

CABINET – 19 JULY 2016

Revised Medium Term Financial Plan 2017/18 – 2019/20 and Efficiency Plan 2016/17 to 2019/20

Report by the Chief Finance Officer

Introduction

1. The Medium Term Financial Plan (MTFP) agreed by Council in February 2016 included a requirement for further savings for which proposals had not been identified of £10.4m in 2017/18 and £6.2m in 2018/19¹. A surplus position of £1.3m was included for 2019/20. Over the medium term to 2019/20 a total of £15.3m additional savings are required.
2. Given the need to make significant additional savings only became apparent following the publication of the Draft Local Government Finance Settlement late in December 2015 due to a change in the distribution of Revenue Support Grant, it would not have been prudent to propose further significant savings without proper financial planning and consultation. Therefore, recommendations for meeting the £15.3m further savings were proposed to be brought forward as part of a revised MTFP for 2017/18 – 2019/20 to Cabinet and then Council for approval before the autumn of 2016.
3. This report does not address the implications of the National Budget in March 2016 or any pressures arising in the Directorates that may impact over the medium term. It also does not take into consideration any potential impact on the authority of the UK leaving the European Union. These will be addressed as part of the 2017/18 Service & Resource Planning process which commences with a context setting report to Cabinet in September 2016.

Efficiency Plan and four-year settlement

4. As part of the Provisional Local Government Finance Settlement announced in December 2015, the Secretary of State for Local Government set out an offer to all councils of a four-year funding settlement from 2016/17 to 2019/20. The offer covers Revenue Support Grant, Transitional Grant and, for those authorities who are in receipt of it, the Rural Services Grant. The county council does not receive any funding from the Rural Services Grant.

¹ Changes agreed by Council from the published documents are set out in the printed decisions at: <http://mycouncil.oxfordshire.gov.uk/ieListDocuments.aspx?CId=116&MId=4402>

5. In addition, tariffs and top ups in 2017/18 – 2019/20 will not be altered for reasons related to the relative needs of local authorities. However, in the final year may be subject to change with the implementation of 100% business rates retention.
6. In setting the 2016/17 budget and Medium Term Financial Plan to 2019/20, these published figures have been included as forecasts of income over the four year period.
7. The offer of a four year settlement requires councils to publish an Efficiency Plan and notify the Department for Communities and Local Government of its availability by 14 October 2016. There is no guidance on what the plan should contain, however it needs to show how the greater certainty of a four-year settlement can bring about opportunities for further savings; and be open and transparent about the benefits this will bring to both the council and the community. For counties with fire responsibilities, there is no need to produce a separate plan.
8. Whilst the offer does provide some certainty, there are some caveats. The Government will need to take into account future events such as the transfer of functions to local government, transfers of responsibility for functions between authorities, mergers between authorities and any other unforeseen events.
9. The announcement as part of the budget in March 2016 that government departments would be required to find an additional £3.5bn of savings by 2020 will not affect the four year funding settlement. The secretary of state confirmed in May 2016 that the four-year settlements for local councils were still valid.
10. Annex 1 sets out the Efficiency Plan.

Proposed approach to meeting the further savings

11. It is proposed that the £15.3m savings required over the medium term will be achieved through a new transformation programme details of which are set out in the paragraphs below. Should there be a need to allow a longer period before the programme can be delivered in full, then some of the savings could be deferred by one year from 2017/18 to 2018/19.

Transformation Programme

12. The Council has undertaken significant transformation and change since austerity measures were introduced in 2010. These include the creation of a shared services centre for back office functions and then a partnership with Hampshire County Council to deliver these services, saving over £30m since 2010. We are in the lowest quarter of spenders among county councils on back office functions. We have made significant staffing savings across the Council with a 40% reduction in senior managers and halving of middle managers, a pay freeze followed by below-inflation rises for staff over recent years. We now employ 42% fewer people than we did in 2010²; the number has fallen from 7500 at March 2010 to 4300 at March 2016. Further transformation has taken place by encouraging volunteers to

² Excluding schools

supplement services such as community transport and libraries, with 22 libraries now converted to a community/volunteer model and, by applying lean principles across our services we have generated savings and become more efficient. We have an innovative contract in partnership with Skanska for highways maintenance and construction. Other partnership arrangements include our joint working with health to provide the best outcomes for people through one of the biggest pooled budgets in the country³. Furthermore, since 2005 we have removed more than 100 properties from the council's property portfolio and generated more than £62m.

13. Local government is changing on a sector wide basis, a fact recognised by the Local Government Association, Central Government and a wide range of commentators. Whilst all organisations are at different stages of transformation, there are four dominant themes that underpin the majority of current transformation activity in councils across the UK:

- A strong focus on moving away from service specific change, to a model of whole organisation transformation that places the needs of residents, communities and business at the heart of a vibrant organisation, focused on the wellbeing of all;
- The use of digital access and process automation to reduce cost, improve access and ensure that professional staff are able to have the information they need to make the greatest impact;
- The use of lean systems thinking to support the creation of organisation wide processes and culture that is cost effective, entrepreneurial and able to generate income and a financial return; and
- A more flexible approach to partnerships, focused on mutual benefit and the delivery of better outcomes for residents and communities.

14. Significant progress is being made in shaping and identifying a council wide transformation programme. It will impact all areas of the Council and officers are working to ensure that the work stream focused on culture, values and behaviours supports a culture focused on the holistic needs and aspirations of residents and business, bringing the resources and influence of the Council to bear in a manner that ensures we deliver the best possible outcomes in the most cost effective manner. By adopting this approach we will not only continue to improve the services we deliver, but we will become a more positive and outward facing organisation, one that delivers for all and is able to approach delivery with a more commercial mind-set and increase its revenue.

15. Early work by officers throughout the organisation has highlighted that the Council is well placed to deliver continued financial efficiency. With a greater focus on a 'one council' approach, it will be able to continue to improve services and outcomes for residents and businesses across Oxfordshire, but more effectively because the focus will be on their needs, rather than on internal structures.

16. The one council approach to transformation and delivery will include, but will not be limited to:

³ Excluding Better Care Fund amounts

- Community empowerment and localisation
- Digital delivery and improved customer access
- Performance and efficiency, including contracts
- Placed based asset and opportunity planning
- Income generation
- Culture, values and behaviours
- Workplace and productivity tools
- Growth and opportunity

17. By April 2019, the developing transformation programme will have delivered indicative savings of over £15m and progress is being made on identifying the key areas and work streams that will ensure we achieve this and can accurately monitor and report delivery.

18. The programme will be overseen by a Transformation Board, that includes senior officers from across the Council and the Deputy Leader of the Council, Councillor Rodney Rose to reflect his Cabinet Responsibility for internal efficiency and the cross council nature of this programme. This board will meet for the first time in early July, but early findings of the programme are:

- Programme management - whilst there is much good work with existing programmes of change and transformation across the council, a lack of cohesion could lead to competing priorities and duplication of effort. This is being addressed by the creation of a single, council wide transformation programme; utilizing the strengths of staff from across the council and underpinned by a 'one council' approach.
- Strategic Property Review – Work is underway to ensure that a sustainable, commercially focused approach to our estate is developed, again underpinned by an ethos that recognizes that all assets are held by the Council for the benefit of residents and the wider business community of Oxfordshire, rather than individual departments or services. Over the next two months, as part of reshaping our approach to property and assets, 'place based' asset reviews of communities across the county will be brought forward, outlining current asset ownership, potential benefits and wider infrastructure issues so that outcomes and the financial returns from our assets can be maximized.
- Customer access - Work has begun on developing a council-wide approach to customer access, irrespective of the service required. We will move to a model of access where data and information we already hold can be used to increase the speed of resolution for the resident, business or professional who is contacting us. Our aim will be to resolve the enquiry at the point of first contact wherever possible and to ensure that where an individual requires contact with a professional, such as a social worker, we enable this without delay.

- Digital delivery - By the end of the summer, we will bring forward a revised digital strategy focused on ease of access for the resident, business and community as well ensuring we provide the support, encouragement and facilities to encourage digital take up across the county. Through the use of cloud based services, we will improve the capacity, resilience and integrity of our data systems and provide staff with the facilities they need to transform where and how services are delivered. Our approach will be to ensure that the same tools and systems are used by our staff to assist residents and businesses in accessing our services as residents and business use to self-serve. We will also ensure that all our systems and data storage approaches reflect national best practice so that we can enable deeper integration with our partners where this is necessary and our customers consent. As part of this, we will review and streamline our financial and business process, ensuring they enable the needs of our business whilst continuing to enable value for money services and robust financial planning.
- Customer journey - Significant improvement has been achieved within services across the council. However, we now need to move to designing processes that deliver the most efficient outcomes for residents and business in a more joined up way, recognizing that many activities delivered from, for example, within our libraries directly contribute towards positive outcomes across the county. We will do this by using lean systems based approaches to map our outcomes against customer journey and business engagement in the most holistic way possible, ensuring we target our resources where they make the most impact and in the most effective way.

19. Running alongside the Transformation Programme is the independently commissioned review being undertaken by Grant Thornton to consider equally all options for local government reorganisation in Oxfordshire. A report on the initial findings of this work is set out elsewhere on this agenda.

Financing the Transformation Programme

20. As part of the budget for 2016/17 a Transition Fund of £4m was created to enable the further savings to be delivered. Council agreed to establish a cross party group of county councillors to consider the maximum benefit of the use of the fund.
21. Of this fund, £1m was agreed to be set aside for 'creating a one-off pump priming fund for one year to take to districts and parishes, inviting them to commit money to support Children's Centres which they would help save'. A cross party working group has been established and at the first meeting decided to have the initial focus on the funding to support Children's Centres Community Initiatives with a view to having proposed guidance and bid criteria recommendations to Cabinet in the Autumn. This would enable the scheme to be launched in October giving enough time for communities to bid for transition funding prior to services ceasing.
22. £1m was set aside for 'income generation pump priming'. The agreed approach for utilising the £1m funding is that it should be strategically led, focusing on pump priming and sustainability for communities and income generation/ invests to save based on business case models.

23. The remaining £2m will be used to support and enable the transformation programme.

Flexible use of Capital Receipts Strategy

24. There is also the opportunity to increase the funding available for transformation through the flexible use of capital receipts. New guidance was issued by the Department for Communities and Local Government in March 2016 that enables local authorities to use new capital receipts from the disposal of property, plant and equipment received in the period April 2016 to March 2019. Receipts already received but not used are not eligible.
25. This flexibility can be applied to projects where incurring up-front costs will generate on-going savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.
26. The guidance states that for each financial year, a local authority should prepare a Flexible Use of Capital Receipts Strategy and this may form part of the MTFP or the Efficiency Plan. As part of the strategy, the Council needs to disclose the individual projects that will be funded or part funded through capital receipts flexibility. The strategy is required to be approved by Council.
27. The Flexible use of Capital Receipts Strategy for 2016/17 is set out in the Efficiency Plan at Annex 1. It proposes use of £0.5m of capital receipts for the placed based community hubs project.

Equality and Inclusion Implications

28. The Public Sector Equality Duty, under section 149 of the Equality Act 2010, places a responsibility on local authorities to exercise 'due regard to the need to eliminate unlawful discrimination... advance equality of opportunity... and foster good relations.'
29. There are no equality and inclusion implications arising directly from this report. A high level assessment of the broad impact of the transformation savings will be included as part of the published information during the Service & Resource Planning process for 2017/18.

Financial and Legal Implications

30. This report is mostly concerned with finance and the implications are set out in the main body of the report.

RECOMMENDATION

31. **The Cabinet is RECOMMENDED to RECOMMEND Council to approve:**

- (a) The revised Medium Term Financial Plan for 2017/18 to 2019/20; and**
- (b) The four year Efficiency Plan for 2016/17 to 2019/20 including the Flexible Use of Capital Receipts strategy for 2016/17 for onward submission to the Department for Communities and Local Government.**

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