

## CABINET – 20 JULY 2010

### Service & Resource Planning 2011/12 to 2015/16 and the Council's Business Strategy

**Report by the Chief Executive and Assistant Chief Executive &  
Chief Finance Officer**

#### Introduction

1. The first Service & Resource Planning report for the forthcoming year is usually presented to the Cabinet each September. However, the process for 2011/12 will not follow the normal practice, with significant changes being made for both revenue and capital in-year in 2010/11. This is detailed in the Financial Monitoring Report elsewhere on the agenda and set out for information below. Following the National Budget there are clear indications that significant changes to funding in future years will require major changes to the way the Council does business. In the light of this, it was considered necessary to report to Cabinet at the first opportunity.

#### The Council's Business Strategy

2. The Council's Business Strategy is intended to enable the authority to address funding cuts from central government and will also provide the council with greater flexibility and a more joined up cross-directorate approach. It streamlines business processes and frees up managers and staff to focus on proactive development of services to reflect customer needs and value for money expectations.

#### Changes to the Council's Medium Term Plan and Capital Programme

3. Since the formation of the Coalition Government, there have been a number of announcements which have changed the current year's financial position for revenue and capital, as well as the National Budget which has set the expectation of changes for the medium term position to 2014/15.
4. The detail of proposed actions for the current year reductions are set out in the Financial Monitoring Report, however the high level position is:

	£m
Area Based Grant (ABG)	-3.551
Performance Reward Grant (PRG)	-4.282
Local Authority Business Growth Incentive Grant (LABGI)	-0.329
Capital Grants	-2.720
<b>TOTAL</b>	<b>-10.882</b>

5. In addition, there are reductions of £0.166m in revenue specific grants from Department for Education (DfE), with further Capital specific grant reductions announced by DfE on 5<sup>th</sup> July, along with the cancellation of Oxfordshire's Building Schools for the Future programme.

### **National Budget and Indicative Savings**

6. The National Budget on 22 June, built upon the previous (Labour) Budget on 24 March 2010 which had already built in substantial savings to be achieved in future years. This included the reduction in Government departmental spending totals from 20% to 25% over a four year period up to 2014/15. If Government departments are required to make such significant savings, it must be expected that the Council's funding will reduce by a similar level.
7. Oxfordshire receives £632m or 65% of its revenue funding from Central Government in Revenue Support Grant, National Non-domestic Rates, Specific or Area Based Grants. The remaining funding comes from Council Tax (£284m or 29%) and Income (£57m or 6%).
8. The Medium Term Financial Plan (MTFP) agreed by Council in February 2010 included savings plans of £103m in the 2010/11 budget and medium term to 2014/15 in recognition that reductions in funding over the coming years would be required. Of this sum, around two thirds was planned to be reinvested in services with the remaining £32m being a reduction in expenditure.
9. The early planning that we undertook last year in setting the budget has stood us in good stead for meeting the likely additional savings required in 2011/12. However, it is now clear that we will need to go a lot further.
10. To quantify the scale of further savings required, a number of scenarios have been considered:
  - The first of these was based on the assumption that the saving of 25% will be evenly spread across all services, including schools. This would require £160m savings to be found in total, £80m of which would relate to schools and £80m on other services.
  - However, the Government has indicated that education and defence departments whilst not being protected completely, may expect to receive a lower level of reduction. If the consequence of partial protection for schools means a higher level of savings need to be found by remaining Council services to achieve a 25% reduction overall, then a 10% reduction in schools equates to a requirement for a 44% reduction in the level of grant for other services. This means that the savings for schools reduces to £33m whilst the savings for other services increase to £127m.
  - The Institute of Fiscal Studies has estimated that to limit reductions in education and defence to 10%, a 33% reduction elsewhere in Government Departments would be necessary to achieve the overall target. A 33% reduction over the four years produces a grant reduction of £100m for non-

school services. However, the Government has since been seeking higher level proposals.

11. The 2010/11 – 2014/15 MTFP was agreed on the assumption that there would be significant reductions in Revenue Support grant 2011/12. There is also expectation that some Specific Grants would cease in 2011/12. Once these are taken into account, using the scenarios above, the level of savings required decreases to a range of between £110m to £60m excluding schools.
12. To have a single planning assumption, it is recommended that a figure between the second and third of these scenarios is used. This would suggest a potential reduction of £100m after taking account of the reductions already been built in. If the reductions in Specific Grants are made by those services where the grant was provided for, the impact on other services would be reduced.

### **Capital Programme**

13. Changes to the Capital Programme will be needed arising from pressures being identified in the current year as well as the expectations from the March 2010 (Labour) National Budget which included assumptions of a 50% reduction in Capital Borrowing allocations. The Coalition Budget announced that no further reductions would be made in Capital borrowing allocations, although there were changes to Capital grants. The Cabinet has therefore requested a review of the Programme and a moratorium on spending in 2010/11 except in agreed circumstances is proposed.

### **Next Steps**

14. Grant reductions of the level indicated above will require a fresh approach to the Service & Resource Planning Process and it will not be feasible to achieve this by just focusing on improving value for money and cost effectiveness alone. We will need to take a fundamental look at services and concentrate on essential services and reframing the nature of what we provide.
15. As the process is developed, more detail will be brought back to Cabinet and reviewed by Councillors at Scrutiny Committees although, given the likely timescales when any information is known with certainty, it may not be possible to put information to Scrutiny Committees before December.
16. The first stage of this process will be a review of the need for the pressures already built into the medium term plan and to check progress against the savings that are already required. This work will be carried out over the summer.
17. Once the conclusion of the Comprehensive Spending Review is announced on 20 October 2010, it should be possible to make a clearer determination of the likely effect on the Authority for the period 2011/12 to 2014/15. The detailed figures will still not be known until the Local Government Settlement is announced at the end of November or beginning of December.

18. Cabinet is asked to agree that we use £100m as a working assumption of the additional grant reductions for the period 2011/12 – 2014/15 and bring back to the September meeting a revised process for dealing with that level of change.

### **Consultation and engagement – The Oxfordshire “Big Debate”**

19. The scale of the savings required of the public sector is unprecedented since the Second World War and it is therefore proposed that the Council has a wide-ranging dialogue with residents about the implications for local services and listens to ideas about which areas to prioritise and ways in which we can do things differently.
20. This will also give us an opportunity to explore with residents the potential behind the Government’s concept of “Big Society” which the Prime Minister has identified as “a guiding philosophy”, seeking to create “a society where the leading force for progress is social responsibility, not state control”. This includes “a whole set of unifying approaches – breaking state monopolies, allowing charities, social enterprises and companies to provide public services, devolving power down to neighbourhoods, making government more accountable”.
21. It is therefore proposed to launch The Oxfordshire “Big Debate”, a programme aimed at ensuring that everyone in the county has a chance to have their say about which services they value, where they think there is red tape we could remove and what their priorities are for Oxfordshire.
22. This will not be a referendum, in which those things which receive the most votes are guaranteed not to be affected but an opportunity to ensure that the views of the public and our staff, are part of the discussion when it comes to making those difficult decisions.
23. Over the coming months it is planned to use a range of methods, to understand the views of the public and these will include a series of County wide “Big Debates” alongside more structured feedback using the Oxfordshire Voice, our citizens’ panel of local residents. There will also be opportunities for contributions on our website and an area within our internal intranet for staff views.
24. In tandem, the Chief Executive, management team and Cabinet Members have begun a series of staff visits around the county to elicit constructive ideas for savings and new ways of working. There will also be suggestion boxes (virtual and physical) around our sites and a number of other events together with a dedicated team working to filter ideas and suggestions as they come in.

## **RECOMMENDATIONS**

25. **The Cabinet is RECOMMENDED to:**

- (a) agree that an additional £100m is used as a planning assumption for spending and grant reductions over the period 2011/12 – 2014/15;**
- (b) agree to a full review of the Capital Programme in the light of national budget assumptions and the pressures currently being identified;**
- (c) request officers to bring forward a revised planning process to the September Cabinet meeting; and**
- (d) agree to launch The Oxfordshire Big Debate with the public and staff.**

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