Division(s): N/A

ANNEX 1

CABINET – 20 December 2016

Service & Resource Planning
2017/18 to 2020/21

Report by the Chief Finance Officer

Introduction

1. This report is the second in the series on the Service & Resource Planning process for 2017/18 which will culminate in Council setting a budget for 2017/18 and a medium term plan to 2020/21 in February 2017. The report sets out:

   - the new pressures and savings for 2017/18 and the medium term,
   - the key announcements of the Autumn Statement announced on 23 November 2016; and
   - the capital programme proposals for 2017/18 to 2020/21.

2. This report will be considered ahead of Cabinet by the Performance Scrutiny Committee on 15 December 2016.

3. The provisional local government finance settlement is expected to be announced on or before 15 December 2016. An addenda will be produced once it has been announced.

4. The following annexes are attached to this report:

   Annex 1: Revenue budget pressures and savings 2017/18 – 2020/21
   Annex 2: Social & Community Impact Statements (SCIAs)

Direction for the Council

5. The approach for setting the budget for 2017/18 and MTFP to 2020/21 is very different to the approach taken in recent years. In part this is due to the considerably sounder financial footing of the Council, with a four year funding settlement already agreed with government, a robust MTFP and the difficult decisions of previous years now standing the organisation in good stead for the future.

6. The approach has also been informed by the recent work undertaken on the Council's future role and direction, the Transformation programme 'Fit for the Future' and of particular significance, the work that has been undertaken on a

single unitary structure of local government in Oxfordshire. Much of this thinking can also be applied to the role of the county council within the current two tier arrangements for local government, which has also been used to inform the proposals for a new senior management structure.

7. The Fit for the Future transformation programme, along with other whole organisational change will provide a robust and stable platform for the council over the coming four years, ensuring we are well placed to effectively meet residents' and business needs, within our available budget.

8. The Council will not have a new Corporate Plan until after the May 2017 elections, but our approach will continue to be based on the vision of thriving Oxfordshire for everyone, where:

   - Every community thrives, and everyone can play an active part
   - Everyone leads safe, healthy lives while people with the greatest need are cared for so:
     - older and disabled people can live independently
     - every child has the best start in life
     - everyone is protected from abuse or neglect
   - A strong and thriving economy creates jobs and homes for the future, and quality of life for Oxfordshire communities is protected.

We will achieve this by:

- Putting residents at the heart of everything we do
- Understanding the strengths and needs of each community, so we can help them to help themselves
- Empowering our staff to make a real difference to people's live
- Continually looking for new ways to improve services and reduce costs
- Working with people, communities and other organisations as one, joined up council
- Fighting for Oxfordshire to secure investment in public services and infrastructure
- Making dealing with the council simpler, with better use of digital technology

Efficiency Plan and four-year settlement

9. The Provisional Local Government Settlement announced in December 2015, set out an offer to all Councils of a four-year funding settlement from 2016/17 to 2019/20. The offer of a four year settlement required councils to publish an Efficiency Plan and notify the Department for Communities and Local Government (DCLG) of its availability by 14 October 2016.

10. In September 2016, Council approved a revised Medium Term Financial Plan (MTFP) and Efficiency Plan. The Efficiency Plan was submitted to DCLG by the deadline and confirmation that the council is formally on a four year settlement was received on 17 November 2016.

11. In September 2016, Cabinet agreed that the Medium Term Financial Plan to be agreed by Council in February 2017 would cover the four years 2017/18 to 2020/21.

Service & Resource Planning process

12. The Council's robust approach to long term financial planning means that after six years of difficult decisions to manage reductions in funding at the same time as increased demographic pressures in social care, the Council will be able to manage financial pressures within the funding envelope available by the end of the MTFP period.

13. The revised MTFP agreed by Council in September included a Transformation Programme which aims to deliver £15.3m of savings. These were planned in 2017/18 and 2018/19. To allow time for implementation, the proposed MTFP includes the deferral of all savings until 2018/19. The programme titled Fit for the Future, comprises of five work streams and is governed by a programme board chaired by the County Director. The strands are:

    - Digital First
    - Business Efficiencies
    - Customer Journey
    - Workforce for the Future
    - Place Based Reviews

14. In addition to the programme there are a number of cross cutting workstreams that support the changing organisation and focusing on a One Council approach. The approach to Service & Resource Planning this year reflects this.

15. A member engagement session was held in November for Cabinet plus key members of the Labour and Liberal Democrat Group. The purpose was to provide assurance that the savings required through the Fit for the Future Programme can be delivered.

16. The Performance Scrutiny Committee will consider and comment on the revenue pressures and savings and will feedback to Cabinet. The Cabinet will take the Scrutiny Committee's comments into consideration in proposing its budget in January 2017. Performance Scrutiny Committee will also consider and comment on the capital proposals.

17. Following the Provisional Local Government Finance Settlement the Cabinet will propose the 2017/18 revenue budget, 2017/18 – 2020/21 Medium Term Financial Plan and Capital Programme to 2020/21 on 24 January 2017.

18. Council will meet on 14 February 2017, following the Final Local Government Finance Settlement and final information from District Councils, to agree the

2017/18 revenue budget, Medium Term Financial Plan for 2017/18 – 2020/21 and Capital Programme.

Pressures and Savings Options

19. The report to Cabinet in September 2016 and the Financial Monitoring & Business Strategy Delivery reports throughout the year have set out the emerging pressures that need addressing as part of the 2017/18 Service & Resource Planning process. The paragraphs below set out both the pressures and savings proposals, details of which are provided in Annex 1.

New Pressures

20. There are new Service and Corporate pressures totalling £16.1m for the period 2017/18 to 2020/21 as shown in the table below.

Service Area	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Children, Education & Families	7.7	1.9	1.3		10.9
Adult Social Care	0.8	0.1	0.2		1.1
Fire & Rescue Service and Community Safety	0.1				0.1
Environment & Economy	0.5	0.6	0.7	-0.2	1.6
Corporate Services	1.2		-0.7		0.5
Council-wide/Corporate Measures	1.5	0.2	0.2		1.9
TOTAL	**11.8**	**2.8**	**1.7**	**-0.2**	**16.1**

21. In Children, Education and Families, there are pressures in Children's Social Care due to the increasing number of children requiring placements and increased legal and staffing costs associated with the higher number of children. Also, there is an increase in the number of children with Special Educational Needs requiring transport to school. These give rise to a total pressure of £6.6m in 2017/18 rising to £10.3m by 2020/21.

22. Historically, the Education Services Grant (ESG) was made up of two elements; retained duties paid to local authorities to fund services provided to all schools (including academies) and general duties paid to both local authorities and academies to fund services authorities provide to maintained schools but which academies must provide themselves. From 2017/18, the general duties element (at £15 per pupil) will be transferred into the schools block of the Dedicated Schools Grant (DSG). Local authorities will be able to fund these services with the agreement of schools forum.

23. In 2016/17, the Council received £4.4m of Education Services Grant. Reductions to the grant totalling £2.5m are included in the MTFP to 2019/20.

The change set out in paragraph 22 means that the reduction will now total £3.2m over the medium term, with £2.2m of the reduction falling in 2017/18, an increase of £1.2m compared to the MTFP.

24. In Environment & Economy, there is a pressure of £1.3m over the medium term on the Household Waste Recycling Centres (HWRC) budget relating to increased costs of running the centres due to higher prices of materials and management fees. There is also an anticipated cost to delivering new Household Waste Recycling Centres (HWRCs) as part of the long-term strategy agreed in December 2015.

25. Following a ruling by the Secretary of State for Education in March 2016, the Council has lost recharge income (contributing towards Council overheads) from the Dedicated Schools Grant (DSG). There is also a pressure in Education Support Services arising from the loss of income from school's converting to academies. This gives a pressure of £1.6m over the medium term.

26. There is also a pressure of £0.3m on the amount of business rates payable on Council owned properties. The Valuation Office Agency have revalued properties so that rateable values are realigned with current rental values set by the market periodically reflecting relative changes in the rental value of properties in different sectors and locations.

<u>Changes to the Existing Medium Term Financial Plan</u>

27. The Council has a good track record of delivering on savings plans, having delivered £247m of savings between 2010/11 and 2015/16 and is on track to deliver most of the £53m required in 2016/17. To ensure this delivery continues a re- assessment of the £61m savings that are in the MTFP but still to be delivered has been undertaken; where savings cannot be achieved, they are being removed and new savings identified to replace them. This totals £12.3m and details are set out in Annex 1.

<u>Savings</u>

28. Service and corporate savings options of £26.9m have been identified over the period 2017/18 to 2020/21. A summary by service is shown in the following table:

Service Area	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Adult Social Care	-2.8	-1.0			-3.8
Fire & Rescue Service and Community Safety	-0.4		-0.1		-0.5
Environment & Economy	-1.3	1.3			0.0
Corporate Services	-0.3	0.3			0.0
Public Health	-0.5	-0.5			-1.0
Council-wide/Corporate Measures	-24.1	4.1	-1.8	0.2	-21.6
TOTAL	**-29.4**	**4.2**	**-1.9**	**0.2**	**-26.9**

29. The MTFP includes growth in the tax base of 1.63% in 2017/18 and later years. Early figures from the District Councils indicate that the actual growth in the taxbase for 2017/18 will be 1.97%. In line with expected housing growth, it is proposed to increase the assumed growth in the taxbase to 2% in 2018/19. This generates £2.5m of additional funding over the medium term.

30. £1.4m of additional funding from 2017/18 was built into the budget as part of the 2016/17 S&RP process for the apprenticeship levy. This is payable by all organisations who have pay expenditure of more than £3m. Schools will be required to pay the levy as part of their individual school's budget; therefore the amount of levy payable by the Council is £0.6m.

31. In each year of the MTFP, the Council funds £5m a year for Adult Social Care demography pressures. The Social Care Precept funding is able to meet part of this pressure which enables the Council to reduce the amount of corporate funding needed over the medium term.

32. A thorough review of the Council's balance sheet has taken place and has resulted in savings of £11.1m over the medium term by reducing the annual contribution to reserves and a proposed change in the Minimum Revenue Provision (MRP) policy.

33. MRP is the principal amount of the Council's debt that it has to pay each year. This review proposes to change the method of payment from a reducing balance method, where the debt is never fully repaid, to a straight line method, where the current debt will be fully paid over a 50 year period giving a more prudent approach to debt management.

34. Within adult social care, additional savings totalling £2.2m have been achieved by retendering the re-ablement contract; re-designing and combining the Crisis Response Service, Emergency Carers Support Service and Telecare Monitoring Service; and removing funding for peripatetic warden schemes with no impact on service users. These were savings already included in the MTFP but more savings have been achieved during implementation than originally planned.

35. There are two options in an ongoing consultation about the future of adult social care Daytime Support Services; one option would save £2.4m and the other £3.4m. The Council awaits the outcome of the current consultation and has included the lower savings figure less some transition costs in the budget proposals. This is an additional saving of £1.0m compared to the amount included in the current MTFP.

Overall Position

36. The following table shows that currently there is a remaining net pressure of £1.5m in 2017/18 and a balanced position over the medium term. The Council is awaiting the outcome of the Provisional Local Government Finance Settlement and final information from district councils before addressing this position in order that a balanced budget can be set on 14 February 2017.

37. At this stage it is anticipated that the net pressure will be met by further reducing use of agency and interim staff in line with current plans.

	2017/18 £m	**2018/19 £m**	**2019/20 £m**	**2020/21 £m**	**TOTAL £m**
New Pressures	11.8	2.8	1.7	-0.2	16.1
Changes to Existing MTFP	19.1	-7.0	0.2	0.0	12.3
Savings	-29.4	4.2	-1.9	0.2	-26.9
Net Pressure (+)/Saving (-)	**1.5**	**0.0**	**0.0**	**0.0**	**1.5**

Autumn Statement 2016

38. On 23 November 2016 the Chancellor of the Exchequer, Phillip Hammond MP, announced the Autumn Statement. This was the first economic statement given by the Government since the vote to leave the European Union.

39. To promote certainty and simplicity within the tax system, the government intends to move towards having a single major fiscal event each year. In 2017 two budgets will be delivered in Spring and Autumn. From 2018 onwards only one Budget will be delivered in Autumn. The Office for Budget Responsibility (OBR) will continue to produce a Spring forecast and the government will make a Spring Statement responding to that forecast. However, the government will retain the option to make changes to fiscal policy at the Spring Statement if the economic circumstances require it.

40. The Government has removed its target to be in budget surplus by 2019-20, as measured by the Public Sector Net Borrowing (PSNB) figure. The Charter for Budget Responsibility has been updated and is based on three new targets:
    - a mandate to reduce cyclically-adjusted PSNB below 2% of GDP by 2020/21;

- a supplementary target for PSND as a percentage of GDP to be falling in 2020/21; and
- a supplementary target to ensure that expenditure on welfare in 2021/22 is contained within a predetermined cap and margin set by the Treasury.

41. The UK is forecast to be the fastest growing country in the G7 group of Countries[1] in 2016 with growth estimated at 2.1%, although it will face economic uncertainty because of the recent Brexit vote. This has caused the OBR to reduce its growth prediction to 1.4% in 2017. It is however expected to recover in the following years.

42. A new National Productivity Investment Fund (NPIF) will provide an additional £1.1bn by 2020-21 of new funding to relieve congestion and deliver upgrades on local roads and public transport networks. On strategic roads, an extra £220m will be invested to tackle key pinch-points. The government will recommit to the National Roads Fund announced at Summer Budget 2015. The NPIF also included £27m to develop an expressway connecting Oxford and Cambridge and £110m for East West Rail.

43. Following the recommendations of the independent Low Pay Commission, the National Living Wage (NLW) will increase by 4.2% from £7.20 to £7.50 from April 2017. This is however 10p less than the proposed increase announced last year.

44. To remove the inconsistency between rural business rate relief and small business rate relief the government will double the rural rate relief to 100% from 1 April 2017. A new 100% business rates relief for new full-fibre infrastructure for a 5 year period will apply from 1 April 2017. It is not clear if local government will be reimbursed for the loss in business rate income.

Capital Programme

45. The following table shows the estimated funding available for allocation, the current known pressures and the overall capital programme surplus. The detail is provided in the ensuing paragraphs.

[1] United States, Canada, France, Germany, Italy, Japan and United Kingdom

Description	£m
Estimated Funding Available: Additional Estimated Funding Up to and for 2020/21 Allocations to be returned to the corporate pot for reallocation	 20.3 4.3
Total Estimated Funding Available	**24.6**
Previously Agreed Allocations	-2.1
Revised Estimated Funding Available	**22.5**
Budget Requirement: Statutory Requirements – Basic Need Annual Programmes Other Pressures	 -1.7 -18.1 -2.6
Total Funding Requirement	**-22.4**
TOTAL SURPLUS (+)/ SHORTFALL (-)	**+0.1**

Estimated Funding Available

46. There is a further £24.6m of new capital resources available from adding a further year of estimated un-ringfenced grant allocations for 2020/21, from some adjustments to earlier year assumed funding levels and from contingency and other budgets returned for reallocation.

47. The 2018/19 grant funding allocation for basic need was announced in March 2016 was substantially lower than expected, (a nil allocation compared to a forecast of £4.5m). Assumptions on the funding level for 2019/20 has been revised downwards and matches the further year's allocation estimated for 2020/21 of £3.8m. This has led to an overall funding reduction on the capital programme of £1.5m.

48. An estimated £2.0m of grant funding has been included for the Schools Structural Maintenance Allocation for 2020/21. This compares to the current £4.4m received for 2016/17 and reflects the on-going school conversions to Academy status.

49. A further year of highways maintenance grant funding of £13.4m has been added for 2020/21 as well as a further £1.4m estimated for the self-assessed incentive fund, £3.7m for Integrated Transport Block funding and a £1.3m Pothole Action Fund allocation in 2017/18.

50. £4.3m has been returned to the corporate pot from unused project contingency budgets and the release of earmarked funds that are no longer required.

Previously Agreed Allocations

51. In October 2016, Cabinet agreed to increase the budget provision for the proposed improvements at Westgate Library by £2.1m to a total of £3.6m. The improvements are expected to commence in January 2017 to enable the Library to relocate back in October 2017. This allocation has reduced the amount of resources available to further pressures.

Statutory Requirements – Basic Need

52. Further basic need pressures have been identified for the period 2017/18 to 2020/21 totalling £6.3m with an expected £4.6m of developer funding to contribute to these. The remaining £1.7m will be met from the available resources.

Annual Programmes

53. Adding a further year of the annual highways, schools and property maintenance programmes to 2020/21 utilises £18.1m of the available resources.

54. Highway maintenance annual programmes total £14.6m with a further £0.7m added towards the East-West rail contribution and £2.5m for schools annual programmes.

Other Pressures

55. Further pressures totalling £2.6m have been identified in addition to the basic need and annual programmes.

56. The need to complete reconstructive works to the substructure of Kennington Railway Bridge was identified during a maintenance inspection. Interim measures costing £0.9m have been carried out in-year, initially approved under delegated authority of the Leader of the Council in consultation with the Chief Finance Officer and reported to Cabinet in October 2016. At this point it was identified that permanent works estimated at £2.0m will be required and considered as part of the Service & Resource Planning Process.

57. Capital investment of £0.4m is required towards the two Grade II Listed Barns at Cogges Farm - Witney, built 17th Century, to address variable signs of decay and degradation of the roof structure.

58. It is proposed to introduce a Controlled Parking Zone at Iffley Fields in Oxford at a cost of £0.2m.

Consultation

59. Members of the public and stakeholders will be able to comment on the budget proposals and Council Tax level through the Council's website. The consultation will open on 8 December 2016 and close on 9 January 2017. A

summary of responses will be provided to Cabinet to allow them to take the comments into consideration in agreeing their budget proposals.

Equality and Inclusion Implications

60. 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.'

61. Potential impacts of the budget options have been considered and are set out in the Social & Community Impact Statements in Annex 2.

Financial and Legal Implications

62. 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, when taken together with the future reports up to January 2016, will lead to the council tax requirement being agreed in February 2016, together with a budget for 2016/17, updated medium term financial plan and capital programme.

RECOMMENDATIONS

63. **Cabinet is RECOMMENDED to take the issues set out in the report into consideration in forming their proposed budget for 2017/18, Medium Term Financial Plan to 2020/21 and Capital Programme to 2020/21.**

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