

**SCRUTINY COMMITTEES
15 DECEMBER 2011**

**Business Strategy and Service & Resource Planning
2012/13 – 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 2012/13 to 2016/17. The Business Strategy and Service & Resource Planning report to Cabinet in September set out the context for the 2012/13 budget and Medium Term Financial Plan outlining known and potential financial issues for 2012/13 and beyond. It also set out the Service & Resource Planning process for 2012/13 and a timetable of events.
2. The following annexes are attached:

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|---------|--|
| Annex 1 | Assumptions in current Medium Term Financial Plan (MTFP) |
| Annex 2 | a) Detail of previously agreed pressures/funding – MTFP 2011/12 – 2014/15 b) Detail of previously agreed savings – MTFP 2011/12 – 2014/15 |
| Annex 3 | Autumn Statement Briefing |
| Annex 4 | Summary of changes to Business Strategies & MTFP by Scrutiny Committee responsibility/remit |
| Annex 5 | Updated Business Strategies 2012/13 – 2014/15: a) Children, Education & Families b) Adult Social Care c) Community Services d) Community Safety and Fire & Rescue e) Environment & Economy f) Chief Executive's Office |
| Annex 6 | Capital Strategy |
| Annex 7 | a) Capital Prioritisation Principles b) Capital Prioritisation Assessment |
| Annex 8 | Service Areas considered by each Scrutiny Committee |

The Council's Business Strategy

3. The Council's Business Strategy was launched in June 2010 and forms part of the wider vision of what the Council is seeking to achieve as set out in the Corporate Plan. Our overarching goal as a council is to ensure 'a thriving Oxfordshire', by maximising growth, enhancing the environment and sharing the benefits of growth as widely as possible.

4. The Strategy identifies the strands of work that together will deliver the cultural and service changes necessary to meet the challenging and changing strategic and financial landscape and the intention is to ensure that there is a single focussed overview. The strands of the Strategy are:
 - (a) Changing the way we work
 - (b) Reshaping Management
 - (c) Oxfordshire Customer Services
 - (d) Asset Management
 - (e) Customer Focus
 - (f) Service & Resource Planning
 - (g) Big Society and Community Self-Help
 - (h) ICT

Directorate Business Strategies for 2011/12 to 2014/15

5. Directorate Business Strategies were approved by Council in February 2011 the financial aspects of which are set out in the "Service & Resource Planning: Service Analysis 2011/12" booklet. The assumptions on which the current MTFP is based are set out in Annex 1, with details of the funding and savings built into the existing MTFP for the each Scrutiny Committee set out in detail in Annex 2a and 2b.
6. Delivery against the Business Strategies in 2011/12 has been reported monthly through the Financial Monitoring & Business Strategy Delivery Report to Cabinet and the achievement of the savings is reflected in the forecast position for each Directorate. The report to Cabinet on 15 November 2011 sets out that overall around 70% of the 2011/12 savings have already been achieved or are forecast to be achieved. Based on income and expenditure at the end of September 2011 a forecast underspend across all Directorates was reported of -£1.0m.
7. The quarterly Corporate Plan Performance and Risk Management Report to Cabinet on 20 September 2011 headlined the progress the Council has made towards Corporate Plan priorities. The next update will be considered by Cabinet on 20 December 2011.

Service & Resource Planning Context and Process 2012/13

8. The first Business Strategy & Service and Resource Planning report for 2012/13 set out information on government consultations and other announcements that could have implications for the 2012/13 budget and MTFP. Cabinet also agreed the process for Service & Resource Planning to ensure that issues relevant to the budget for 2012/13 and the medium term are addressed.

Government Announcements and Consultations

9. A number of government announcements and consultations set out in the report to Cabinet on 20 September 2011 will have implications for the Council in 2013/14 or later years. These include the Local Government Resource Review (LGRR), Council Tax reforms and the future funding of adult social care. At this stage it is not possible to quantify the impact on the Council. In addition some

consultations are likely to have an impact in 2012/13. These are transfers from formula grant for schools converting to Academies and changes to public sector pensions.

10. The local government finance settlement for 2011/12 and 2012/13 transferred funding out of Formula Grant to reflect that local authorities are no longer required to provide some services to schools that have become Academies (known as the Local Authority Central Services Equivalent Grant). The original calculations were based on Department for Education (DfE) estimates of 200 schools converting to become Academies each year. These estimates were far too low and as such the DfE consulted in August 2011 on increasing the transfer from local authorities by reducing further the formula grant in 2012/13.
11. Changes to public sector pensions are currently being consulted on, with increases in employee contributions planned for all schemes from April 2012. For the Local Government Pension Scheme it is not clear whether the Government will legislate to enforce an additional Fund Valuation and adjustment of employer rates from April 2012.
12. The draft Local Government Finance Settlement is expected to be announced in early December 2011. Whilst provisional figures were notified alongside the 2011/12 settlement in January 2011, adjustments relating to Academies and other function changes may result in a different formula grant figure for 2012/13 than that announced in January 2011. An update will be provided at the meeting.
13. The Chancellor's published his Autumn Statement on 29 November 2011. Details are set out in Annex 3. The detailed implications for the council are not yet known, and as such are not reflected in this report.

Service & Resource Planning Process 2012/13

14. Star Chambers took place in October 2011 with follow up sessions in the middle of November 2011. Directorates were asked to reflect on their direction of travel set out in the Business Strategies, to review progress against the strategies and determine whether future plans were expected to be achievable.
15. Through this process some changes to the planned savings of £119m in the Business Strategies for 2011/12 to 2014/15 have been identified. These changes relate to the timing or phasing of existing savings, some newly identified pressures and proposed corresponding savings. In the main, the Strategies are being delivered as planned with the majority of savings for 2012/13 to 2014/15 expected to be achieved.
16. Even with thorough forward planning, new pressures emerge which impact on the MTFP due to changes which arise either locally or nationally. Through the Service & Resource Planning process this year some pressures have been identified which relate to:
 - (a) changes to funding such as the Academies transfer (per paragraph 10).
 - (b) external factors such as increasing energy costs, increased demography for physical disabilities and new responsibilities to develop services for adults with autism under the Autism Act;

- (c) new responsibilities such as the duty to support young people on remand; and

17. Where there changes to the existing plans or new pressures have been identified, new savings have been proposed. All of the changes to the pressures/funding and savings assumed in the 2011/12 – 2015/16 MTFP and new savings proposals contained in the Business Strategies are summarised at Annex 4.

18. Information for all Directorates is included to provide context. Annex 8 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 5.

19. Total changes by Scrutiny Committee are set out in the table below:

| Year on Year Changes | 2012/13 £m | 2013/14 £m | 2014/15 £m | Total £m |
|---|---------------|---------------|---------------|--------------|
| Children's Services | -0.725 | 0.125 | 0.245 | -0.355 |
| Adult Services | 3.352 | -0.244 | -0.144 | 2.964 |
| Safer & Stronger Communities | 0.742 | -0.035 | -0.110 | 0.597 |
| Growth & Infrastructure | -2.540 | -0.054 | 0.347 | -2.247 |
| Strategy & Partnerships | -0.460 | -0.200 | -1.314 | -1.974 |
| Funding Changes & Allowed Variations | 0.584 | 4.378 | 0.856 | 5.818 |
| Total Variations from current MTFP (+ = shortfall / - = surplus) | 0.953 | 3.970 | -0.120 | 4.803 |

20. The changes relating to funding (e.g. paragraph 10) along with other corporate variations such as additional specific grant funding announced after the budget was set in February 2011 are shown in the table above in addition to the changes by Scrutiny Committee. The total variations to the MTFP of £0.953m in 2012/13 and £3.970m in 2013/14 are proposed to be funded through use of the Efficiency Reserve in those years.

21. Cabinet (Item CA6) will consider proposals relating to the future of the Library Service on 12 December 2011. Annex 4 shows the proposed changes to the savings in the MTFP based on both the revised proposal which went out for public consultation earlier this year, and on the basis set out in the Cabinet report.

Capital Strategy & Programme

22. The Council considers the capital investment and programming activity as an integral part of the Council's Service & Resource Planning process. In line with this approach, capital implications of service strategies were also reviewed by Star Chamber before decisions are made on either revenue or capital. 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.

23. The Capital Strategy sets out the Council's capital investment plans and explains how capital investment contributes to the Council's Vision and Priorities. It shows how the Council prioritises, targets and measures the performance of its capital programme. It also provides the framework for determining capital spending plans and the effective use of the Council's limited capital resources.
24. This Strategy has been reviewed and updated in light of the changing financial and business strategy environments and is attached as a draft at Annex 6. The updated Strategy, along with any comments from the Scrutiny Committee, will be reported back to Cabinet in January 2012 and form part of the budget proposals for onward recommendation to Council in February 2012.
25. In August 2011, the Capital Investment Board confirmed that the prioritisation principles set out in the Council's Capital Strategy provide a robust framework for debating the relative importance of each proposal and making decisions about the investment priorities in this new environment. These are set out in Annex 7a.
26. The capital programme agreed by Cabinet on 18 October 2011 shows a balanced position with a sufficient level of contingency across the five year planning period. The following table shows the level of capital resources that are available to be used as part of the capital budget setting process, the new pressures and proposals and the estimated capital programme surplus.

| | £m |
|--|---------------|
| Additional Flexible Resources : Annex 7b – Sheet 0 (Includes an estimated additional year settlement, prudential borrowing provision and released earmarked reserves banked for capital budget setting) | 49.879 |
| Allocations proposed to be returned to the Corporate Pot for reallocation : Annex 7b – Sheet 1 (based on specific proposals or results of initial feasibility studies) | 16.588 |
| Total Estimated Flexible Resources | 66.467 |
| New Capital Pressures/Proposals : Annex 7b – Sheet 2 | -66.202 |
| Estimated Capital Programme Surplus | 0.265 |

27. Annex 7b shows the allocations to be returned to the corporate pot, the new prioritised capital pressures and proposals and the changes to the schemes on hold from last year's capital budget setting process. Each Scrutiny Committee is invited to comment on the prioritisation of all schemes as set out in the annex.

Next Steps

28. The comments from each Scrutiny Committee will be fed back to Strategy & Partnerships Scrutiny Committee for consideration on 12 January 2012. They will then offer an overall view on the Cabinet's proposed Revenue Budget 2012/13, Capital Programme, MTFP, Review of Charges and Asset Management Plan. The Cabinet will then finalise their budget proposals and propose the Revenue

and Capital Budget for 2012/13 – 2016/17 on 17 January 2012, taking into consideration comments from Strategy & Partnerships Scrutiny Committee.

Financial and Legal Implications

29. This report is mostly concerned with finance and the implications are set out in the main body of the report. In previous years the Council was required under the Local Government Finance Act 1992 to set a budget requirement for the authority and an amount of Council Tax. However, the Localism Act has now passed into law. As a result, Councils will have to set a 'Council tax requirement' instead of a budget requirement.
30. The Localism Act does not give the dates from which this requirement will be in place and secondary legislation needs to be passed by Parliament to implement the changes. However, it is expected that the requirement to set a 'council tax requirement' will be introduced ahead of the 2012/13 budget being agreed in February 2012.

Equality and Inclusion Implications

31. 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.'
32. As part of the Service & Resource Planning process for 2011/12, the Council produced a general assessment of the impact of the budget on customers ahead of the budget being set in February 2011. This document set out the principles that were being followed, identified the main risks to vulnerable groups and established what actions would be taken to prevent these risks. All significant saving proposals received at least an initial assessment to identify potential risk in advance of the budget being set. Further work has since been undertaken on a number of these assessments as the details of how proposals will be implemented becomes clearer and as feedback is received from consultations. These assessments have been renamed Service & Community Impact Assessments to reflect the view that the Council should be aware of all possible risks and not just those that impact on statutory equality groups.
33. Where any new savings are proposed as part of the Service & Resource Planning process for 2012/13, equality issues will need to be considered from the outset. The Council is again producing a general assessment of the impact of the budget on customers ahead of the budget being set in February 2012. Services are also undertaking Service and Community Impact Assessments in consideration of any new proposals, and continuing to review previous assessments to ensure they reflect any changes or developments.

RECOMMENDATIONS

34. Each Scrutiny Committee is invited to consider and comment upon:

a. the Business Strategies, savings proposals and pressures for the relevant service areas;

b. the priority of capital proposals for the relevant service area(s).

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