

Division(s):

SCRUTINY COMMITTEES 10 JANUARY 2013

Service & Resource Planning 2013/14 – 2016/17

Report by County Council Management Team

Introduction

1. This report forms part of a series relating to the Service & Resource Planning process for 2013/14 to 2016/17. The Service & Resource Planning reports to Cabinet in September and December 2012 set out the context for the 2013/14 budget and Medium Term Financial Plan outlining known and potential financial issues for 2013/14 and beyond. The September report set out the Service & Resource Planning process for 2013/14 and a timetable of events.
2. This Service & Resource Planning process is taking place against a backdrop of a much greater degree of uncertainty over future resources. Two fundamental changes to the basis of funding local government – the implementation of the Business Rates Retention Scheme and the Localisation of Council Tax Support – will increase the level of volatility in the forecast of funding available and the interaction of both with local economic conditions will increase the associated risks.
3. Given the current economic climate and the uncertainty over levels of funding for local government in the future, the Service & Resource Planning process, MTFP and Capital Programme will cover only a four-year period, reflecting the availability of national spending information.
4. This report sets out an overview of the current position following the Provisional Local Government Finance Settlement on 19 December 2012 and asks each Scrutiny Committee to consider the proposed new savings for their area of responsibility. The following annexes are attached:

Annex 1	Assumptions in current Medium Term Financial Plan and overview of position reported to Cabinet in September and December 2012
Annex 2	Updated Business Strategies 2013/14 – 2014/15: a) Children, Education & Families b) Adult Social Care c) Fire & Rescue, Emergency Planning and Community Safety d) Environment & Economy e) Chief Executive's Office incorporating Cultural Services
Annex 3	New pressures & proposed new savings by Scrutiny Committee responsibility/remit
Annex 4	Service & Community Impact Assessments (SCIAS)
Annex 5	Proposed capital schemes
Annex 6	Service Areas to be considered by each Scrutiny Committee

Directorate Business Strategies

5. 2013/14 will be the third of the four-year directorate business strategies. These were approved by Council in February 2011 and included savings of £119m from 2011/12 – 2014/15. Whilst there have inevitably been some changes, the strategies are being delivered as planned with the majority of the original savings expected to be achieved. Annex 1 summarises and updates the assumptions in the existing [Medium Term Financial Plan](#) (MTFP).
6. Delivery against the Business Strategies in 2012/13 has been reported through the Financial Monitoring & Business Strategy Delivery Report to Cabinet and the achievement of the planned savings is reflected in the forecast position for each Directorate. The report to Cabinet on 18 December 2012 sets out a forecast underspend across all Directorates of -£1.3m, or -0.3%, as at the end of October 2012.
7. The quarterly Corporate Plan Performance and Risk Management Report to Cabinet on 18 December 2012 headlined the progress the Council has made towards Corporate Plan priorities for the period between July to September 2012 and notes that they are generally progressing as planned.

Service & Resource Planning Context and Process 2013/14

8. As set out in detail in the Service & Resource Planning report to Cabinet on 18 December 2012 there are new pressures on the MTFP arising from a number of areas. Some of these relate to corporate funding issues and some to pressures on expenditure. These include:
 - the implications of taxbase changes and maximum council tax increases;
 - a shortfall in funding already included in the later years of the MTFP reflecting anticipated cuts in formula grant beyond 2014/15;
 - Newly identified directorate pressures.
9. The draft Local Government Finance Settlement was announced on 19 December 2012. Annex 1 provides further detail but 2013/14 sees significant changes in the way local authorities are funded as well as other changes such as localisation of council tax support, the impact of grants transferring in/out of formula grant all alongside falling funding levels. Despite being announced much later than in previous years there are still numerous gaps in the information required to enable the Council to set its budget. The consultation closes on 15 January 2013 with the final settlement being announced sometime after this date. Confirmed taxbase figures from each of the District Councils, along with business rate forecasts have to be provided by 31 January 2013. Confirmed Collection Fund figures have to be provided by 22 January 2013.
10. Challenge sessions took place in October 2012. Directorates were asked to review their plans for delivering the savings in the third and fourth years of the business strategies and put forward proposals for managing any newly identified service pressures. Pressures on service delivery identified by directorates are listed in Annex 3 and summarised overleaf.

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Strategy & Partnerships	321	0	0	0	321
Growth & Infrastructure	1,500	500	0	0	2,000
Children's Services	1,530	0	0	0	1,530
Adult Services	9,980	1,250	-2,200	0	9,030
Safer & Stronger Communities	52	300	0	0	352
Total Directorate Pressures	13,383	2,050	-2,200	0	13,233

11. Overall the Council faces new pressures of at least £49.8m over the medium term once changes to funding are added to these directorate pressures.
12. These pressures will need to be met from new savings. Annex 3 sets out the proposed on-going and one – off savings cross referenced to the relevant Business Strategy. Proposed new on-going savings relevant to each Scrutiny Committee are summarised in the table below:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
Strategy & Partnerships	-1,326	-1,425	-1,785	-1,432	-5,968
Growth & Infrastructure	-71	-1,931	-1,412	-543	-3,957
Children's Services	-1,230	-2,180	0	0	-3,410
Adult Services	-11,473	-4,080	-950	-1,950	-18,453
Safer & Stronger Communities	-80	0	0	0	-80
Corporate	-7,770	-4,950	-725	-777	-14,222
Total New Savings	-21,950	-14,566	-4,872	-4,702	-46,090

13. Information for all Directorates is included to provide context to each of the proposed savings. Annex 6 sets out the areas of responsibility for each Scrutiny Committee. Each committee is invited to consider and comment on the relevant Business Strategy/ies included at Annex 2 and the new savings proposed in Annex 3.

Capital Budget Setting & Programme

14. The Council considers the capital investment and programming activity as an integral part of the Council's Service & Resource Planning process. This ensures that the creation of a new asset or investment in the existing assets and infrastructure network is justified through detailed business strategies and delivery models for the service.

15. This year's capital budget setting process is focussed on strategic and high-level issues or key operational bottlenecks underpinning the service delivery in the medium term and creating large demands on capital resources. The capital planning period will be set as four year to ensure that the programme is planned with no additional resources until there is more certainty about the level of capital resource into the future, especially beyond 2014/15. This is to ensure that the size of the existing capital programme portfolio remains within an affordable envelope.

Capital Resources

16. The following table shows the resources that are available to be allocated to new schemes in the capital programme up to 2016/17.

Additional Flexible Funding:	£'000
Additional Basic Needs Settlement	5,500
Additional Capital Receipts	4,900
Earmarked Reserves for Capital Budget Setting	12,000
Total Flexible Resources	22,400

17. Additional capital resources were announced in the Chancellor's Autumn Statement/the Provisional Local Government Finance Settlement:

- £3.6m extra funding over 2013/14 and 2014/15 for highways maintenance, required to complement rather than replace existing planned expenditure;
- £2.2m more funding in 2013/14 and 2014/15 for Social Services and Fire & Rescue Services than anticipated in the capital programme.

18. However, Education Capital Grant allocations will not be announced until later in January 2013. The assumptions previously built into the capital programme have been left unchanged but will need to be updated before Council if the grant notified varies from the assumed allocation.

19. Pressures on capital resources include schools basic need. The number on roll at Oxfordshire's primary schools rose by 886 (1.9%) from May 2011 to May 2012, faster than the 1.3% increase in the previous year. For reception age alone, numbers have grown by over 3%. The additional pupil place requirement for basic need is currently estimated to be 1,145 places. £13m funding is estimated to be required to provide these places.

20. Delivery of the East/West Rail project will require construction of new road bridges where there are existing level crossings – the higher level of rail traffic will mean that level crossings will no longer be acceptable on grounds of safety risk and inconvenience to local traffic. Government funding for East/West Rail was dependent upon the consortium securing a local contribution of around £30m, with best endeavours to secure an additional £20m – this figure needs to be secured from local partners along the length of the project (five local transport authorities) and over the course of what is anticipated to be a 15-20 year franchise. The mechanism for securing a local contribution is currently the subject of discussion. Based on a population distribution, the contribution from Oxfordshire could be up to £10m in total or £0.660m per year (assuming a £50m total contribution).

21. The total pressures which require flexible funding are set out in the table below.

Area of the Capital Programme	Project	Flexible Funding Required £'000
Children, Education & Families	Basic Needs Additional Pressure 2013/14 to 2016/17	13,000
Social & Community Services (S&CS)	Fire Service – Development & Design work following Fire Review	600
S&CS	Relocation of Rewley Road Fire Training Facility	600
Environment & Economy (E&E) – Transport	East/West Rail Delivery	1,980
E&E - Other	Disposals to Cherwell District Council at less than market value	1,550
Chief Executive's Office	Super Connected Cities Broadband	150
Earmarked Reserves	Increase to Earmarked Reserves for highways major projects	5,000
Total		22,880

22. The Cabinet will need to consider these and other pressures when allocating the available flexible resources in the proposed capital programme in January 2013.

23. Annex 5 shows proposed capital schemes including the priority category. Each Scrutiny Committee is invited to comment on the schemes which require flexible funding and those for which project specific funding is available.

Next Steps

24. The comments from each Scrutiny Committee will be fed back to Strategy & Partnerships Scrutiny Committee for consideration on 17 January 2013. They will then offer an overall view on the proposed new savings and capital schemes. The Cabinet will then finalise their budget proposals and propose the Revenue and Capital Budget for 2013/14 – 2016/17 on 29 January 2013, taking into consideration comments from Strategy & Partnerships Scrutiny Committee.

25. The final local government finance settlement is expected to be announced in late January/early February 2013, and as noted in paragraph 9 information on the taxbase, business rate forecasts and collection fund figures need to be notified by the District Councils by the end of January.

26. There is an opportunity for the public to comment on the budget proposals via the County Council's website. The consultation is open from 4 January 2013 to 1 February 2013 and the views expressed will be taken into consideration in the budget proposed to Council and will be shared with all councillors in advance of the Council meeting on 19 February 2013.

Financial and Legal Implications

27. This report is mostly concerned with finance and the implications are set out in the main body of the report.
28. 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. The outcome of the consultation is not yet known, 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

29. 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.
30. It also ensures we are compliant with legislation by setting our equality objectives for the next four years, and includes specific actions we will take to build on current achievements and address areas where improvements are needed in our performance.
31. As part of the service and resource planning process for 2013/14, the Council will produce a general assessment of the impact of the budget on customers ahead of the budget being set in February 2013. This document will set out the principles that are being followed, identify the main risks to vulnerable groups and establish what actions would be taken to prevent these risks.
32. In addition to this overarching assessment all significant changes to the budget (both pressures and savings) will have an accompanying impact assessment to identify potential risks in advance of the budget being set. Initial impact assessments have been undertaken to support the budget decision making process. Where proposals require further development, policy changes or consultation to enable the budget decision to be implemented the impact assessment will be developed further and made available to decision makers.
33. The Service and Community Impact Assessments (SCIAs) included at Annex 4 need to be considered by the relevant Scrutiny Committee(s).

RECOMMENDATIONS

34. **Further information about the Council's funding is expected in late January 2013 so the Service & Resource Planning process will continue to develop until Council meets to set the Council Tax on 19 February 2013. In the meantime each Scrutiny Committee is invited to consider and comment on:**

a. the Business Strategies, savings proposals and pressures for the relevant service areas taking account of the Service and Community Impact Assessments;

b. the priority of capital pressures.

JOANNA SIMONS
Chief Executive

SUE SCANE
Assistant Chief Executive & Chief Finance Officer

JIM LEIVERS
Director for Children, Education & Families

JOHN JACKSON
Director for Social & Community Services

HUW JONES
Director for Environment & Economy

DAVE ETHERIDGE
Chief Fire Officer

Contact Officers:

Kathy Wilcox – Principal Financial Manager (01865) 323981

Katy Jurczynszyn – Principal Financial Manager (01865) 323975

Lisa Michelson – Senior Policy and Performance Officer (01865) 815673

Claire Phillips – Senior Policy and Performance Officer (01865) 323967

January 2013