

CABINET – 27 JANUARY 2015

PREPARING FOR FUTURE FINANCIAL PRESSURES

Report by the Leader of the Council, Cllr Ian Hudspeth

Introduction

1. Local government faces the most extreme financial challenge of my lifetime, both in the short and longer term. The budget proposals that will go to Council in February set out how Oxfordshire County Council is required to find an additional £28m of savings on top of the £265m that has been achieved or is already planned by 2017/18.
2. The Chancellor of the Exchequer's Autumn Statement made clear that the longer term picture is no rosier. Whilst great strides have been made in reducing the national deficit there is a substantial amount still to do, and politicians of all parties have made commitments that will see the need for very substantial further cuts to public services. Over recent years local government has delivered enormous savings but I anticipate that we will be expected to bear much of the brunt of these cuts, as health and education and others are protected. We are beyond the point where further savings can be achieved by finding more efficiencies or 'salami slicing' of services and we must find a different way of being able to provide essential services to our residents.
3. In real terms the County Council has seen its government grant cut by 50% since 2010, and we are severely constrained in our ability to raise income to make up any shortfall. Currently around half of our current budget is spent on services for the neediest 2% of the population - targeted care for vulnerable adults and children. Demand for these services is rising rapidly. By 2017/18 demographic trends mean that if we made no savings in those areas, this could rise to three quarters of our spending. This means that any services where the council has any discretion and that are more universal in nature are inevitably having to be squeezed further.
4. As Leader of the Council it is my job to leave no stone unturned in seeking to provide the best services for Oxfordshire's residents. Fundamentally I must ensure that we have the resources available to fund the services that our residents need. It is in this context that I commissioned a report from independent consultants Ernst and Young to explore the potential savings that could be made in Oxfordshire were there to be some form of unitary structure of local government. The report is appended at Annex 1.
5. Local government in Oxfordshire currently consists of Oxfordshire County Council, four district councils and a city council, in addition to a large number of town and parish councils. The proposed models would not affect the town and

parish council tier of local government and would in fact provide the opportunity for them to play an enhanced role as a crucial link to local communities.

6. My decision to commission this work followed discussion in the local media in April 2014, with the Leader of the City Council calling for a unitary solution for an expanded area around the city of Oxford, and further discussion at County Council last summer when I answered a question on this issue.
7. The report proposes that there are three potential models of council reorganisation covering county and district / city council functions:
 - a single unitary council for Oxfordshire;
 - two unitary councils, based on the city of Oxford and the rest of the county; and
 - three unitary councils covering the city of Oxford, north Oxfordshire and south Oxfordshire.
8. There may be other options that people wish to propose, I will welcome the opportunity to consider these as part of the debate.
9. The report finds that the single council option would release by far the largest amount of potential savings to reinvest in frontline services. A single unitary council for Oxfordshire would save up to £32.5m per year, and could:
 - Protect front line services for Oxfordshire's residents
 - Reduce the number of chief executives and senior managers that are duplicated across the current arrangements;
 - Reduce the numbers of councillors and their costs. There are currently 309 Oxfordshire councillors at county and district / city council levels, with expenses of over £2m per year. This could be reduced to under 100 councillors, sitting on a single council and dealing with all service issues in a coordinated way;
 - Potentially reduce council tax levels for 80% of Oxfordshire's residents to the current lowest rate in the county. This would reduce bills for many, particularly residents in the city of Oxford who currently pay £167 per year for city council services. This could be reduced to the level in West Oxfordshire, currently £82 per year.
 - Massively simplify issues for residents - there would be a single council dealing with all matters, be that highways, housing or anything else. The current system is confusing and makes it difficult to provide the joined up public services that our residents want.
 - Pool council reserves, that currently total over £250m, together into a single pot to invest strategically in vitally needed infrastructure. For example potentially providing the much wished for relief roads in Banbury, Didcot and Wantage, and tackling congestion on the A40.
10. It is clear from the report that there are great savings to be made. I am not recommending a particular course of action, indeed it is not within my gift to make any local structural change happen, as this responsibility rests with the national government. But the opportunity to achieve the benefits above, and at the same time play a bigger role in nursing the national economy back to robust health, is not something that should be dismissed without debate. Indeed if a

single tier of local government was to be rolled out nationally then I estimate that we could save in the region of one billion pounds across the country.

11. The county and district / city councils already work well together on many issues, focused on meeting the needs of residents. I do not wish to jeopardise good relationships, however if we were starting with a blank piece of paper I do not believe that we would design the current structure, with complex split responsibilities between different organisations.
12. Times are tough for all of local government, but particularly for upper tier authorities with strategic responsibilities for social care and transport. I feel that it would be a dereliction of my duty not to be putting this information into the public domain and encouraging debate on this issue. My own view is that we cannot carry on along our current course, where services, particularly for the most vulnerable residents are having to be cut and we are also unable to provide the infrastructure to support our buoyant economy. This debate is needed urgently and I am therefore proposing that a special council meeting should be held in March to seek the views of my fellow councillors. I am of course also keen to hear from the council's partners and, most importantly, from the public who pay for the services that are provided by local government in Oxfordshire.
13. Nationally the government has made it clear that it is keen to encourage local areas to work together through a combined authority model. This is a joined-up way of working on planning for economic growth - it is not the same as a unitary council. I, with my counterparts in Buckinghamshire and Northamptonshire, have recently announced that the three county areas will be exploring the possibility of establishing a combined authority focused on supporting economic growth through working together at a sub-regional level on infrastructure and transport. Our three authorities collectively have substantial financial muscle; we truly are the powerhouse of the national economy and we must ensure that we can effectively access government funding to unlock further growth. Our collective economy approaches that of Greater Manchester and is twice as large as the Sheffield city region. Working together we hope to be able to deliver ambitions for East-West rail and the expressway to Cambridge.
14. A combined authority model will not address the spending squeeze that is affecting our ability to provide essential services to Oxfordshire's residents. I am clear that it is not in residents' interests to continue to chip away at service delivery, and our options are so limited that we must consider radical options, including major structural change.
15. Were any of the proposed options to happen all councillors would face re-election in new divisions. The role of Leader would stem from those election results so I must stress that this is not about me personally or a desire for more power in my position as Leader of the County Council. Nonetheless for too long this issue has been the elephant in the room in Oxfordshire, the time has come for us to consider it head on and take the steps that are needed to put us in the best position possible in order to ride the turbulent times ahead.

RECOMMENDATION

- 16. Cabinet is RECOMMENDED to consider the Ernst and Young report and to refer it to Council in order that all Members can debate the issues.**

Annex 1: EY Report, Strategic Financial Case for a Unitary Council

CLLR IAN HUDSPETH

Leader Oxfordshire County Council

January 2015