

Division(s): N/A

ANNEX 1

CABINET – 19 December 2017

Service & Resource Planning 2018/19 to 2021/22

Report by the Chief Finance Officer

Introduction

1. This report is the second in the series on the Service & Resource Planning process for 2018/19 which will culminate in Council setting a budget for 2018/19 and a medium term financial plan to 2021/22 in February 2018. The report sets out the:
 - new financial strategy;
 - new improvements and investments plus pressures and savings for 2018/19 and the medium term;
 - key announcements of the Autumn Budget announced on 22 November 2017;
 - review of charges for 2018/19; and
 - capital programme portfolios for 2018/19 to 2027/28.
2. This report will be considered ahead of Cabinet by the Performance Scrutiny Committee on 14 December 2017.
3. The provisional local government finance settlement is expected to be announced in the week commencing 11 December 2017. An addenda will be produced once it has been announced.
4. The following annexes are attached to this report:
 - Annex 1: The Financial Strategy
 - Annex 2: Revenue budget improvements and investments plus pressures and savings 2018/19 – 2021/22
 - Annex 3: Review of Charges 2018/19
 - Annex 4: Service & Community Impact Statements (SCIAs)

Corporate Plan

5. A new Corporate Plan will be presented to Council for approval in February 2018. The plan will reflect the Council's strategy and priorities as articulated in the new vision and recently published prospectus, and set out how these will be achieved over the coming years.

6. The Corporate Plan will be based on the Council's vision: **Thriving communities for everyone in Oxfordshire.**
7. This reflects the outcomes from resident focus groups over the summer, and a strong desire to recognise the importance of communities that people identify with as fundamental to people's lives. The theme of Thriving Communities will be the basis for further engagement activity over the coming year in helping to refine and define what this means to people, and how the council can enable and support them.
8. To achieve our vision, we will listen to residents so we can continuously improve our services and provide value for money. Our priorities are:

Thriving communities

- We help people live safe, healthy lives and play an active part in their community
- We provide services that enhance the quality of life in our communities, and protect the local environment

Thriving people

- We strive to give every child a good start in life, and protect everyone from abuse and neglect
- We enable older and disabled people to live independently and care for those in greatest need

Thriving economy

- We support a thriving local economy by improving transport links to create jobs and homes for the future

The Financial Strategy

9. The new financial strategy at Annex 1 sets out a vision for how the Council will become self-sustaining and financially resilient in delivering its vision for thriving communities for everyone in Oxfordshire. The strategy therefore reflects a sound understanding of the balance between what is possible and what is prudent and explicitly provides capacity to deal with the unexpected. Fundamentally, the financial strategy will align capital and revenue resources with objectives. The new financial strategy comprises short, medium and long term planning horizons but focuses on the medium and longer term because, the challenges faced are with us for the long term and this time horizon should be the focus if the Council is to thrive in an uncertain future.
10. By April 2020, the Council will have delivered the savings required to reduce spending in line with the government's grant reductions. Beyond this the Council aims to achieve long term sustainability and financial resilience and provide the resources to deliver the Council's vision and priorities. However, to succeed in reaching this state requires successful delivery of three critical elements which reflect the financial planning principles for the forthcoming year:

- Managing the impact of rising need, caused by increased population and increased complexity, for adult and children's social care through effective demand management approaches and cost control
- Taking a holistic approach to use of reserves and other corporate measures as well as income generation, to ensure the council has the financial breathing space during 2018/19 and 2019/20 to drive forward actions which will reduce demand
- Delivering the savings currently in the medium term financial plan (MTFP), and identifying upwards of £15m of savings included in the MTFP from transforming how we work.

Service & Resource Planning process

11. As set out above, the Council's robust approach to financial planning means that after seven years of difficult decisions to manage reductions in funding at the same time as increased demographic pressures in social care, the Council will, subject to a positive outcome of the Fair Funding Review be financially sustainable by the end of the MTFP period. The Council will be able to make investment decisions rather than having to manage net budget reductions.
12. The Council's Fit for the Future transformation programme has reached a pivotal point. The current phase of work is of immense importance for determining the future direction of the Council and in partnership with PWC, with the active involvement of staff, the Council will be developing the best solutions for Oxfordshire that will serve us into the future. This piece of work is due to complete in early January 2018 and will provide high level proposals to achieve the target £15m savings in the MTFP aligned to transformation.
13. A member engagement session was held in November 2017 for Cabinet plus key members of the Labour and Liberal Democrat Group. The purpose was to set out the approach to financial planning over the medium term; the proposed capital portfolio areas and review the latest revenue improvements and investments, and pressures and savings.
14. The Performance Scrutiny Committee will consider and comment on the revenue improvements and investments plus 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 2018. Performance Scrutiny Committee will also consider and comment on the capital portfolios. The Committee will have a further opportunity to comment on the capital programme at its meeting in January 2018.
15. Following the announcement of the Provisional Local Government Finance Settlement, the Cabinet will propose the 2018/19 revenue budget, 2018/19 – 2021/22 Medium Term Financial Plan and Capital Programme to 2027/28 on 23 January 2018.
16. Council will meet on 13 February 2018, following the Final Local Government Finance Settlement and final information from District Councils, to agree the

2018/19 revenue budget, Medium Term Financial Plan for 2018/19 – 2021/22 and Capital Programme to 2027/28.

Improvements and Investments Plus Pressures and Savings Options

17. The report to Cabinet in September 2017 and the Financial Monitoring & Business Strategy Delivery reports throughout the year have set out the emerging pressures that need addressing as part of the 2018/19 Service & Resource Planning process. The paragraphs below set out the service improvement and investment proposals plus the pressures and savings proposals, details of which are provided in Annex 2.

Improvements and Investments

18. There are new Service improvements and investments totalling £4.7m for the period 2018/19 to 2021/22 as shown in the table below.

Service Area	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Communities	4.4	0.4		-0.5	4.3
Communities – Fire & Rescue Service	0.4				0.4
TOTAL	4.8	0.4	0.0	-0.5	4.7

19. In the Communities directorate, the council is proposing not to make previously agreed savings relating to highways Area Stewards and grass cutting, investing £1.9m. The council will also carry out some extra essential safety resurfacing and patching work on cycle lanes and bus laybys as well as rural sign clearance and line painting, investing £1.0m on a one-off basis.
20. The council is investing £0.9m to create a new Community Asset and Investment team to develop, implement and manage a property strategy. The team will rationalise the council's estate, find innovative ways to invest and generate capital. In addition, it is proposed to invest £1.6m in a team to deliver the Council's capital programme and facilities management service.
21. Following the incident at Grenfell Tower, the Council is investing £0.4m in the Fire & Rescue Service to ensure there are sufficient officers to undertake increased regulatory and enforcement work.

Pressures

22. There are new Service and Corporate pressures totalling £34.1m for the period 2018/19 to 2021/22 as shown in the table below.

Service Area	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
People – Children’s Services	7.5	0.4	1.5	1.5	10.9
People - Adult Services	5.6	8.3	7.9	5.6	27.4
People – Public Health	1.0				1.0
Communities					0.0
Communities – Fire & Rescue Service	0.5	-0.2			0.3
Resources	0.6	0.4			1.0
Council-wide/Corporate Measures	3.2	0.1	3.1	0.2	6.6
Less: Demography Allocation in the MTFP			-6.0	-7.1	-13.1
TOTAL	18.4	9.0	6.5	0.2	34.1

23. In Children, Education and Families, there are pressures in Children’s Social Care due to the increasing number of children requiring placements and an increase in the number of children with disabilities. These give rise to a total pressure of £7.5m in 2018/19.
24. Demographic pressures totalling £14.1m over the medium term are included for both Children’s and Adult Services. £13.1m of this pressure is offset by the demography allocation held within the medium term financial plan and allocated to directorates when required.
25. Within Adult Services, £5.1m of previously agreed savings relating to older people and learning disabilities are not expected to be achieved. These are being removed and new savings or funding identified to replace them. Ahead of the Provisional Local Government Settlement and the need to agree the use through the Better Care Fund, there is also uncertainty about £4.9m of Better Care Fund income that is built into the MTFP so this is being shown as a pressure.
26. Subject to consultation, a £3.9m pressure is likely to arise from the impact of the National Living Wage (NLW) on the rates the council pays external providers for adult social care. As noted in paragraph 36 below this will be funded from the Adult Social Care precept.
27. A pressure of £2.9m arises in 2020/21 from the ongoing expenditure for investment in hospital social work team capacity and an increase in home care and care home fee levels funded by the improved better care fund from 2017/18 to 2019/20.

28. The previously agreed savings include a saving of £1m to be made in Public Health, assuming that the ringfence on the grant was to be removed in 2018/19. It was announced on the 9 March 2017 that the ringfence would continue until at least 2019/20 when it is expected the funding becomes part of business rates funding. Therefore, the savings cannot now be achieved.
29. There are total pressures of £1.0m within the Resources directorate, including a £0.7m previously agreed saving within ICT that can no longer be achieved.
30. The MTFP includes growth in the taxbase of 2.0% in 2018/19. Provisional figures from the District Councils indicate that the actual growth in the taxbase for 2018/19 will only be 1.13%. This results in a £3.4m pressure over the medium term. It is however expected to rise to 2.0% from 2019/20 (see paragraph 40 below).
31. It is expected that the government will reset the business rates baseline in 2020/21. The Council will lose the benefit of local growth estimated at £3.0m.

Savings

32. Service and corporate savings options of £37.8m have been identified over the period 2018/19 to 2021/22. A summary by service is shown in the following table:

Service Area	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
People – Children’s Services	-6.2	-4.0	-1.8		-12.0
People - Adult Services	-6.3	-2.9	-0.1	-0.3	-9.6
People – Public Health	-0.5	0.3		0.2	0.0
Communities	-4.6	0.9	0.2	-0.2	-3.7
Communities – Fire & Rescue Service	-0.8		0.8		0.0
Resources	-1.1	-1.5	-0.8	-0.2	-3.6
Council-wide/Corporate Measures	-12.9	7.2	-3.2		-8.9
TOTAL	-32.4	0.0	-4.9	-0.5	37.8

33. In Children’s Services, a programme has been developed with a focus on addressing demand management; strengthening early help and prevention including closer partnership working; strengthening staffing resources and building community resilience. The demand management strand of the programme has a target to save £6.1m by 2022. The service is also aiming to reduce, where possible, the length of time children stay in care and support families to reunite at the earliest possible stage. This will save £3.1m over the medium term.

34. It is proposed to save £0.5m on placement costs by driving down the costs of existing contracts and working to increase provision of lower cost placements for older teenagers.
35. Within Adult Services, changes to the adult social care contributions policy are proposed. These are likely to increase levels of contributions towards the cost of care by people with income above the national minimum income guarantee. This would increase income by an estimated £1.5m and will be reinvested into adult social care services.
36. £7.0m is available from the Adult Social Care precept agreed in previous budgets to fund adult social care pressures & the impact of the National Living Wage.
37. Within the Communities directorate, the council has made savings through retendering the household waste recycling centre contract, increasing income generation through the licence and permit services it runs and investing in more energy efficient street lighting to reduce the lighting energy bill. These proposals will save £1.5m.
38. A report will go to Cabinet in the new year setting out partnering options for ICT delivery. This could save £2.4m over the medium term.
39. Taking into account current and forecast inflation rates to calculate the expected amount required for pay and contract inflation, it is estimated that the inflation budget held in the MTFP can be reduced by £4.5m over the medium term.
40. The MTFP includes growth in the tax base of 1.63% in 2019/20 and 2020/21. In line with expected housing growth, it is proposed to increase the assumed growth in the taxbase to 2% in 2019/20 and 2020/21. This generates £2.8m of additional funding over the medium term.
41. In Strategic Measures, £1.1m of additional investment income is forecast over the medium term as a result of higher forecast cash balances and a higher return on investments. This figure will be updated for the January 2018 Cabinet report as the Treasury Management Strategy is further developed and changes arising from the capital programme are incorporated into the Strategic Measures budget.

Overall Position

42. To reflect the work currently underway and the resulting timetable in relation to the Fit for the Future Programme (set out in paragraph 12 above), the £15m savings included in the MTFP have been re-phased to deliver £8.5m in 2019/20, £3.5m in 2020/21 and £3.0m in 2021/22.
43. The table below shows that currently there is a remaining net pressure of £5.8m in 2018/19, £0.9m in 2019/20 and a net saving of -£5.7m in 2020/21 and 2021/22, giving a total net pressure of £1.0m 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 13 February 2018.

44. At this stage, it is anticipated that, following the 2018/19 budget principles set out in the Financial Strategy, the net pressure in 2018/19 will be met, on a one-off basis, by the use of reserves and addressed on an on-going basis as part of the transformation programme.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	TOTAL £m
Improvements & Investments	4.8	0.4	0.0	-0.5	4.7
Pressures	18.4	9.0	6.5	0.2	34.1
Savings	-32.4	0.0	-4.9	-0.5	37.8
Transformation Savings Re-profiled	15.0	-8.5	-3.5	-3.0	0.0
Net Pressure (+)/Saving (-)	5.8	0.9	-1.9	-3.8	1.0

Risks

45. As part of the Cabinet's proposed budget each January, a risk assessment is undertaken to determine the appropriate level of general balances to be held for the forthcoming year. This takes into account the latest financial monitoring position, the risks in the proposed budget and the economy generally. A corporate contingency is also held to enable those more volatile budgets to be managed. The existing MTFP includes corporate contingency £3.8m for 2018/19 and this will need to be reviewed in light of the risk assessment. There is both downside (a worse position) and upside (a better position) risk to the pressures and savings identified in this report. The risk is particularly around the uncertainty in being able to manage demand and achieve the savings in full. The current level of downside risk in 2018/19 is £7m (in addition to the net position set out in paragraph 43) and an upside risk of £2m.

Autumn Budget 2017

46. On 22 November 2017, the Chancellor of the Exchequer, Phillip Hammond MP, announced the Autumn Budget. The following paragraphs outline the key announcements in the Budget, in particular those of interest to local government and Oxfordshire.
47. The government announced a growth and housing deal with Oxfordshire, committing to a target of 100,000 homes in the county by 2031 in return for a £215m package of support for infrastructure and economic growth. This breaks down as: £30m per annum for five years for infrastructure; £60m for affordable homes across the county; and £5m to develop a Joint Statutory Spatial Plan. This includes supporting the growth of employment sites across

the county such as Science Vale, one of the most successful science and technology clusters in the UK. This rate of housing delivery would be consistent with a corridor-wide ambition for 1 million new homes by 2050. Each Oxfordshire partner will need to agree the Deal and confirm their participation in, or support for the preparation of the Joint Statutory Spatial Plan by the end of January 2018.

48. As a first step towards opening a train station at Cowley, the Government will also make available £0.3m to co-fund a study of opportunities for new stations, services and routes across the Oxfordshire rail corridor.
49. The 2016 Autumn Statement established the National Productivity Investment Fund (NPIF) to provide over £23bn of high-value investment between 2017/18 and 2021/22. The 2017 Autumn Budget announced the expansion of the NPIF to support innovation, upgrade the UK's infrastructure and to underpin the government's modern Industrial Strategy. The NPIF will last an additional year and total over £31bn. Plans to boost productivity were announced including: a new £1.7bn transforming cities fund.
50. The Budget 2016 set out plans to make efficiency savings of £3.5bn in public spending by 2019/20. Due to changes in Official Development Assistance (ODA) spending as well as potential new spending and administrative pressures faced by departments in 2019/20, this has been revised to £1.4bn.
51. Following a consultation earlier this year, the Government confirms that it will lend Local Authorities in England up to £1bn at a new discounted interest rate of gilts + 60 basis points accessible for three years to support infrastructure projects.
52. In September 2017, the Government announced its intention to move away from the 1% basic public sector pay award policy. In 2018/19 the relevant Secretary of State will make final pay awards decisions, taking into account their affordability and feedback from the independent Pay Review Body reports. This process will commence shortly with the relevant Secretary of State writing to the PRB Chair to initiate the 2018-19 pay round. Each PRB will then make its recommendations in the spring or summer.
53. Following the recommendations of the independent Low Pay Commission, the National Living Wage (NLW) will increase, as expected, by 4.7% from £7.50 to £7.83 from April 2018.
54. In order to "encourage better use of the existing housing stock," legislation will be brought forward to give Local Authorities the power to charge 100% council tax on empty properties. Empty properties currently receive a 50% discount.
55. The business rates multiplier (the tax rate) is increased each April in line with inflation. The figure used is the Retail Price Index (RPI) from the preceding September. Plans, originally announced in Budget 2016, to switch to the Consumer Price Index (CPI) have been brought forward by two years so that

from April 2018 CPI rather than RPI will be used. Local government will be fully compensated for the loss of income as a result of these measures.

56. Following the next revaluation process (currently due in 2022), revaluations will take place every three years (currently every five years). This follows a consultation announced at the 2017 Spring Budget. To enable this, ratepayers will be required to provide regular information to the Valuation Office Agency on who is responsible for business rates and property characteristics including use and rent. The government will consult on the implementation of these changes in the spring. Local government will be fully compensated for the loss of income as a result of these measures.
57. In December, a green paper will be published setting out the government's plans to transform mental health services for children and young people.
58. The Disabled Facilities Grant is to be increased by £42m to £473m in 2017/18, supporting people to stay in their own homes. District councils in Oxfordshire will receive £0.5m.
59. The 2017 Spring Budget announced that in the longer term, the government will set out options for the future financing of Social Care in a Green Paper. This was intended to be published in 2017 but in a written ministerial statement from Damian Green on 16 November it was announced that this has been postponed until summer 2018.
60. An additional £45m was announced for the Pothole Fund in 2017/18 to tackle around 900,000 potholes across England. The allocation for Oxfordshire has not yet been confirmed.

Review of Charges

61. As part of the Service & Resource Planning process, managers have reviewed their charges for 2018/19. Changes in income arising from this review are summarised in Annex 3a and the proposed charges are set out in Annex 3b.

Capital Programme

62. In line with the ambition to focus on a longer-term approach to financial planning to ensure the most fundamental issues facing the organisation which have been identified can be responded to, it is proposed to move from a four year to a ten-year capital programme. This longer-term approach will offer strategic choice and options around developing our community assets and respond to issues such as rising demand in adults and children's services and allow for a for planned approach to replacement of assets including street lighting.
63. In recent years, the only capital funding available has been to support schools basic need, school's structural maintenance, highways maintenance and major transport schemes via the Local Growth Fund. There has been little resource available to meet the needs or priorities of the Council.

64. In addition to supporting those ringfenced or statutory requirements set out in the paragraph above, the move to a longer-term programme allows a portfolio approach to developing the Capital Programme. The portfolio areas which are proposed are:

- Schools Estate – including health & safety, maintenance, improvements
- Non-Schools Estate – including health & safety, maintenance, improvements
- Operational Assets – including vehicles, ICT systems and equipment
- Highways and associated infrastructure – including street lighting, bridges
- Organisational redesign – including schemes to address demand management, digitalisation

65. In setting these portfolios, it is recognised that the Council may wish to invest more than the specific grant funding provided for the schools and non-schools estate. The portfolio approach allows for a policy led approach or the ambition to achieve a desired outcome.

66. The change in approach in the use of surplus assets, to consider them on a case by case basis and maximise the value the Council achieves from them will provide some funding over the longer term. Managing capital resources over a longer term will allow some schemes to proceed earlier in the programme with the expectation of a capital receipt at a future date. It will be important to ensure that there is a suitable balance of planned expenditure in advance of any capital receipt to allow for delays or revaluations. It is currently expected that there will be £45m available over the ten-year period from the sale of surplus assets.

67. It is proposed that in January 2018, the potential funding available for each portfolio will be set out, and where already identified, schemes for funding, and included in the Cabinet's proposed budget. Rather than agreeing all schemes ahead of the financial year, it is proposed that business cases will be brought forward against the portfolio areas and allocations, to the Capital Programme Investment Board during the year, who will make recommendations to Cabinet for inclusion in the programme.

Consultation

68. Members of the public and stakeholders will be able to comment on the budget proposals and Council Tax level through the Council's website, by email, social media or by writing to the County Council. Paper copies of the consultation document will also be made available in libraries. The consultation will open on 6 December 2017 and close on 8 January 2018. 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

69. 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.'
70. Potential impacts of the budget options have been considered and are set out in the overarching Service & Community Impact Statement in Annex 4.

Financial and Legal Implications

71. 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 2018, will lead to the council tax requirement being agreed in February 2018, together with a budget for 2018/19, updated medium term financial plan and capital programme.

RECOMMENDATIONS

72. **Cabinet is RECOMMENDED to take the issues set out in the report into consideration in forming their proposed budget for 2018/19, Medium Term Financial Plan to 2021/22 and Capital Programme to 2027/28.**

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