

Division(s):N/A

CABINET – 29 JANUARY 2013

SERVICE & RESOURCE PLANNING 2013/14 – 2016/17

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report is the final report to Cabinet in the series on the service & resource planning process for 2013/14 to 2016/17, providing councillors with information on budget issues for 2013/14 and the medium term. Information outstanding at the time of the Cabinet meeting will be reported to Council when it considers the budget on 19 February 2013.
2. The report sets out the latest information on the Council's financial position, including the treasury management strategy for 2013/14 and an updated capital programme.
3. The Leader of the Council has prepared a separate report, circulated alongside this report, which sets out the basis for the Cabinet's proposals. The proposals take into account comments to date from the public consultation on the budget (which closes on 1 February 2013) as well as the latest information on the Council's financial position outlined in this report, and also comments on the draft budget proposals from the individual Scrutiny Committees on 10 January 2013.
4. The overall view on the Cabinet's budget proposals given by the Strategy and Partnerships Scrutiny Committee on 17 January 2013 will be provided as an addendum to this report. These comments, together with any further comments from the public consultation will be taken into consideration in the budget proposed to Council on 19 February 2013.
5. The following annexes are attached:

Annex 1:	Draft medium term financial plan (MTFP) 2013/14 – 2016/17
Annex 2:	Variations to the existing MTFP
Annex 3:	Local government finance settlement
Annex 4:	Council tax (draft)
Annex 5:	Updated financial strategy 2010/11 – 2014/15
Annex 6:	Reserves and balances
Annex 7:	Treasury management strategy statement and annual investment strategy for 2013/14 (including prudential indicators and minimum revenue provision policy statement)
Annex 8:	Draft revenue budget booklet 2013/14
Annex 9:	Virement rules for 2013/14
Annex 10a:	Corporate asset management plan
Annex 10b:	Transport asset management plan

Annex 11:	Capital strategy 2010/11 – 2014/15
Annex 12a:	Updated capital programme 2012/13 – 2016/17
Annex 12b:	Capital pressures
Annex 13:	Cross cutting service & community impact assessment

Information Outstanding

6. There are several areas where information is still provisional and on which assumptions are included in the budget for 2013/14:
 - Final local government finance settlement, including the revenue support grant and the business rates top-up
 - Returned amounts of centrally retained elements of government funding
 - Education service grant
 - Local business rates forecasts
 - Surpluses/shortfalls on collection fund
 - Education capital grant
7. Any changes once this information is finalised could have an impact on the budget. Any changes to the provisional assumptions will be reported to Council in February 2013 by the Chief Finance Officer. All Councillors will be notified of any updated information once it is received.
8. It is proposed that authority is delegated to the Leader of the Council, following consultation with the Chief Finance Officer, to make appropriate changes to the Cabinet's proposed budget ahead of the Council meeting on 19 February 2013.

Draft Medium Term Financial Plan 2013/14 to 2016/17

9. The MTFP covers the four-year period to 2016/17. Given the uncertainty over future levels of funding (a government spending review is due to take place in the first half of 2013) the MTFP has not been extended beyond the period of the existing plan. A draft MTFP for 2013/14 to 2016/17 is set out in Annex 1. This is based on the latest information on financing available to the Council plus the variations to the existing MTFP contained in the directorate business strategies (and set out in Annex 2) and as reflected in the report.

Cabinet's budget proposals

10. In the Leader of the Council's report which runs alongside this document, council tax increases of 1.99% in 2013/4 and 2.5% in 2014/15 are proposed. This compares with 3.75% increases for each of those two years in the existing MTFP. As reported to Cabinet in December 2012, the reduction in the council tax increase for 2013/14 results in an on-going pressure of £5.8m. In addition to this, the reduction in the council tax increase in 2014/15 results in an on-going pressure of £4.0m.

11. For 2015/16 and 2016/17 council tax increases of 3.75% are proposed in line with the existing MTFP.

Draft council tax requirement 2013/14

12. The table below sets out the draft council tax requirement for 2013/14 as per the existing MTFP and shows the latest position for expenditure and financing. Changes from the MTFP for both 2013/14 and over the medium term are explained in the ensuing paragraphs.

2013/14	MTFP £m	Draft Budget £m	Change £m
Budget			
Base (2012/13 budget)	403.9	403.9	0.0
Inflation	10.2	6.3	-3.9
Function & funding changes	0.7	30.3	29.6
Previously agreed budget changes and allowed variations	-6.5	-6.5	0.0
Variations to the existing MTFP		-6.3	-6.3
Total Net Spend	408.3	427.7	19.4
Funded by:			
<u>Government funding:</u>			
Formula grant	-110.1		110.1
Revenue support grant		-94.4	-94.4
Business rates top-up		-35.7	-35.7
<u>Business rates:</u>			
Local share of business rates		-27.2	-27.2
<u>Council tax:</u>			
Council tax surpluses/deficits	-0.8	-2.0	-1.2
Council tax requirement	-297.4	-268.4	29.0
Total Funding	-408.3	-427.7	-19.4

Inflation

13. As set out in the service & resource planning report to Cabinet in December 2012, it is proposed that the provision for pay inflation for 2013/14 and 2014/15 is reduced from 2.5% to 1.0% and that no provision is made for non-pay inflation (other than for contracts) in 2013/14 and 2014/15. Taken together these changes are expected to generate on-going savings of £3.9m in 2013/14 and a further £3.5m in 2014/15.

Function and Funding Changes

14. The introduction of the business rates retention scheme sees various grants transfer in/out of the Council's start-up funding assessment (broadly equivalent to formula grant). The two largest transfers of specific grants into the start-up position relate to early intervention grant (excluding an amount transferring into dedicated schools grant to fund free education for 2 year olds) and learning disability and health reform grant, resulting in an increase in start-up funding of £22.2m and £19.7m respectively and an equivalent decrease in specific grants. Local authority central services equivalent grant (LACSEG)¹ has been transferred out of the start-up position and replaced by a new education services specific grant, reducing the start-up funding by an estimated £9.1m. As part of the provisional local government finance settlement the government has retained some central funding for safety net payments and new homes bonus scheme. Any amounts not used for these purposes will be redistributed to councils in line with their start-up funding assessments. £1.3m is assumed to be returned to the Council, along with a further £1.2m of centrally retained early intervention grant².
15. The 2013/14 allocations for local authorities' new public health responsibilities were announced on 11 January 2013. Allocations are in the form of a ring-fenced specific grant. Oxfordshire's allocation for 2013/14 is £25.3m. This is sufficient to match planned expenditure for the year, giving a net nil impact on the budget. The allocation for 2014/15 has also been announced at £26.1m and this will also be matched with expenditure.
16. Other function changes from April 2013 include local welfare assistance, Healthwatch and NHS independent advocacy services, the majority of which are funded by un-ringfenced grants. It is estimated that these services will cost £1.4m to deliver.

Variations to the existing MTFP for 2013/14 – 2016/17

Directorate Business Strategies

17. The variations to the existing MTFP for additional funding to address service pressures and new savings proposals are set out in Annex 2. The proposals for adult social care have been updated since the report to Scrutiny Committees on

¹ The LACSEG adjustment represents an amount within formula grant for central services received by local authority maintained schools

² Estimated share of £150m national total

10 January 2013 in line with the recommendations in the report on care home fees elsewhere on this agenda. The figures for the phased withdrawal of the Oxfordshire Waste Partnership non-statutory waste incentives have also been updated. Details of corporate savings are provided in the ensuing paragraphs.

18. Of the £31.5m directorate savings set out in Annex 2, £27.2m relates to savings or additional income and £4.3m to additional funding for adult social care services.

Strategic Measures

19. Following the review of the treasury management strategy (detailed in paragraphs 53-57), changes are proposed to the strategic measures budget. Areas of the strategy which impact on the strategic measures budget include forecasts of the bank rate and expected returns from deposits, updated cash flow forecasts and long term borrowing requirements.
20. The existing MTFP assumed a bank rate of 0.5% for 2013/14 and over the medium term. The Council uses the services of Arlingclose Limited to provide investment advice to the Council, as part of this service they help the Council to formulate a view on interest rates. Arlingclose Limited's current view on interest rates is that the bank rate will remain at 0.5% for the duration of their medium term forecast to December 2015 with the possibility that the official Bank of England base rate may not rise until 2016. Taking this advice into account, the bank rate forecast for the medium term has been kept at 0.5% until 2016/17.
21. As the rates achieved on deposits in the past have been over and above that of the bank rate, a higher rate of return has been assumed for the MTFP. A return of 0.9% has been estimated for 2013/14, falling to 0.85% in 2014/15 and to 0.8% for the final two years of the MTFP. This is lower than in the existing MTFP, which assumed a return of 0.5% above the bank rate, however this is offset by average cash balances being higher than anticipated in the existing MTFP.
22. Alongside the review of the treasury management strategy other elements of the strategic measures budget have been reviewed, including amounts held in contingency and interest due on developer contributions. Taken together the impact on the strategic measures budget is a saving of £2.0m in 2013/14, a further £0.9m in 2014/15 and a further £0.3m in the final two years of the MTFP.
23. In October 2012 the government announced one-off transitional funding for the introduction of the council tax reduction scheme, subject to meeting the eligibility criteria. The County Council expects to receive £0.6m of this funding which will be used on a one-off basis in 2013/14.
24. The County Council receives new homes bonus as an incentive for housing growth. Additional funding of £1.1m in 2013/14 rising to £2.9m by 2016/17 is expected to be received over and above the £0.5m already being received for previous growth. It is proposed that the £0.5m already received continues to be placed in the capital rolling fund reserve for use within the capital programme and that the new additional funding is used to support the revenue budget.

25. As part of the existing MTFP, £1.3m is being set aside in the prudential borrowing reserve to fund future prudential borrowing costs. It is proposed to reduce the amount being placed in reserve by £0.3m, in line with the revised financing profile for prudential borrowing.

Formula Grant/Business Rates Retention Scheme

26. From April 2013 the formula grant system is being replaced by the business rate retention scheme. The table at paragraph 12 shows that formula grant is being replaced by three funding streams – revenue support grant, business rates top-up and a local share of business rates. Draft 2013/14 figures for revenue support grant and the business rates top-up were notified as part of the provisional local government finance settlement on 19 December 2012. The settlement data also included the Council’s business rates baseline and together with the revenue support grant and business rates top-up these comprise the start-up funding assessment. The current estimate for the local share of business rates is based on the business rates baseline. The final business rates figure to be used in determining the council tax requirement will be based on locally determined forecasts. Each District Council must formally notify the County Council of its share of the forecast business rates by 31 January 2013. Any difference between the actual business rates collected and the forecasts for 2013/14 will be taken into account in 2014/15.
27. Details of the provisional local government finance settlement are given in annex 3. An explanation of the overall reduction in government funding is given in paragraphs 29 and 30 below.
28. In future years the business rates top-up will be updated for inflation and revenue support grant will vary in line with the government’s spending control totals. The Council’s local share of business rates will vary in line with local economic conditions.

Total government funding

29. The table below shows the total government funding (excluding schools) for 2013/14 set out in the existing MTFP and compares it to the draft funding for 2013/14 under the new funding regime.

2013/14	MTFP £m	Draft Budget £m	Change £m
Start-up funding/formula grant	110.1	157.3	47.2
Specific grants (non-schools)	49.5	20.5	-29.0
Adjust for new council tax support funding	23.2		-23.2
Total government funding (non-schools)	182.8	177.8	-5.0

30. The existing MTFP already included £13m of funding reductions for non-school services (from 2012/13 levels to 2013/14). The latest position shows that funding has reduced by a further £5m compared to the MTFP. Overall government funding (excluding schools) for 2013/14 has reduced by £18m from 2012/13.

Council Tax Surpluses/Deficits

31. Latest information from several of the District Councils indicates that the County Council's share of income from collection fund surpluses and shortfalls will be at least £2.0m. The MTFP currently includes an assumption of surpluses annually of £0.8m. Since 2009/10 the County Council's share of surpluses has not been lower than £2m. The amount of surplus or deficit can vary considerably and is affected by assumptions on the percentage of council tax which will be collected and also by assumptions on the taxbase (such as the number of exemptions). Given the changes arising from the localisation of council tax support, along with changes to discounts and exemptions, one district has lowered their collection rate. On the basis of this, it would be reasonable to assume that a surplus on the collection fund will continue. It is proposed therefore that the annual budgeted surplus is increased to £2.0m.
32. Each District Council must formally notify the County Council of its share of any surpluses or shortfalls on the council tax collection funds within seven days of 15 January 2013. An update on the latest position will be provided at the meeting.

Council Tax Requirement

33. The existing MTFP assumes a taxbase of 246,757 for 2013/14. The report to Cabinet in December 2012 explained the reduction to the taxbase arising from the new localised council tax reduction scheme. The Council's start-up funding assessment includes £23.2m to help offset the loss of precept income due to the reduction in the taxbase, although this does not meet all of this budgetary pressure. The District Councils have amended discounts/exemptions on certain classes of properties to help mitigate the effects of the new scheme on the taxbase. The changes outlined above, alongside revisions to collection rates result in a revised taxbase significantly lower than in the existing MTFP. Based on the final figures notified by the District Councils, Oxfordshire's taxbase for 2013/14 is now 226,572.
34. The existing MTFP included growth in the taxbase beyond 2013/14 of 0.75% per year. This has been revised downwards to 0.6% for 2014/15, as house building is recovering more slowly than anticipated. In the longer term growth is expected to increase back up to the levels assumed in the existing MTFP.
35. Annex 4 provides a draft of the Band D council tax and council tax requirement for 2013/14. The existing MTFP includes a council tax increase of 3.75%. It is proposed to limit the increase to 1.99%, to just below the 2% threshold set by the government above which a binding referendum would be triggered.

Dedicated Schools Grant (DSG)

36. From April 2013 the Dedicated Schools Grant will be divided into three distinct blocks:
- Early Years Block (funding for education of 2, 3 and 4 year olds);
 - High Needs Block (funding for special educational needs which require provision costing more than £10k per annum); and
 - Schools Block (all other funding for primary and secondary schools).
37. New Schools and Early Years (England) Finance Regulations have been made which significantly change the arrangements for managing the DSG blocks. In essence all responsibility for managing the Schools block of DSG has been delegated to the Schools Forum by the Secretary of State, though the regulations protect some historic commitments such as the repayment of prudential borrowing. Conversely the role of the Schools Forum in management of the High Needs block is virtually eliminated thereby giving more control of this block to the local authority, though it remains a regulatory requirement that the High Needs block must be spent within the Schools Budget. Arrangements for the Early Years block remain similar to the previous arrangements whereby Schools Forum is a statutory consultee on any proposed changes to allocations, which are then decided by the local authority. It is anticipated that over time the arrangements for the Early Years block will move towards those for the Schools block. These changes are consistent with government policy to reduce the involvement of local authorities in universal provision but to increase their powers and responsibility for vulnerable pupils.
38. Within the Schools block all local authorities are required to implement a new school funding formula for primary and secondary schools. In Oxfordshire the funding for higher level special educational needs (SEN) in secondary schools will continue to be fully included in the school budget share through the Schools block, subject to some redistribution arising from the new formula. The main purpose of the new funding formula is to simplify school funding arrangements as a first step towards a more equitable system nationally. As this first step does not amend the distribution of resources between local authority areas, all that the simplification can do is to redistribute the existing resources differently amongst schools. One significant consequence of the amended funding formula is the removal of the specific funding allocations for Joint Use sports Agreements, which results in those resources being spread amongst all schools.
39. All Oxfordshire schools and academies were consulted on the proposed changes during October 2012. Based on responses to the consultation some minor changes were made to the proposed formula. In addition, the Oxfordshire Schools Forum also agreed some transitional protection arrangements which will provide time and resources to help schools adjust to the funding changes.
40. The minimum funding guarantee for schools will continue in 2013/14 and no school will see a reduction of more than 1.5% per pupil in their budget share compared with 2012/13. Whilst overall changes arising from the new formula will be as much as a gain or loss of 10% in the long term, the minimum funding guarantee helps ensure that changes in 2013/14 are much less turbulent, and for

the majority of schools the transitional protections agreed by Schools Forum eliminate funding reductions in 2013/14.

41. In addition the few remaining central budgets for primary and secondary schools must be delegated from April 2013 unless Schools Forum agrees that they can be retained centrally. The new delegations will provide extra resources for schools accompanied by extra responsibilities to provide or procure the services as necessary. Final allocations from the Schools block of DSG must be submitted to DfE by 22 January 2013. The central budgets retained from the Schools block will be finalised with Finance Committee of Schools Forum on 17 January.
42. Schools receive extra funding through the pupil premium for every child registered as eligible for free school meals at any point in the past six years and children in care who have been looked after for six months. Funding nationally for the pupil premium will increase to £1.875bn in 2013/14 from £1.25bn in 2012/13. The level of the per pupil premium is increasing by 45% from £623 in 2012/13 to £900 in 2013/14. Children with parents in the armed services will continue to be eligible for the service child premium. Eligibility for this premium has been extended to include children whose parents have died in service and are in receipt of pensions under the Armed Forces Compensation Scheme (AFCS) and the War Pensions Scheme (WPS). The service child premium will increase from £250 per pupil in 2012/13 to £300 per pupil in 2013/14. As with the current year, up to £50m of the available funding will be used to support a summer school programme to help the most disadvantaged pupils make the transition from primary to secondary school.
43. Additional resources are expected to be added to the High Needs block of DSG to meet the new responsibility for the local authority to support higher level SEN in FE colleges.
44. The Schools Forum will meet on 30 January 2013 to discuss the use of the Early Years and High Needs blocks of DSG for 2013/14. This will form part of the Cabinet's proposed budget to Council on 19 February 2013.

Financial Strategy

45. The financial strategy sets out how the Council intends to finance its services and the priorities and principles upon which the medium term financial plan and the capital programme are based. The financial strategy has been reviewed and updated and is included at Annex 5.

Balances and Reserves

Balances

46. The financial strategy states that balances should be maintained at a level commensurate with risk. An updated risk assessment has been completed which takes into account 2012/13 financial projections and the risks in the 2013/14

budget and the economy generally. The risk assessment confirms that the level of planned balances in the existing MTFP remains commensurate with risk. The projected level of balances over the medium term is set out in Annex 6.

47. Given the uncertainty over the County Council's local share of business rates under the new scheme from 2013/14, it is still considered reasonable that the planned level of balances increases from £15.7m in 2013/14 to £16.7m in 2014/15 and beyond.
48. The Financial Monitoring report to Cabinet on 18 December 2012 shows the position on balances at the end of October as £16.7m. The budgeted year-end balance is £14.7m based on the assumption that calls on balances would be £2.0m during 2012/13. Although there have been no calls on balances to date in 2012/13, calls are possible as a result of the recent flooding and if there are further inclement weather conditions in the next few months. Assuming an estimated £0.5m for potential calls on balances to the year-end, balances will be £1.5m higher than planned going into 2013/14. It is proposed therefore to transfer this excess sum to the efficiency reserve to manage the cash flow over the medium term.

Reserves

49. All the Council's reserves which are maintained for specific purposes have been reviewed as part of the service and resource planning process. The planned use of the reserves over the medium term is summarised in Annex 6.

Efficiency Reserve

50. The Efficiency Reserve was created in 2009/10 to allow for investment to deliver efficiencies, service redesign and to ensure that sufficient resources were available for redundancy costs.
51. The existing MTFP includes contributions from the reserve in 2013/14 and 2014/15 totalling £11.6m. The reserve will be used to manage the cash flow implications of the variations to the MTFP, the cumulative shortfall/surplus between new savings and new pressures as set out below.

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	Total £m
New pressures	25.7	10.4	13.3	5.3	54.7
New savings	-23.9	-13.0	-4.9	-4.7	-46.5
Shortfall(+)/surplus(-)	1.8	-2.6	8.4	0.6	8.2
Cumulative shortfall(+)/surplus(-)	1.8	-0.8	7.6	8.2	16.8

52. Use of one-off funding over the period to 2016/17 will utilise £16.8m of the reserve and give rise to a need to replace £8.2m with on-going funding from 2017/18.

Treasury Management Strategy

53. The treasury management strategy statement and the annual investment strategy for 2013/14 are set out in Annex 7. This document complies with the requirements of legislation, codes and government guidance, including the technical requirement of the CIPFA treasury management code of practice. It sets out, amongst other things the investment strategy for the Council's temporary cashflow surpluses.
54. The strategy for 2013/14 continues with the principle of prioritising the security and liquidity of principal over investment return. As government funding for capital is now by grant rather than approval to borrow, new borrowing for capital only applies to prudential schemes. The strategy for financing prudential borrowing during 2013/14 continues with the policy of using temporary internal balances. External debt will remain to be repaid upon maturity and will not be refinanced.
55. It is again proposed that any changes applied to the 2013/14 treasury management strategy can be delegated to the Chief Finance Officer in consultation with the Leader of the Council. This is included in the recommendations at the end of the report.
56. As part of the service & resource planning process for 2013/14 the Council is required to approve a set of prudential indicators which show that the Council's prudential borrowing is prudent, affordable and in line with the Council's treasury management strategy. Appendix A of Annex 7 sets out the draft prudential indicators.
57. Annex 7 also incorporates the minimum revenue provision policy statement for 2013/14 at Appendix B. Legislation requires Council to approve a statement of their policy annually before the commencement of the financial year.

Draft 2013/14 Budget for Directorates

58. Annex 8 sets out the draft detailed revenue budget for 2013/14 for directorates. The annex shows the movement in gross expenditure and income from 2012/13, showing inflation, function and funding changes, previously agreed funding and proposed virements. For illustrative purposes, the annex also includes the effects of the additional funding for pressures and proposed savings as set out in Annex 2. This is not an agreed plan but shows the impact on services if all the proposals are agreed. This will be updated for the Council meeting in February to reflect each proposal made.

Virement Scheme

59. When approving the budget each year the Council is required to agree the virement rules. The existing arrangements have been reviewed and updated and are set out for approval at Annex 9.

Capital Programme and Asset Management Plans

Asset management plans and the capital strategy: 2013/14 to 2016/17

60. The corporate asset management plan (AMP) has been updated and revised and is attached at Annex 10a. The purpose of the AMP is to:
- Give an overview of the Council's strategic direction and objectives and the implications this has for its property
 - Describe how property needs to change and can be used to help achieve those objectives
 - Describe the objectives for property that arise from this and the strategy for each service area
 - Set out the action to be taken, at a high level
 - Provide a clear statement of the Council's approach to its property
61. The Council's property is changing significantly in terms of its size, composition, use and cost so as to contribute positively to meeting the business strategy objectives. This year's review of the plan proposes a continued shift in priorities from holding property to deliver services, to using our property to help deliver the broader objectives of the Council.
62. The transport asset management plan (TAMP) has been revised, and is attached at Annex 10b. The TAMP is central to the identification of highway maintenance strategies. It contains both asset and financial data that enables more advanced forward planning, improved budget management and improved working practices. It provides a means of identifying where limited funding may be targeted to best effect through the implementation of the forward programme.
63. The updated capital strategy attached at Annex 11, sets out the Council's capital investment plans and explains how capital investment contributes to the Council's vision and priorities. It shows how the Council prioritises, targets and measures the performance of its limited capital resources. It also shows how the Council intends to maximise the value of its investment and sets out the framework for determining capital spending plans and the effective use of capital resources which are both robust and sustainable.

The Capital Programme: 2012/13 to 2016/17

64. The capital budget setting position reported to Scrutiny Committees on 10 January 2013 showed £22.4m of available flexible resources and £22.9m of pressures. The capital programme attached at annex 12a has been updated to reflect the latest position for expenditure and financing and to include the proposed pressures (listed separately in annex 12b). The movement from the previously reported position is as follows:

	£m
Available flexible resources	22.4
Pressures which require flexible funding	-22.9
Surplus(+)/shortfall(-) of resources	-0.5
<u>Changes:</u>	
Monitoring variations from review of existing programme	-0.5
Reduction in capital receipts	-0.1
Revised surplus(+)/shortfall(-) of resources	-1.1

65. To balance the capital programme £1.1m of additional flexible resources has been identified through a review of all funding sources in the programme and reserves.
66. The table below shows the change in the overall capital programme from the last programme approved by Cabinet in October 2012.

	October 2012 Programme £m	January 2013 Programme £m	Change £m
Children, Education & Families	139.3	166.6	27.3
Social & Community Services	22.9	25.0	2.1
Highways & Transport	91.5	88.6	-2.9
Environment & Economy – Other	30.0	28.8	-1.2
Chief Executive’s Office	2.8	2.8	0
Total	286.5	311.8	25.3
Schools Local Capital	14.1	14.2	0.1
Earmarked Reserves	65.1	69.1	4.0
Total Capital Programme	365.7	395.1	29.4

67. In addition to the inclusion of schemes that require flexible funding, the programme also includes new schemes that are funded by specific funding sources. In the Children, Education & Families programme, £18.4m of developer funding has been included to build new schools in large housing developments.
68. From the table above it would appear that the programme for Highways & Transport has been reduced. However, allocations have been moved to Earmarked Reserves for future highways major projects pending a detailed business case.
69. Capital grant allocations for the next two years for transport, social services and fire & rescue services were announced as part of the provisional local government finance settlement – details are provided in Annex 3.
70. The funding for social services and fire & rescue services is £2.2m more than anticipated in the capital programme. However, education capital grant has not yet been announced. The capital programme assumes £17.0m of education capital

grant for 2013/14, falling to £13.8m by 2016/17. These assumptions, together with the grants for other areas, have currently been left unchanged but will need to be updated before Council if the total grant notified varies from the assumed allocation.

71. In the Chancellor's Autumn Statement £3.6m extra funding over 2013/14 and 2014/15 for highways maintenance was announced. This is required to complement rather than replace existing planned expenditure.

Overview and advice from the Chief Finance Officer

72. Under Section 25 of the Local Government Act 2003, the Chief Finance Officer is required to report on the robustness of the estimates made in determining the council tax requirement and on the adequacy of the proposed financial reserves. This assessment will be included in the report to Council for the Cabinet and the Opposition and other groups' budget proposals in February 2013.

Financial and Legal Implications

73. This report is mostly concerned with finance and the implications are set out in the main body of the report.
74. The Local Government Finance Act 2012 which introduces the business rates retention scheme received Royal Assent on 1 November 2012. The government's consultation on the draft regulations that underpin the new scheme closed on 23 November 2012. At the time of writing this report the government are still in the process of analysing responses to the consultation, however it is expected that the regulations will be in place before the Council is required to set the council tax requirement in February 2013.

Equality and Inclusion Implications

75. The Equality Act 2010 imposes a duty on local authorities that when making decisions of a strategic nature, decision makers must exercise 'due regard to the need to eliminate unlawful discrimination... advance equality of opportunity... and foster good relations.' Oxfordshire's Equality Policy 2012-2017 sets out how the Council is approaching its responsibilities for ensuring that all residents in Oxfordshire have fair access to services and equal life chances.
76. As part of the Service & Resource Planning process for 2013/14, the Council has produced a general assessment of the impact of the budget on customers ahead of the budget being set in February 2013. This document set out the principles that are being followed, identifies the main risks to vulnerable groups and establishes what actions will be taken to prevent these risks. The general assessment of the impact of the budget on customers is attached as Annex 13.

77. All significant changes to the budget have undergone at least an initial assessment to identify potential risk in advance of the budget being set. Further work will be undertaken on a number of these assessments as the details of how proposals will be implemented becomes clearer and as feedback is received from consultations. These Service & Community Impact Assessments (SCIAs) are available on the Council's website: [Service and Community Impact Assessments \(SCIAs\) | Oxfordshire County Council](#).

RECOMMENDATION

78. **The Cabinet is RECOMMENDED to:**
- a. **(in respect of revenue) RECOMMEND Council to approve:**
 - (1) **a budget for 2013/14 and a medium term plan to 2016/17, based on the proposals set out by the Leader of the Council;**
 - (2) **a council tax requirement (precept) for 2013/14;**
 - (3) **a council tax for band D equivalent properties;**
 - (4) **virement arrangements to operate within the approved budget;**

 - b. **(in respect of treasury management) RECOMMEND Council to approve:**
 - (1) **the Treasury Management Strategy Statement ;**
 - (2) **that any further changes required to the 2013/14 strategy be delegated to the Chief Finance Officer in consultation with the Leader of the Council.**

 - c. **RECOMMEND Council to approve the Prudential Indicators as set out in Appendix A of Annex 7.**

 - d. **RECOMMEND Council to approve the Minimum Revenue Provision Methodology Statement as set out in Appendix B of Annex 7.**

 - e. **(in respect of capital) RECOMMEND Council to approve:**
 - (1) **the updated Capital Strategy, Corporate Asset Management Plan and Transport Asset Management Plan;**
 - (2) **a Capital Programme for 2012/13 to 2016/17;**

 - f. **to delegate authority to the Leader of the Council, following consultation with the Chief Finance Officer, to make appropriate changes to the proposed budget.**

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

Background papers: Nil

Contact Officers: Lorna Baxter – Deputy Chief Finance Officer
Tel. 01865 323971

Stephanie Skivington – Corporate Finance Manager
Tel. 01865 323995

Annex 1, 4, 6, 11 & 12: Katy Jurczynszyn – Principal Financial
Manager
Tel: 01865 323975

Annex 2, 8, & 9: Kathy Wilcox – Principal Financial Manager
Tel: 01865 323981

Annex 3: Stephanie Skivington – Corporate Finance Manager
Tel: 01865 323995

Annex 5: Lorna Baxter – Deputy Chief Finance Officer

Annex 7: Donna Ross – Principal Financial Manager
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Annex 10a: Martin Tugwell - Deputy Director Strategy &
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