Division(s):N/A

CABINET – 27 JANUARY 2015

SERVICE & RESOURCE PLANNING 2015/16 – 2017/18

Report by the Chief Finance Officer

Introduction

1. This report is the final report to Cabinet in the series on the service & resource planning process for 2015/16 to 2017/18, providing councillors with information on budget issues for 2015/16 and the medium term. It sets out the proposed 2015/16 Corporate Plan, budget, the draft 2015/16 – 2017/18 Medium Term Financial Plan (MTFP) and 2014/15 – 2018/19 Capital Programme. Information outstanding at the time of the Cabinet meeting will be reported to Council when it considers the budget on 17 February 2015.

2. The budget and draft 2015/16 – 2017/18 MTFP include the Cabinet's budget proposals which take into consideration comments from the Performance Scrutiny Committee meetings on 18 December 2014 and 8 January 2015, and comments from the public consultation on the budget, as well as the latest information on the Council's financial position outlined in this report. As final notification of some funding streams is awaited, some further changes may be made to the budget proposals ahead of Council on 17 February 2015.

3. The service & resource planning report to Council in February will be set out in four sections:

   Section 1 – Leader of the Council's overview
   Section 2 – Corporate Plan
   Section 3 – Budget Strategy and Capital Programme
   Section 4 – Directorate Business Strategies and Corporate Performance Indicators
   Section 5 – Chief Finance Officer's statement on the budget

   This report forms the basis of Sections 2, 3 and 4 to that report.

4. The following annexes are attached:

Section 2	**Corporate Plan**
2.1	Corporate Plan 2014/15 – 2017/18 (update for 2015/16)
Section 3	**Budget Strategy and Capital Programme**
3.1	Draft medium term financial plan (MTFP) 2015/16 – 2017/18
3.2	Variations to the revenue budget pressures and savings proposals reported in December 2014
3.3	Council tax 2015/16 (draft)
3.4	Draft detailed revenue budget 2015/16
3.5	Treasury management strategy statement and annual investment

	strategy for 2015/16 (including prudential indicators and minimum revenue provision policy statement)
3.6	2015/16 risk assessment for level of balances
3.6.1	Summary of balances and reserves
3.7	Dedicated Schools Grant provisional allocation 2015/16
3.8	Virement rules for 2015/16
3.9	Updated capital programme 2014/15 – 2018/19
3.9.1	Capital proposals
3.9.2	Highways Structural Maintenance Programme 2015/16 – 2016/17
3.10	Comments from Performance Scrutiny Committee
3.11	Budget consultation summary
Section 4	**Directorate Business Strategies and Performance Indicators**
4.1	Directorate Business Strategies – available on the Council's website https://www.oxfordshire.gov.uk/cms/content/business-strategies-201516
4.2	Corporate Performance Indicators

Corporate Plan

5. As part of a range of documents which set out objectives and activities ahead, the Council produces a Corporate Plan that is refreshed on an annual basis. The update for 2015/16 has focussed on what the Council has achieved in the last year, where Council activity will be focussed in the coming twelve months and a general update of statistics and data.

6. Updates relating to finance will be made following the approval of the budget and capital programme by Council in February 2015 (shown in underlined italics).

7. The key themes and objectives remain the same, as below.

Our ambition: A Thriving Oxfordshire
This means having: A Thriving Economy Thriving People and Communities A Safety Net
The county council's role in delivering this ambition: Providing Community Leadership Working in Partnership Helping People to Help Themselves

Draft Medium Term Financial Plan 2015/16 to 2017/18

8. In September 2014, Cabinet agreed that given the uncertainties over future levels of government funding due to the forthcoming General Election that the medium term planning period would not be extended beyond 2017/18. A draft Medium Term Financial Plan (MTFP) for 2015/16 to 2017/18 is set out in Section 3.1. This is based on the latest information on financing available to the Council plus the proposed new pressures and savings as set out in the service & resource planning report to Cabinet in December 2014, as amended by the variations to those set out in Section 3.2 to this report.

Information Outstanding

9. There are several areas where information is still provisional and on which assumptions are included in the budget and capital programme for 2015/16:

- Final local government finance settlement, including the revenue support grant and the business rates top-up
- Adoption reform grant
- Local business rates forecasts
- Surpluses/shortfalls on collection fund
- Education capital maintenance grant

10. Any changes once this information is finalised could have an impact on the budget or capital programme. Any changes to the provisional assumptions will be reported to Council in February 2015 by the Chief Finance Officer. All Councillors will be notified of any updated information once it is received.

11. 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 17 February 2015.

Draft Budget 2015/16

2015/16	December report £m	Latest position £m	Change £m
Budget			
Base (2014/15 net budget)	430.3	430.3	0.0
Inflation	3.8	3.8	0.0
Function & funding changes	-0.2	2.3	+2.5
Previously agreed budget changes and allowed variations	-21.1	-21.1	0.0
Variations to the existing MTFP	3.8	7.8	+4.0
Total Net Operating Budget	**416.6**	**423.1**	**+6.5**
Funded by:			
Government grant:			
Revenue support grant	-61.7	-61.8	-0.1
Business rates top-up	-37.4	-37.1	+0.3
Business rates:			
Local share of business rates	-28.8	-28.8	0.0
Council tax:			
Council tax requirement	-282.1	-288.3	-6.2
Council tax surpluses/deficits	-6.6	-7.1	-0.5
Total Funding	**-416.6**	**-423.1**	**-6.5**

12. The table above sets out the net operating budget for 2015/16 and how this is funded as per the service & resource planning report presented to Cabinet in December 2014 and also the latest position. The net operating budget represents the gross expenditure on council services less specific government grants (such as the Dedicated Schools Grant). Changes from the previous report for both 2015/16 and over the medium term are explained in the ensuing paragraphs.

Inflation

13. Inflation for 2015/16 has been applied to budgets in-line with the existing MTFP assumed provision of 1% for pay inflation and no provision for non-pay inflation. The report presented to Cabinet in December 2014 included a savings proposal to

reduce the contract inflation applied to the Environment & Economy directorate by £1m, on the basis that RPI inflation is below the 3% contract inflation allowed for in the budget. However many contracts within E&E are linked to the RPIx inflation rate as at December 2014 or January 2015 rather than RPI. The rates to be applied will not be known until March 2015 and as RPIx is normally higher than both CPI and RPI inflation rates, E&E have put forward alternative savings proposals (shown in Section 3.2) in the event that contract inflation cannot be reduced in full by £1.0m.

Function and Funding Changes

14. The function and funding changes relate to changes to un-ringfenced specific grant allocations. Some allocations for 2015/16 are yet to be confirmed and are based on provisional estimates. The December report included the assumption that the council tax referendum limit would be set at 1%, with the Council then receiving a council tax freeze grant equivalent to a 1% increase in Council Tax. The Provisional Local Government Finance Settlement, announced on 18 December 2014, stated that the referendum limit for 2015/16 would be set at 2%. The change reflects that the Council is planning on a Council Tax increase of 1.99% and therefore will not receive the council tax freeze grant.

15. No announcement has been made on the Adoption Reform Grant and it is assumed that this grant will cease in 2015/16.

16. From 1 July 2015, the Department for Work and Pensions will close the Independent Living Fund (ILF) and instead devolve the funding to local authorities to allow the care and support needs of existing ILF users to be met within one social care system through personalised budgets and direct payments. The funding will not be ring-fenced, however as the amount of the grant is yet to be confirmed, the change in funding source has not been reflected in the proposed budget.

17. The commissioning of 0-5 children's public health services will be transferred to Public Health services from NHS England on 1 October 2015. The Council will receive ring-fenced funding and a provisional half-year allocation of £4.3m has been notified and included in the budget. Final allocations are expected to be announced in mid-January.

Variations to the existing MTFP

New pressures and savings

18. New pressures and savings proposals were set out in the report to Cabinet in December 2014. Section 3.2 sets out the variations to those proposals. The main change since December relates to the removal of a £3.2m pressure for reducing the council tax increase to 1%. As mentioned in paragraph 14 above, the council tax referendum limit has been announced at 2%; therefore the Cabinet are proposing to increase council tax by 1.99% in-line with the existing MTFP.

19. The corporate savings proposed in December 2014 included £2.5m for reducing agency and contracted staff and introducing a vacancy factor. The share of this saving by directorate is shown in Section 3.2. The savings proposals in December also included an unidentified £1.0m saving in Adult Social Care in 2015/16. This will be met from the new grant received for new burdens arising from the Care Act. The requirements of the Act can largely be met within existing resources, therefore releasing part of this additional non-ringfenced income (see paragraph 52 for further detail).

Strategic Measures

20. The report to Cabinet in December 2014 proposed changes to the Strategic measures budget arising from increased interest rates (which were set out in the September 2014 Cabinet report), higher than forecast average cash balances and changes in prudential borrowing profiles. Following the review of the treasury management strategy (detailed in paragraphs 60-65), further changes are proposed to this budget and are shown as variations to the December 2014 figures in Section 3.2.

21. The report to Cabinet in September 2014 and reflected in the savings presented in December 2014, assumed an average bank rate of 0.9% for 2015/16, 1.5% in 2016/17 and 1.9% in 2017/18. The Council uses the services of Arlingclose Limited to provide investment advice to the Council. Due to the continuing weakness in the Eurozone economy and the impact this could have on durability of UK growth along with the very low levels on inflation in the UK, Arlingclose's view is that the bank rate will not now rise until August 2015. Following this, increases are expected to be gradual with a forecast rate of 1.75% by March 2018. The Council has therefore revised its view on interest rates presented in September 2014 and now forecast the average bank rate for 2015/16 will be 0.625%, rising to 1.125% in 2016/17 and 1.625% in 2017/18.

22. Taking into account the Treasury Management Strategy principles that prioritise security and liquidity of principal over investment return (see paragraph 62 for further detail), target rates to be achieved on deposits have been reviewed, these are forecast as: 0.075% above the bank rate in 2015/16, reducing to the average forecast bank rate in 2016/17 and 2017/18. The reason for the reducing margin above bank rate is that the portfolio includes some longer-term deposits which were arranged in previous financial years, when market rates for longer-term loans were higher than those currently available with similar counterparties. As existing long-term deposits with higher rates mature, the average portfolio rate will continue to reduce. Additionally there is considerable uncertainty about the effects that the EU banking directives will have on the Council's ability to secure returns above bank rate and the need to find more secure investment opportunities. The revised rates have been incorporated into the strategic measures budget forecast and the variation to the savings set out in December 2014 is shown in Section 3.2.

23. The average cash balance for 2015/16 is forecast to be £294m. This is slightly lower than the average cash balance forecast in December 2014. The average cash balance includes an adjustment to reflect the impact of the Council no longer receiving many large government grants (including Revenue Support Grant) in the first month of the financial year (before there is the need to spend them). The

government has reviewed the payment profile of these grants and will now spread the payments on a more even basis throughout the year, reducing the cash flow advantage the Council received previously.

24. As the Accountable Body for the Oxfordshire Local Enterprise Partnership (OxLEP), the Council will be required to undertake prudential borrowing of £36.5m on behalf of OxLEP for capital schemes from 2015/16 as part of the City Deal. The borrowing will be repaid through the retained business rates from the Science Vale Enterprise Zone as part of OxLEP. The projects are being delivered by the Council and form part of the capital programme. The Treasury Management Strategy Team monitor PWLB rates and will consider forward borrowing on behalf of OxLEP in 2015/16 if it is determined to be cost-effective. This is consistent with the expectation that interest rates and Gilt yields will begin to rise over the medium term period.

25. As with last year, a corporate contingency has been set aside within the strategic measures budget to manage the risk that directorates are unable to deliver savings or see further increases in demand. On-going budget provision of £3.3m is available, of which £1.3m relates to funding for the Care Act (see paragraph 51) and is ring-fenced for Adult Social Care. The contingency is included in the variations to the existing MTFP line in the table at paragraph 12.

Use of Reserves

26. A £9.6m contribution from the Budget Reserve to support the budget in 2015/16 is already built into the existing MTFP. This contribution and the shortfall of proposed savings over pressures presented in the December 2014 report would have left the budget reserve in a deficit of £6.9m in 2015/16. The December 2014 report included the proposed use of £5.2m of earmarked reserves that will be released to contribute to the budget reserve, leaving a £1.7m deficit. The improvement in the net savings and pressures position as set out in Section 3.2 has contributed a further £3.0m to the budget reserve in 2015/16 and returned it to a surplus position of £1.3m for 2015/16.

27. Further details on the Budget Reserve over the medium term are given in paragraphs 57-59.

Revenue Support Grant and Business Rates Top-up

28. The provisional local government finance settlement was announced on 18 December 2014. The revenue support grant allocation for 2015/16 is £0.1m more than included in the December forecast. The business rates top-up allocation was £0.3m less than included in the December forecast due to the capping of the inflation increase on business rates to 2%, this was offset by an increase in the section 31 grant to compensate local authorities for this cap.

Local Share of Business Rates

29. The District Councils are required to provide final estimates of the Council's share of business rates for 2015/16 by 31 January 2015, together with the Council's

share of any surplus/deficit estimated from 2014/15. There is no change to the forecast from the position in December.

30. The Autumn Statement saw the forecast for inflation rates significantly reduced over the medium term. This impacts on the increase in business rate income and Section 3.2 sets out the effect of this.

31. The business rate pool established between Cherwell District Council, West Oxfordshire District Council and the County Council in 2014/15 will continue into 2015/16. The pooling arrangement is expected to bring benefits to the area as a whole through reduced levies on business rates growth. For 2015/16 the County Council will receive a 10% share of any growth (compared to 7.5% for 2014/15), in return for taking on a 2.5% share of any losses. The financial benefit for the County Council is expected to be small (less than £0.2m).

Council Tax Requirement

32. A council tax increase of 1.99% in 2015/16 is proposed, just below the council tax referendum threshold of 2%. Council tax increases of 3% are proposed for the final two years of the MTFP, in line with the position reported in December.

33. The existing MTFP includes a taxbase[1] of 231,558 for 2015/16, based on assumed growth of 0.75%. As set out in the report to Cabinet in December 2014, provisional figures from the district councils indicated an increase in the taxbase of 1.57% due to a combination of increased house building and lower than expected costs of the council tax support scheme. The final taxbase for 2015/16 has now been confirmed by all district councils at 233,884 an increase of 1.76% from 2014/15. Compared with the December report this increases the amount of funding available by £0.577m.

34. The existing MTFP included growth in the taxbase beyond 2015/16 of 0.75% per year. As set out in December, it is proposed to increase the taxbase by 1% per year to reflect the upturn in house building.

35. Section 3.3 provides a draft of the council tax calculation including the council tax requirement for 2015/16 and the Band D council tax equivalent.

Council Tax Surpluses/Deficits

36. The latest estimate for the Council's share of income from collection fund surpluses and shortfalls is £7.097m, an increase of £0.502m from the December position. 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 working days of 15 January 2015. The final and confirmed position will be notified in due course/ahead of the Cabinet meeting.

[1] The taxbase is the number of banded properties that the council uses to set the council tax. It is the total number of properties in the county weighted by reference to council tax bands A to H and takes into account discounts and exemptions.

37. As mentioned in the report to Cabinet in December 2014, as the council tax surpluses since 2010/11 have been no lower than £3.0m, it is proposed to increase the assumed income from £2.0m to £3.0m in each year of the MTFP.

Draft 2015/16 Budget for Directorates

38. Section 3.4 sets out the draft detailed revenue budget for 2015/16 for directorates. The annex shows the movement in gross expenditure and income from 2014/15, comprising inflation, function and funding changes, previously agreed funding and proposed virements. For illustrative purposes, the annex includes the effects of the new funding for pressures and proposed savings as set out in the service & resource planning report to Cabinet in December 2014 and adjusted for the variations set out in Section 3.2. The report in December referred to the pressure in Children, Education & Families as a result of a significant increase in the number of children looked after being partly offset by a £2.8m virement from corporate contingency. This is reflected in Section 3.4 and Cabinet is recommended to recommend Council to approve the virement.

Schools Funding

39. Dedicated Schools Grant (DSG) for 2015/16 is being allocated to local authorities in accordance with the three block methodology introduced in April 2013: early years block, schools block and high needs block.

40. The long expected consultation on a national funding formula did not take place during 2014. Changes were announced to the schools block in the summer of 2014 to allocate additional funding to authorities identified as being the least fairly funded by review of minimum funding levels for a variety of factors in the school funding model. As a consequence of this additional funding allocated for 2015/16 the amount received in the schools block has increased by 1% per pupil, before the national top-slice of £7.51 per pupil made to the DSG baseline to remove funding previously included for the Carbon Reduction Energy Efficiency Scheme. The final school block unit of funding for 2015/16 is £4,312.22.

41. The government is currently reviewing DSG funding in the other blocks, and has issued a call for evidence in relation to high needs funding to explore options for a fairer distribution of Special Educational Needs and Disability (SEND) funding at national and local level. Further decisions are not expected until after the general election in May 2015 and the next spending review.

42. Limited changes have been made to the school funding formula for 2015/16. Funding of £0.561m previously retained centrally for Capital Expenditure from Revenue Allocations (CERA) or non-delegated repairs and maintenance will be newly delegated for secondary schools and academies from April 2015. Every Child programmes funded from centrally retained DSG of £0.760m will also be newly delegated to primary schools and academies from April 2015. Minimum funding guarantee protection continues in 2015/16 so that no school sees more than a 1.5% per pupil reduction in their budget compared to 2014/15 and before the pupil premium is added.

43. Funding for early learning places for two-year-olds from lower income households changes to funding being allocated on a participation basis rather than on estimated places in 2015/16. From 1 September 2014 the statutory entitlement was extended to around 40% of two year olds across England.

44. The government has announced Education Services Grant (ESG) per pupil rates of funding for 2015/16. The retained duties element of the funding is a flat rate of £15 per pupil. The general funding rate for pupils in local authority mainstream schools and academies is £87. There is continued transitional protection for academies. The estimate for 2015/16 ESG is reduced to £5.365m, based on latest forecasts for academy conversions.

45. Schools receive extra funding through the pupil premium. The level of the premium per pupil is increasing from £1,300 in 2014/15 to £1,320 in 2015/16 for primary-aged pupils, and remaining at £935 for secondary-aged pupils. For looked after children, adopted children and children with guardians the rate will remain at £1,900 in 2015/16.

46. Schools Forum met on 3 December 2014 and approved the use of the provisional Early Years block of DSG for 2015/16. The total provisional 2015/16 DSG allocation is included in Section 3.7.

Better Care Fund

47. The existing MTFP includes £8.0m in 2015/16 as a contribution from the Better Care Fund to protect Adult Social Care services.

48. The Better Care Fund plan was approved by the Health & Well Being Board and submitted to NHS England in January 2015. The submitted plan is currently going through the national assurance process, the outcome of which will be known in early February 2015. The £38.0m plan is expected to be approved although some conditions may be attached to the approval.

49. The agreement of the plan secures the £8.0m contribution to the Council's budget in line with the existing MTFP. In addition the plan agrees £2.4m funding for District Councils for Disabled Facility Grants, £1.3m of Adult Social Care capital funding, and £1.9m for implementation of the Care Act of which £0.5m is for the IT system.

50. The Better Care Fund is being accounted for within the Older Peoples' Pool. The funding stream is partly direct grants to the Council but £33.0m is a contribution from the Oxfordshire Clinical Commissioning Group. The contribution from the Clinical Commissioning Group includes funding streams that were previously paid directly to the Council. The impact of the Better Care Fund is that Council income reduces by £12m which is reflected in the draft revenue budget booklet at Section 3.4.

Care Act Funding

51. Oxfordshire has a grant of £3.3m for the new burdens arising from the Care Act in 2015/16. The new burdens are improved carers rights £0.5m, a universal deferred

payment agreement scheme £0.9m and £1.9m for early assessments of self-funders in readiness for the Care Act financial reform due in April 2016. In addition there is a Social Care in Prisons grant of £0.2m for assessing and meeting the care needs of offenders.

52. Because the Council already offers deferred payments and through the on-going work on Adult Social Care LEAN processes, self-service and the implementation of the new IT system, the costs of responding to the act will be significantly less than the grants provided. This will deliver the saving of £1.0m in 2015/16 which in the December report was set out as ‘to be identified’ and will also provide some contingency. In addition, the resources for carers have been ring-fenced for that purpose.

53. There is some risk around the numbers of Carers and Self Funders that may seek support from the Council and regular monitoring will be undertaken. Both of the funding for the Better Care Fund and the Care Act is uncertain for 2016/17 and beyond due to the spending Review.

Balances and Reserves

General Balances

54. The financial strategy states that balances will be maintained at a level commensurate with identified risks based on an annual risk assessment and subject to a minimum of 2.5% of gross expenditure (excluding schools). A risk assessment for 2015/16 is attached in Section 3.6 which takes into account the current financial monitoring position and the risks in the 2015/16 budget and the economy generally. The risk assessment has concluded that balances should be held at £17.4m for 2015/16, compared to £16.7m for 2014/15.

55. The financial monitoring report to Cabinet on 16 December 2014 showed the 2014/15 forecast year-end position on balances as £16.2m, based on the assumption that the much of the forecast overspend will be a call on balances. This is £1.2m below the risk assessed level set of £17.4m for 2015/16. It is proposed to make no adjustment for this variation at this stage as action is being taken to reduce the call on balances in 2014/15. In addition, there is a corporate contingency of £3.3m held to manage the risk that directorates are unable to deliver savings or see further increases in demand (see paragraph 25). However, any shortfall would need to be addressed as part of the service & resource planning process next year. The projected level of balances over the medium term is set out in Section 3.6.1.

Earmarked Reserves

56. All the Council’s reserves which are maintained for specific purposes have been reviewed as part of the service and resource planning process. A summary of the planned use of the reserves over the medium term is given in Section 3.6.1. This shows that most of the revenue reserves will be used over this period, with the forecast falling to £36.1m by the end of 2017/18, of which £2.2m relates to schools. This is an improved position compared to December, which showed the forecast balance on reserves falling to £19.3m over the medium term as a result of

the Budget Reserve being overdrawn by £7.4m. The latest forecast position for the Budget Reserve is set out below. The capital reserve forecast has also been updated since December to reflect the updated capital programme in Section 3.9.

Budget Reserve

57. The Budget Reserve is being used to manage the cash flow implications arising from a different profile of pressures and savings in the MTFP. The existing MTFP includes contributions from the reserve in each of the years 2015/16 and 2016/17 totalling £19.3m.

58. The overall impact on the Budget Reserve based on the previously agreed use and new pressures/savings proposals is set out below.

	2015/16 £m	**2016/17 £m**	**2017/18 £m**
Opening balance	6.6	1.4	-6.5
Previously agreed contribution from reserve	-9.6	-9.7	0.0
Contribution to reserve arising from new proposals	4.4	1.8	7.1
Latest Closing balance	**1.4**	**-6.5**	**0.6**
Closing Balance Position in existing MTFP	-3.0	-12.7	0.0
Difference	**4.4**	**6.2**	**0.6**

59. The table shows that the Budget Reserve will be in surplus by the end of 2015/16, but will be £6.5m overdrawn in 2016/17, before returning to a surplus of £0.6m in 2017/18. This is an improved position compared to the forecast in December and to the existing MTFP. However the temporary use of other reserves or other balances held by the Council (e.g. developer contributions) are still forecast to be required in 2016/17 to manage the cash flow position, as the Council cannot hold a deficit reserve. Any temporary use of other reserves or other balances would need to be replaced in a subsequent year. This will need to be reviewed and addressed as part of next years' service & resource planning process.

Treasury Management Strategy

60. Treasury management is the management of the Council's cash flows, its banking, money market and capital transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

61. The treasury management strategy statement and the annual investment strategy for 2015/16 are set out in Section 3.5. 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 cash flow surpluses.

62. The prime objective of the Council's investment strategy is to maintain capital security whilst ensuring that there is the necessary liquidity to carry out its

business and only once these have been satisfied should the return on the investment be considered. The annual investment strategy for 2015/16 continues with this premise. The strategy for financing prudential borrowing during 2015/16 continues with the policy of using temporary internal balances. External debt will remain to be repaid upon maturity and will not be refinanced unless the economic outlook or the capital programme forecasts change.

63. It is proposed that any changes required to the 2015/16 treasury management and investment strategies are delegated to the Chief Finance Officer in consultation with the Leader of the Council and the Cabinet Member for Finance. This is included in the recommendations at the end of the report.

64. As part of the service & resource planning process for 2015/16 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 Section 3.5 sets out the draft prudential indicators.

65. Section 3.5 also incorporates the minimum revenue provision policy statement for 2015/16 at Appendix B. Legislation requires Council to approve a statement of its policy annually before the commencement of the financial year.

Virement Scheme

66. 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 in Section 3.8. The update relates to an increase to the limits applied for approval and the removal of the requirement for Cabinet approval for virements arising from organisational restructures.

Capital Programme and Asset Management Plans

The Capital Programme: 2014/15 to 2018/19

67. The updated capital programme in Section 3.9 includes £42.0m of new funding reported in the service & resource planning report to Performance Scrutiny Committee on 8 January 2015 and set out in Section 3.9.1. £15.4m of this relates to adding an additional year of annual programmes in 2018/19, £6.1m to Highways Maintenance and £2.7m to the Basic Need programme.

68. The funding assumptions within the capital programme have been revised and an extra year included for 2018/19. This includes an increase in funding arising from the Highways Maintenance allocations announced in December 2014. The Department for Transport announced a six year allocation, 2015/16 to 2020/21, with the final three years being indicative as formula data will be refreshed at that point. The allocations up to 2018/19 have been included in the capital programme. In addition, the un-ringfenced grant allocation for Adult Social Services has been removed from 2015/16 onwards as the allocation will become ringfenced as part of the Better Care Fund. The funding allocations for the Education Structural Maintenance grant are yet to be announced.

69. The table below shows the change in the overall capital programme from the last programme approved by Cabinet in October 2014.

	October 2014 Programme £m	**January 2015 Programme £m**	**Change £m**
Children, Education & Families	157.5	163.4	5.9
CEF programme reductions to be identified	-18.4	-5.8	12.6
Social & Community Services	33.0	37.2	4.2
Highways & Transport	141.9	181.3	39.4
Environment & Economy – Other	27.2	34.7	7.5
Chief Executive's Office	3.9	5.7	1.8
Total	**345.1**	**416.5**	**71.4**
Schools Local Capital	7.4	7.4	0.0
Earmarked Reserves	52.1	46.3	-5.8
Total Capital Programme	**404.6**	**470.2**	**65.6**

70. In December 2013, the Department for Education announced the Basic Need allocation for 2015/16 and 2016/17. Compared to the funding assumptions in the capital programme this resulted in a pressure of approximately £12m. It was also considered prudent to continue this funding level into 2017/18 and therefore the capital programme reported an £18.4m funding shortfall within the four year period. To address this shortfall it is proposed to release funds already held in earmarked resources (from the removal of the Schools Energy Reduction Programme and returned contingencies and underspends from the 2013/14 outturn position within the Children, Education & Families programme), utilisation of earmarked reserves and revised forecasts of future annual funding allocations.

71. Cabinet is recommended to approve the inclusion of a new project development budget of £0.500m to proceed with the preliminary design of the Didcot Northern Perimeter Road 3. This will be funded by S106 money held by the Council. This scheme has been identified as part of the Science Vale Transport Strategy. The new road would extend the existing A4130 Didcot Northern Perimeter Road linking the A4130 Abingdon Road and B4016 junction to the A4130 and Hadden Hill junction. This is necessary to relieve pressure on existing roads in the vicinity, to accommodate additional traffic generated by planned housing and economic growth in the area, and to improve access to the Power Station site and Milton Park from the east. Funding for the delivery of the scheme will be secured from future developments in the Didcot area through S106, S278 and Community Infrastructure Levies (CIL). Opportunities to bid for government funding will also be sought. An Initial Business Case for the scheme is available as a background paper.

72. Cabinet is also recommended to approve a budget increase of £0.364m for the Frideswide Square Transport and Public Realm scheme and to proceed to construction of the works on the main square. The budget increase will be met from capital programme contingencies. The funding agreement between Oxford

City Council and the County Council to secure the City's contribution of £0.670m is yet to be completed. This leaves the Council with a risk of a further gap in the funding of the scheme if it is not completed before construction commences. A Full Business Case for the scheme is available a background paper. Both of these changes will be reflected in the Capital Programme presented to Council in February 2015 if approved.

Asset management plans

73. The Property Asset Management Plan which sets out the role of the Council's property assets in meeting strategic objectives and the business strategies will not be updated until the budget is agreed and the service implications that arise can be incorporated into the plan. A refreshed plan will be considered as part of the service & resource planning process next year.

74. The Highways Asset Management Plan sets out the prioritisation for investment in highway infrastructure and was approved by Cabinet in September 2014. The two year rolling programme for all highways structural maintenance activities is set out in Section 3.9.2 and has been developed to reflect current needs and to ensure that prioritisation of schemes enables the Council to derive the greatest value from its investment.

Comments from the Performance Scrutiny Committee

75. The Performance Scrutiny Committee considered the new revenue pressures and proposed savings at its meeting on 18 December 2014 and the Corporate Plan, treasury management strategy statement and capital proposals on 8 January 2015. A summary of the comments from the meetings is attached in Section 3.10.

Consultation

76. Between 8 December 2014 and 9 January 2015 members of the public and stakeholders had the opportunity to comment on the budget proposals through the Council's website. A summary of the results of these consultation exercises is attached in Section 3.11.

Directorate Business Strategies 2015/16 – 2017/18

77. Last year each directorate proposed a new business strategy. These have been refreshed for the period 2015/16 – 2017/18 to reflect achievements in the last year and any new savings proposals. These are available on the Council's website https://www.oxfordshire.gov.uk/cms/content/business-strategies-201516.

Corporate Performance Indicators 2015/16

78. The corporate performance indicators proposed for 2015/16 have undergone a light touch update, ensuring that indicators reflect the core business of each directorate as set out in their business strategies and the Council's priorities as set out in the corporate plan. Updates have focused on:

    a. Strengthening our focus on safeguarding vulnerable adults

b. Reducing waiting times for care and support
c. Support to carers
d. The introduction of the Multi Agency Safeguarding Hub
e. Strengthening our focus on safeguarding children
f. Growth, particularly through the provision of apprenticeships and the use of developer funding
g. The implementation of the support transport programme
h. The introduction of the energy recovery facility and the impact on wider waste management.

79. There has been no change to the education and attainment indicators.

80. Cabinet is asked to note that some of the amended indicators will continue to be refined to ensure that they are achievable and realistic, particularly to take account of the impact of implementing savings proposals. Any further necessary revisions to targets, for example to respond to year end performance levels, will be monitored by the Performance Scrutiny Committee.

Overview and advice from the Chief Finance Officer

81. 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 Section 4 of the report to Council in February 2015.

Financial and Legal Implications

82. This report is mostly concerned with finance and the implications are set out in the main body of the report. The Council is required under the Localism Act 2011 to set a council tax requirement for the authority. This report provides information which will lead to the council tax requirement being agreed in February 2015.

Equality and Inclusion Implications

83. 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.’

84. A general assessment of the broad impact of the new budget proposals is set out in the service & resource planning report to Cabinet on 16 December 2014. This is supported by initial service-level assessments for the new proposals published on the Council’s website.

RECOMMENDATIONS

85. **The Cabinet is RECOMMENDED to approve:**

(1) a £0.500m project development budget for the Didcot Northern Perimeter Phase 3 Scheme;
(2) a budget increase of £0.364m for the Frideswide Square Transport and Public Realm scheme and to proceed to construction of the works on the main square.

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

(a) the Corporate Plan, Directorate Business Strategies and Performance Indicators;

(b) in respect of revenue:

(1) a budget for 2015/16 and a medium term plan to 2017/18, based on the proposals set out in the December 2014 report to Cabinet and the variations in Section 3.2;
(2) a council tax requirement (precept) for 2015/16;
(3) a council tax for band D equivalent properties;
(4) virement arrangements to operate within the approved budget;
(5) the virement of £2.8m from corporate contingency to children's social care included in section 3.4;

(c) in respect of treasury management:

(1) the Treasury Management Strategy Statement and Annual Investment Strategy;
(2) to continue to delegate the authority to withdraw or advance additional funds to/from external fund managers to the Treasury Management Strategy Team;
(3) that any further changes required to the 2015/16 strategy be delegated to the Chief Finance Officer in consultation with the Leader of the Council and the Cabinet Member for Finance;
(4) the Prudential Indicators as set out in Appendix A of Section 3.5;
(5) Minimum Revenue Provision Methodology Statement as set out in Appendix B of Section 3.5;
(6) The Specified Investment and Non Specified Investment instruments as set out in Appendix C and D of Section 3.5;
(7) The Treasury Management Policy Statement as set out in Appendix E of Section 3.5;

(d) approve a Capital Programme for 2014/15 to 2018/19 including the Highways Structural Maintenance Programme 2015/16 and 2016/17;

(e) to delegate authority to the Leader of the Council, following consultation with the Chief Finance Officer, to make appropriate changes to the proposed budget.

LORNA BAXTER
Chief Finance Officer

Background papers: Initial Business Case for Didcot Northern Perimeter Scheme Phase 3
Full Business Case for Frideswide Square Transport and Public Realm Scheme

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