage	-50			-150
Contribution from Balances	-1,059	1,059		-1,059
Reduction in Strategic Measures Pensions Past Servcie Deficit Budget		-500		-1,000
Contribution from Efficiency Reserve - Grants	-2,043	2,043		-2,043
Collection Fund Surpluses	-2,419	2,419		-2,419
Contribution to/from Efficiency Reserve	2,631	-3,771	-100	251
TOTAL ADDITIONAL SAVINGS/FUNDING	**-3,090**	**1,100**	**-100**	**-7,170**
Additional Investment				
Children, Education & Families				
Youth workers (outreach - one per hub)	60	150		480
English Classes for Speakers of Other Languages (ESOL)	50	-50		50
Family Intervention Projects	500	-400		700
Social & Community Services				
Occupational Therapists for the Elderly	250			750
Equipment Budget for the Elderly	50			150
Transport for Day Centres	200	300	100	1,300
Learning Disability & Other Client Assessments	340			1,020
Support for Carers	200			600
Environment & Economy				
Area Stewardship Fund	200			600
Additional Bus Subsidies	50			150
Chief Executive's Office				
Support for Post Office Regeneration	100	-100		100
Cross Directorate				
Grants to Youth Organisations and Advice Centres	90			270
Contribution to Capital for Grove Railway Station	1,000	-1,000		1,000
TOTAL ADDITIONAL INVESTMENT	**3,090**	**-1,100**	**100**	**7,170**
NET EFFECT ON BUDGET	**0**	**0**	**0**	**0**

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COUNCIL – 10 FEBRUARY 2012

Business Strategy and Service & Resource Planning 2012/13 – 2016/17

Report by the Leader of the Labour Group

RECOMMENDATION

1. The Labour Group RECOMMENDS Council to approve the recommendations set out in the report of the Cabinet subject to the following amendments:

(a)(7) virement arrangements for 2012/13 as set out in (Labour) Annex 7.

COUNCILLOR LIZ BRIGHOUSE
Leader of the Labour Group

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(CC8 Labour Annex 7)

Service & Resource Planning 2012/13 - 2016/17
Virement Rules 2012/13

Introduction

1. Under the Constitution the Council is required to specify the extent of virement within the approved budget which may be undertaken by the Cabinet. Any other changes to the budget are reserved to the Council, other than any changes necessary to ensure compliance with the law, ministerial direction or government guidance.

2. Virement for these purposes is taken to include:

   - the transfer of net budget provision between budget heads as set out in the budget approved by Council;
   - changes to gross income and gross expenditure[1];
   - the transfer of funds from balances by way of a supplementary estimate.

3. Temporary virements only affect the current financial year. Permanent virements affect the current financial year and all future financial years.

Virements requiring Council approval

4. Council agree the budget for the forthcoming financial year in February each year. The approval of Council, based on a recommendation from Cabinet, is required for any subsequent virement which:

   a) Is a permanent virement and involves a major change in policy[2]; or

   b) Involves the one-off transfer of funds of £500,000 or more between revenue and capital budgets; or

   c) Is a temporary virement, involves a major change in policy and is for £500,000 or more; or

   d) Where in the opinion of the Chief Finance Officer a Council decision is required.

   The Chief Finance Officer must consider if virements involve a major change in policy.

5. These provisions are reviewed annually as part of the budget setting process.

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[1] The net effect of these changes is nil but the effect on expenditure and income is subject to approval as set out in these rules.

[2] Each plan and/or strategy is agreed by Council and comprised in the policy framework. As set out in the Constitution Article 4, paragraph 2 and Part 3.2 of the Constitution.

Virements for which the Cabinet is responsible

6. Virements that are not the responsibility of the Council become the Cabinet's responsibility. Cabinet must consider:

a) The remaining one-off virements that transfer funds between revenue and capital budgets and have a value of less than £500,000.

b) Any permanent virement worth £250,000 or more that does not involve a major change in policy;

c) Any temporary virement that involves:

i. A major change of policy and is worth £250,000 or more but less than £500,000; or
ii. No major change of policy and is worth £250,000 or more.

d) Any delegated virements that the relevant Cabinet member have concerns about that have been referred to the Cabinet for approval,where in the opinion of the Chief Finance Officer a Cabinet decision is required or where a permanent change to the staffing establishment will result from the virement.

Virements delegated by the Cabinet

7. Cabinet delegates responsibility for the remaining permanent and temporary virements as follows:

Permanent virements

a) Responsibility for agreeing permanent virements that do not involve a major change in policy, or a permanent change to the staffing establishment and are worth less than £250,000 is delegated to the relevant Director and Chief Finance Officer (or their nominated officer) subject to the approval of the relevant Cabinet member as part of the monthly financial monitoring process.

Temporary virements

b) Responsibility for agreeing temporary virements worth less than £250,000 but greater than or equal to £100,000 is delegated to the relevant Director and Chief Finance Officer (or their nominated officer) subject to the approval of the relevant Cabinet member as part of the monthly financial monitoring process.

c) Responsibility for agreeing temporary virements worth less than £100,000 but greater than or equal to £50,000 is delegated to the relevant Deputy Director or Head(s) of Service. These virements should be reported as part of the monthly financial monitoring process.

d) Responsibility for agreeing temporary virements worth less than £50,000 is delegated to budget holders and managers affected.

8. Where a decision by Council or Cabinet has already specified that temporary or permanent virements will result and there is a permanent change to the staffing establishment the virements should be first agreed and then actioned by the relevant budget holders and managers affected. If there are disagreements, an arbitration process will be led by the Chief Finance Officer.

9. Any delegated virements that the relevant Cabinet member or Chief Financial Officer have concerns about must be referred to the Cabinet for approval.

Monthly monitoring

10. As part of monthly financial monitoring procedures directorates should be forecasting the full year outturn position. Where action plans to address potential overspends do not reduce the forecast overspend, temporary virements should be made from underspendings elsewhere to reflect the forecast overspend that is not covered by measures in the action plan. Action plans that address overspends of £500,000 or more within a budget head as set out in the budget agreed by Council, or where the S151 Officer has raised a concern, should be approved by the Chief Finance Officer and the Cabinet Member for Finance and noted in the Financial Monitoring Report to Cabinet.

11. When virements are reported they will be assumed to be temporary virements unless it is specifically stated that they are permanent virements.

Cumulative virements

12. Successive virements to or from the same budget will produce a cumulative effect. If the cumulative effect would require approval at a higher level – for example by Council instead of the Cabinet, this should be obtained.

13. Once the higher level of approval has been obtained for a cumulative virement the cumulative total is reset to zero. This means that any subsequent virement is a separate request that should be treated as set out above.

Chief Finance Officer Powers

14. If directorates do not make virements in accordance with the Virement Rules the Chief Finance Officer has the power to make other virements to remedy the position.

Who approves a virement?

<table>
<tr><th></th><th colspan="2">Permanent virements</th><th colspan="2">Temporary virements</th></tr>
<tr><th>Description of the virement</th><th>Major policy change</th><th>Not a major policy change</th><th>Major policy change</th><th>Not a major policy change</th></tr>
<tr><td colspan="5">Council must always decide in the following cases</td></tr>
<tr><td>Where there is one – off transfer between revenue and capital budgets of £500,000 or more</td><td>Not applicable</td><td>Not applicable</td><td>Council (4b)</td><td>Council (4b)</td></tr>
<tr><td>Where in the opinion of the Chief Finance Officer a Council decision is required</td><td>Council (4a) and (4d)</td><td>Council (4d)</td><td>Council (4d)</td><td>Council (4d)</td></tr>
<tr><td colspan="5">In other cases, the value and type of the virement determines who decides</td></tr>
<tr><td>Where there is a one-off transfer between revenue and capital budgets of less than £500,000</td><td>Not applicable</td><td>Not applicable</td><td>Cabinet (6a)</td><td>Cabinet (6a)</td></tr>
<tr><td>£500,000 or more</td><td>Council (4a)</td><td>Cabinet (6b)</td><td>Council (4c)</td><td>Cabinet (6c) ii</td></tr>
<tr><td>Less than £500,000 but more than or equal to £250,000</td><td>Council (4a)</td><td>Cabinet (6b)</td><td>Cabinet (6c) i</td><td>Cabinet (6c) ii</td></tr>
<tr><td>Less than £250,000 but more than or equal to £100,000</td><td>Council (4a)</td><td rowspan="3">Director and Chief Finance Officer subject to approval by the relevant Cabinet member (7a)</td><td colspan="2">Director and Chief Finance Officer subject to the approval of the relevant Cabinet member as part of the monthly financial monitoring process (7b)</td></tr>
<tr><td>Less than £100,000 but more than or equal to £50,000</td><td>Council (4a)</td><td colspan="2">Deputy Director or Head(s) of Service and reported as part of the monthly financial monitoring process (7c)</td></tr>
<tr><td>Less than £50,000</td><td>Council (4a)</td><td colspan="2">Budget holders and managers affected (7d)</td></tr>
<tr><td>Previous decision by Council or Cabinet specifies that virements will result.</td><td colspan="4">Budget holders and managers affected subject to an arbitration process by the Chief Finance Officer (paragraph 8)</td></tr>
<tr><td></td><td></td><td colspan="3">Any of the virements in shaded boxes must be referred to Cabinet for decision if the Chief Finance Officer or relevant Cabinet member has concerns about them (6d) and paragraph 9. Any permanent virements which impact on the staffing establishment will need Cabinet approval (Paragraphs 7a and 8).</td></tr>
</table>

COUNCIL – 10 FEBRUARY 2012
SERVICE AND RESOURCE PLANNING – 2012/2013

Green Group Proposed Budget Amendments

WE CAN'T STAND IDLY BY

1. The Conservative budget is a disaster for severely disabled people of all ages in Oxfordshire. There were cuts last year in services for Older People, for people with Learning Disabilities, for people with Physical Disabilities, and for people with Mental Health problems; there are cuts this year, and the promise of worse to come. The services that are affected are not luxuries. They help people get out of bed, to get dressed, to wash, to eat, to get out and have a life. The starting point for these cuts was an already inadequately funded service.

2. A County Council cannot completely protect even its most vulnerable residents because so much depends on national government grants, which have been slashed. The Conservative/Liberal Democrat government has embarked on a long-term programme of cutting public services. We predicted last year that the cuts would weaken the economy and increase the national debt. We have been proved right. The Government is trying to rescue the situation by printing tens of billions of pounds. This will also fail. The weakening of the economy will increase unemployment, increase the national debt and lead to calls for further destruction of local government.

3. Even if we were wrong about the effect of the cuts on the economy we would still budget for better Social Services. This is a rich county in a rich country. For us to deliberately develop plans which leave thousands of people in conditions which threaten their health and dignity is wrong. Two weeks ago AGE UK said that their research revealed that England is in "a social care crisis". They were supported by the Alzheimer's Society which said "It is completely unacceptable that spending is falling in this vital area." This applies with equal force to Oxfordshire.

4. These amendments are an attempt to deal with this crisis and other shortcomings. Over the five years (2012-2017) of the Medium Term Financial Plan (MTFP) we propose to make available an additional £56 million pounds.

HOW WE WOULD RAISE THE EXTRA MONEY:

5. First is a question of priorities. There is no reason why Oxfordshire's Park & Rides should be subsidised at the expense of people desperately trying to make a life for themselves. A modest £2 a day

maximum parking charge would bring in £4.5 million during the period of the MFTP.

6. The larger amount of extra money that we raise is through an inflation–based increase in Council Tax of 3.5%. We do not do this lightly, because we know that the £40 a year (£3.38 per month) extra payment is a lot of money to many people. It is because of this that over the last five years the Green group has proposed the lowest increases of any Party in the County Council. But this year we are convinced that the crisis has to override this concern.

7. The Coalition Government has offered a 2.5% grant to authorities which freeze their Council Tax. It is, on the face of it, attractive. In reality it is a device for accelerating cuts. Freezing the tax revenue would result in needing an 6.5% increase the next year- or large cuts in public services.

HOW THE EXTRA MONEY WOULD BE USED:

We would be able to restore nearly £24 million to Social Care.

8. In addition, we would invest £3.355 million to keep our libraries fully professionally staffed, prevent homelessness, which is rising rapidly, expand Credit Unions which keep poor people from having to use loan sharks and provide English language classes so that our new citizens are able to fully participate in the life of our community We would expand the successful Apprenticeship system by £1.5 million.

We would also invest £6.1 million to bring in about £35 million for the people of Oxfordshire.

9. We do this by providing free home insulation to all the households in the poorest areas of the County. The £3.5 million we invest would attract about £10 million from utility companies under their Carbon Emission Reduction Target obligations. This would virtually end fuel poverty in the County. Thousands of people would be rescued from the pain and ill effects of cold and would be able to save £15 million, over the 5 years in reduced energy costs. This is money which they would spend locally rather than paying to the energy companies. We would increase the amount of Debt and Benefit advice for people with disabilities and for those being affected by the long recession by £2.5 million over 5 years. There are hundreds of millions of pounds of unclaimed pensions and disability benefits in a county like Oxfordshire. Past experience suggests this would bring at least an additional £20 million into the County.

BRINGING EXTRA EMPLOYMENT TO THE COUNTY:

10. The insulation work will provide about 100 decent-paying jobs; the increase in spending on Apprentices would pay for about 30 more apprentices per year. About 200 more people would be needed to provide the additional care services, for a total of over 300 useful jobs.

RESERVES:

11. The Conservative's balance their budget by using over £11m from the Efficiency Reserve. After 3 years, when this reserve has been spent the Conservative plans leave the County £5.5million in the red, necessitating more cuts or a Council Tax increase. By contrast, at the end of 5 years of this MTFP, we would need to make £5.9million less savings and would have over £10million left in the Efficiency Reserve to allocate.

RECOMMENDATIONS

12. We RECOMMEND Council to approve:

(1) A budget for 2012/13 and medium term financial plan for 2013/14 – 2016/17 as amended in Green Group Annex 1;
(2) A Council Tax Requirement for 2012/13 of £294.455m
(3) The Council Tax for 2012/13 as set out in that annex and in particular a Council Tax for Band D equivalent properties of £1,202.25

COUNCILLOR LARRY SANDERS

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Green Group Budget Amendments

Year-on-Year	2012/13 £000	2013/14 £000	2014/15 £000	TOTAL OVER 3 YEARS £000
Funding				
Increase Council Tax by 3.5% in 2012/13 (ongoing)	-2,817	-449	-472	-9,821
Remove Impact of Council Tax Freeze Grant Falling Out		-7,113		-14,226
Income from Charging at Park & Rides - £2 per day	-900			-2,700
Contribution from Efficiency Reserve (one-off) - unallocated grants in 2011/12	-2,043	2,043		-2,043
Collection Fund Surplus (one-off)	-2,419	2,419		-2,419
Total Funding Available	**-8,179**	**-3,100**	**-472**	**-31,209**
Investment				
Reduce Savings in the Older People service area	1,436	776	154	6,014
Reduce Savings in the Learning Disability service area	700	1,000		4,100
Reduce Savings in the Physical Disability service area	276	119	98	1,164
Reduce Savings in the Mental Health service area	100	50	50	450
Remove saving for Transport for Day services	200	300	100	1,300
Libraries - remove community library element of saving	73	120	120	579
Children's Services - Prevent Homelessness	100			300
Supporting People - to meet increased demand in homelessness	100			300
Advice and Advocacy	500			1,500
Credit Union	100	-50	-50	150
English Classes for Speakers of Other Languages (ESOL)	200			600
Additional Apprentices	300			900
Revenue Contribution to Capital for Insulation	3,584	-3,584		3,584
Total Additional Investment	**7,669**	**-1,269**	**472**	**20,941**
Net Effect on Budget	**-510**	**-4,369**	**0**	**-10,268**
Green Group Contributions from the Efficiency Reserve to balance the MTFP	0	-633	-24	**-1,290**

	2012/13	2013/14	2014/15
Cabinet Council Tax Increase	0.00%	3.75%	3.75%
Band D	£1,161.71	£1,205.27	£1,250.47
Green Group Council Tax Increase	3.49%	3.75%	3.75%
Band D	£1,202.25	£1,247.34	£1,294.12
Difference Per Year	£40.54	£42.07	£43.65
Difference Per Week	£0.78	£0.81	£0.84

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Division: N/A

ITEM CC8

COUNCIL – 10 FEBRUARY 2012

BUSINESS STRATEGY AND SERVICE & RESOURCE PLANNING 2012/13 – 2016/17

Commentary on the Opposition, Labour and Green Group's amendments to the proposed budget 2012/13 – 2016/17

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report needs to be read in conjunction with my reports to the Council on the Business Strategy and Service & Resource Planning 2012/13 – 2016/17, which sets out my commentary on the Council's financial position overall including the adequacy of reserves and balances.

2. The Opposition (the Liberal Democrat Group), Labour Group and the Green Group have produced amendments to the Cabinet's budget. The commentary on those amendments is set out below.

Liberal Democrat Group

Overview

3. The Liberal Democrat Group's budget proposals are based on a freeze in Council Tax in 2012/13 with a 3.75% increase in 2013/14 and beyond. This is the same as the Cabinet's proposals.

Investment Proposals and Directorate Savings

4. The amendments to the Directorate expenditure and savings proposals are included within Annex 1 to the Liberal Democrat Group's Report. They are discussed with the Directorate proposals below.

5. Additional savings totalling £2.959m over the three year period are proposed which are all subsequently allocated back to services. The savings are achieved by adding new charges, reducing expenditure and utilising balances, whilst the additional expenditure is applied by adding additional expenditure, reducing savings, and adjusting reserves.

Directorate Proposals

6. The additional savings proposed by the Liberal Democrats include a new charge for Museum entry, the assumption of income generated is at a reasonable level. In addition further savings are made by decreasing energy

usage, reducing the marketing budget, and with reductions to the Change Fund, all of which are achievable savings.

7. Also included in 2012/13 is the use of £1.059m from balances. Given the uncertainty around the funding from 2013/14 there is a risk that this might need to be added back to balances in that year.

8. The final saving relates to adjustments to the pensions budget for past service deficit. Of the current budget the proposal is to reduce this by £0.5m from 2012/13 on an on-going basis. The impact of the reduction in the pensions budget is uncertain but there is a risk that this could lead to a shortfall on the past service deficit when the next revaluation is undertaken in late 2013 for implementation in 2014/15.

9. Proposals for use of the Efficiency Reserve differ from the Cabinet, with £0.251m being added to the reserve overall over the three years to 2014/15 compared to £0.388m being drawn from the reserve by the Cabinet. This provides an additional £0.639m in the Efficiency Reserve compared to the Cabinet and could therefore be used as a contribution towards putting £1m back into balances (see paragraph 7).

10. Most of the additional expenditure proposed by the Liberal Democrats is being allocated to Children, Education & Families, Social & Community Services and to Capital.

11. Additional funding is allocated to the Early Intervention Service, providing one extra outreach youth worker per hub. Additional funding is also proposed for Family Intervention Projects in response to the Government's Troubled Families initiative totalling £0.5m in 2013/14 reducing to £0.1m on an on-going basis thereafter. One off funding is also proposed to provide English classes for speakers of other languages.

12. In Social & Community Services there is additional support for Carers plus additional investment in equipment and occupational therapists for the elderly. Additional funding is also proposed for undertaking financial assessments for clients with learning disabilities and mental health needs.

13. The Cabinet proposals to only provide free transport to Day Centres for those clients who meet the FACS eligibility criteria are removed. This proposal by the Liberal Democrat group means that free transport will be provided to all users.

14. Within Environment & Economy, an additional £0.2m per year is proposed for the Area Stewardship Fund. This would take the annual fund total to £1.2m. In addition, a contribution to capital of £1m is proposed for Grove railway station design work linked to the East West Rail Link. In addition, a small amount of additional funding is proposed for public transport bus subsidies.

15. One-off funding is proposed to support Post Office regeneration.

Summary

16. The Liberal Democrats have produced amendments to the Cabinet's proposals which are funded by increasing charges for Museums and reducing some expenditure, along with the adjustment of reserves. This has enabled some alternative funding proposals all of which are considered deliverable.

Labour Group

Overview

17. The Labour Group has not produced amendments to the Cabinet's budget proposals but they have proposed a change to the Virement Rules.

18. The proposed change relates to responsibility for agreeing permanent virements less than £0.250m in value that do not involve a major change in policy. The Cabinet's proposal delegates this to the relevant Director and Chief Finance Officer. The Labour group propose that virements less than £0.250m that do not involve a major change in policy may be delegated to the relevant Director and Chief Finance Officer unless there is a change to the staffing establishment. Any change to the staffing establishment would require Cabinet approval.

19. This proposal is considered deliverable.

Green Group

Overview

20. The Green Group's budget proposals are based on a 3.49% Council Tax increase in 2012/13 and increase of 3.75% beyond then, the same level as the Cabinet over the medium term. The proposed increase of 3.49% in 2012/13 is just beneath the level which will trigger a referendum. However, there could be some adverse comment from Secretary of State for Communities and Local Government in not taking up the Council Tax Freeze Grant.

Investment Proposals and Directorate Savings

21. The amendments to the Directorate expenditure and savings proposals are included within the annex to the Green Group's Report. They are discussed with the Directorate proposals below.

22. Additional income rising to £11.751m over the three year period are proposed which are all subsequently allocated back to services. The savings are achieved by increasing council tax and adding new income; whilst the additional expenditure is applied by reducing savings, adding additional expenditure and adjusting contributions from reserves.

Directorate Proposals

23. The main savings proposal is achieved through an increased level of Council Tax for 2012/13. The Group propose not to accept the Council Tax Freeze grant and set a 3.49% increase in council Tax. This generates additional funding of £2.817m in 2012/13, and removes the impact of the Council Tax freeze grant falling out in 2013/14 saving £7.113m.

24. In addition the Green Group propose charges of £2 per day at the two Park & Ride sites owned by the County Council. This is expected to generate £0.900m. This is likely to be achievable, as it takes account of the potential reduction in use higher charges could bring.

25. The additional expenditure relates mainly to Adult Social Care. The proposals reduce the savings in Older People, Learning Disabilities, Physical Disabilities and Mental Health. In total reduced savings of £2.512m are proposed for 2012/13 with further reductions of £1.945m in 2013/14 and £0.302m in 2014/15.

26. Proposals by the Cabinet to only provide free transport to Day Centres for those clients who meet the FACS eligibility criteria are removed. This proposal by the Green Group means that free transport will be provided to all users.

27. The Green Group proposals also include the removal of the Community Library element of the savings proposed by the Cabinet. This totals £0.313m by 2014/15.

28. On-going funding is also proposed for preventing homelessness in Children's Services and in relation to Supporting People totalling £0.2m; additional apprentices £0.3m; English Classes for speakers of other languages £0.2m; an advice and advocacy service £0.5m; plus funding for a credit union providing some up front resources to enable people to pay deposits for rented accommodation for example.

29. A contribution to capital is also proposed in 2012/13 of £3.584m. This would be used for home insulation schemes.

30. The net effect of the additional income raised and expenditure proposals result in a lower amount required to be drawn from the Efficiency Reserve to balance the budget over the medium term. Use of the Efficiency Reserve would need to be replaced with on-going funding from 2015/16 of £0.637m compared to £5.536m proposed by the Cabinet.

Summary

31. The Green Group have produced amendments to the Cabinet's proposals which increase the level of Council Tax in 2012/13 and raise additional income from parking. A significant amount of this is then put into Adult Social Care, reducing the savings required. These amendments are considered reasonable and deliverable.

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

6 February 2011

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Service & Resource Planning 2012/13 - 2016/17
Dedicated Schools Grant Provisional Allocation 2012/13

Note		ISB £000s	PVI £000s	ISB/PVI £000s	Central £000s	Total £000s
	2011/12 Base, excluding YPLA	331,008.8	21,038.1	352,046.9	42,020.3	394,067.2
(1)	Change in pupil numbers from January 2011 (pupils)	2,817.3	1,202.0	4,019.3	1,207.4	5,226.7
	Revised Baseline	**333,826.1**	**22,240.1**	**356,066.2**	**43,227.7**	**399,293.9**
	Mainstreamed Grants additional funding from change in pupil numbers from January 2012 (pupils)	553.7	165.4	719.1		719.1
	School Forum Formula Change Proposals for 2012/13					
	- Forces Factor Allocation amendment	-20.0		-20.0	20.0	0.0
	School Forum Proposals for 2012/13					
	(1) 25 hours education for hospital pupils	450.0		450.0	-450.0	0.0
	(2) 1-2-1 Tuition programme	1,674.0		1,674.0	-1,674.0	0.0
(2)	(3) Services Supporting Behaviour			0.0		0.0
	(4) Extended Services/Partnership Provision	-1,634.5		-1,634.5	1,634.5	0.0
	(5) SEN units Non-AWPU Adjustment (secondary schools only)	74.0		74.0	-74.0	0.0
(3)	(6) Carterton Schools, exceptional circumstances funding	0.0		0.0		0.0
(4)	Headroom and held against implications on MFG of above			0.0		0.0
		334,923.3	**22,405.5**	**357,328.8**	**42,684.2**	**400,013.0**
(5)	less Academies	20,010.0		20,010.0	214.0	20,224.0
	Dedicated Schools Grant Provisional Allocation	**314,913.3**	**22,405.5**	**337,318.8**	**42,470.2**	**379,789.0**

Note

(1) 2012 pupil count data available but not yet verified
There is no increase in the per pupil funding rate for 2012/13. GUF remains at £4757.72 per pupil

(2) Services Supporting Behaviour, schemes including On Course programme Back on Track (£150k), Fair Access Panels (£260k), Behavioural Support Services to Primary Schools (£178k) all initially agreed for 2011/12 are extended for 2012/13 along with additional provision for 15 more schools within the every Child a Writer programme (£34k). All funding held centrally.

(3) Exceptional circumstances funding allocated initially for 2011/12 agreed to continue funding for a further year. All funding held by schools.

(4) Final allocations dependent on confirmed pupil numbers and formula allocations

(5) Relates to academies that opened in 2011/12

Acronyms:
AWPU - Aged Weighted Pupil Unit (funding rate)
GUF - Guaranteed Unit of Funding
ISB - Individual Schools Budgets
PVI - Private, Voluntary and Independent early years providers
SEN - Special Educational Needs

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