

## **COUNCIL – 9 FEBRUARY 2010**

### **SERVICE AND RESOURCE PLANNING 2010/11 – 2014/15**

#### **Supplementary Report by Assistant Chief Executive & Chief Finance Officer**

#### **Introduction**

1. Further information relevant to the revenue budget and Medium Term Financial Plan (MTFP) 2010/11 to 2014/15 has become available since the report and addenda to Cabinet on 19 January 2010. This paper sets out those changes, which include final taxbase and collection fund figures plus the outcome of the Final Local Government Finance Settlement.

#### **Tax Base**

2. Formal confirmation has now been received from all five District Councils in relation to their agreed taxbases for 2010/11. The final taxbase figure is 242,050.5 compared to 242,050.3 set out in the report to Cabinet on 19 January 2010. This final position represents a 0.47% increase from 2009/10 compared to the 0.5% increase set out in the MTFP.

#### **Collection Fund**

3. The addenda to the Cabinet report on 19 January 2010 stated that the County Council's share of income from collection fund surpluses and shortfalls was estimated to be £2.528m based on provisional information and that this would be available for one-off investments. The County Council's final share of the collection fund surplus is £2.357m, a reduction of £0.171m since the previous report.

#### **Final Local Government Finance Settlement**

4. The Parliamentary Under Secretary of State announced the final Local Government Finance Settlement for 2010/11 on 20 January 2010. This confirmed final formula grant figures for 2010/11 of £106.321m. There is no change from the provisional settlement.

#### **Pay Inflation**

5. The Employers' Side of the National Joint Council informed trade unions<sup>1</sup> on 20 January 2010, that in view of the difficult financial position facing councils they will not be able to offer any increase in pay for 2010/11. The employers recognised that councils want to protect services and offering a national pay increase for 2010/11 would severely compromise that aim.

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<sup>1</sup>UNISON, GMB and Unite

6. The January report set out proposed increases for pay inflation of 1.0% for 2010/11, 0.5% to be allocated to services and 0.5% to be held in a reserve pending the outcome of the settlement. In light of the national employers' position, a 1.0% increase is not now likely, so the 0.5% in the reserve will be allocated to balances to counter the reductions caused by the recent bad weather and in subsequent years be used to reduce the remaining deficit in the MTFP planning period. The 0.5% in Directorate budgets will be earmarked against the final pay settlement and/or it will be available to fund the costs associated with job reductions.

### **Learning & Skills Council (LSC) Dissolution**

7. The December 2009 Service & Resource Planning report to Cabinet set out details of the dissolution of the LSC and the responsibilities which will transfer to the County Council from 1 April 2010. Notification has now been received of the Learning and Skills Special Purpose grant which will fund the staff transferred from the LSC. The grant of £0.404m will form part of the Area Based Grant. Information on the amount of funding which the authority will need to pass onto providers is still to be confirmed but is expected to be in the region of £40m per year.

### **Free Personal Care at Home**

8. The Personal Care Bill, which if approved will guarantee free personal care for the people with the highest needs, is due its second reading in the House of Lords on 1 February 2010. Assuming this is unopposed; it is expected to get royal assent in March 2010. This would enable the scheme to start in October 2010.
9. Recent work undertaken appears to show that the national cost of the proposals is between two to three times that set out by the Government in the Provisional Local Government Finance Settlement in December of £670m nationally. Furthermore, as the amount of grant to support the cost is fixed at £420m in a full year, any increase in cost will fall on local authorities. The expected cost that local authorities will need to fund is estimated to be from £250m to anywhere up to £900m. For Oxfordshire, this could take the costs up to £10m from £2.8m per year. The £10m cost assumes that Oxfordshire's unit costs and client groups are in line with the national position. However, there is an expectation that there are a higher number of self funders in the south east which is likely to increase the pressure further.
10. Costs of £2.8m in 2011/12, with a half year effect of £1.4m in 2010/11 are currently assumed until further information becomes available.

### **Pensions**

11. The Council appointed a new actuary for the Pension Fund on 11 December 2009. Barnett Waddingham, the successful tenderer will provide actuarial advice for the next five years. Their first report provides a funding assessment of the Pension Fund as at 31 December 2009. The assessment indicates that

the financial position of the fund has improved compared to the position at 30 June 2009 and as a consequence their assessment of the required increase in employer contribution at the next triennial valuation has reduced. The MTFP already includes £6m from 2011/12 for an expected increase in contribution rate. Based on the position at 30 June 2009, this was increased by £2.5m and was set out in the Service & Resource Planning report to Cabinet in September 2009. Given the improved position, it would be reasonable to reduce the estimated additional cost back to £6m.

### **Flood Defence Levy**

12. Information has not yet been received from the Regional Flood Defence Committees for which Oxfordshire is required to contribute. The total cost in 2009/10 was £0.488m. Any variation from the budget will need to be met from balances in 2010/11 and considered on an on-going basis as part of the 2011/12 Service & Resource Planning process.

### **Conclusion**

13. This report reflects a number of changes since the last report to Cabinet on 19 January 2010 and provides the final funding position for the Council. The Medium Term Financial Plan, which forms Annex 1 of the Cabinet report, reflects all of the changes described in this report.

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