

Division(s): N/A

CABINET – 17 SEPTEMBER 2019
SERVICE & RESOURCE PLANNING
2020/21 – 2023/24

Report by the Director of Finance

RECOMMENDATION

1. **The Cabinet is RECOMMENDED to:**
 - (a) **Note the report;**
 - (b) **Approve the Service and Resource Planning process for 2020/21; and**
 - (c) **Approve a four-year period for the Medium Term Financial Plan to 2023/24 and ten-year period for the Capital Programme to 2029/30.**

Executive Summary

2. This report is the first in the series on the Service & Resource Planning process for the forthcoming year and forms context and background information ahead of and part of the process which will culminate in Council setting a budget for 2020/21; a medium term plan to 2023/24 and capital programme to 2029/30 and a Corporate Plan in February 2020.
3. The Medium Term Financial Plan (MTFP) to 2022/23 agreed by Council in February 2019 requires savings of £34.0m to be delivered in the period 2020/21 to 2022/23. Additional funding of £60.9m is also included over the same period for demographic and other directorate pressures and inflation.
4. Information on latest government announcements and their impact as well as an overview of new and emerging pressures which will need addressing through the Service and Resource Planning process for 2020/21 are set out in the report.
5. As at this time last year, there is extreme uncertainty in government funding for 2020/21 and beyond due to a one-year Spending Round for 2020/21, and a full Spending Review in 2020 as well as the introduction of a new Fair Funding Formula alongside implementation of 75% Business Rates Retention, the timing of which is currently unclear. This level of uncertainty is unusual, however in forming the MTFP prudent assumptions will be made based on the latest information available and using scenarios and a sensitivity analysis to form a view

Introduction

6. This initial report sets the context and the starting point for the Service & Resource Planning process. It sets out the assumptions on which the existing Medium Term Financial Plan (MTFP) agreed in February 2019 is based, information arising from government and other announcements plus new and emerging financial issues for 2020/21 and beyond which impact on the existing MTFP. It also sets out the process for updating the Corporate Plan as well as the timetable of events for the Service & Resource Planning process.
7. The following annexes are attached to this report:
 - Annex 1a: Previously agreed budget changes 2020/21 – 2023/24
 - Annex 1b: Review of assumptions in the existing MTFP
 - Annex 2: Service & Resource Planning timetable for 2020/21
8. It is proposed that the MTFP continues to cover a four-year time frame and is therefore extended by one year to cover 2023/24. It is also proposed that the Capital Programme is extended by one year to cover the 10-year period to 2029/30.

Assumptions in the existing Medium Term Financial Plan

Additional Spending & Savings

9. The 2019/20 – 2022/23 MTFP agreed by Council in February 2019 included the requirement for £70.8m of savings to be made over the period of the plan to offset funding reductions and to meet additional expenditure pressures. Of this, savings of £34.0m are to be delivered in 2020/21 and beyond. Delivery of savings required in 2019/20 of £36.8m are being monitored through the Business Management and Monitoring Reports to Cabinet throughout this financial year.
10. The MTFP also includes an additional £60.9m of on-going funding for demographic and other directorate expenditure pressures added over the period 2020/21 – 2022/23 and provides for 2.5% pay inflation, up to 3% contract inflation and 2% income inflation. No inflation is provided for general prices¹.
11. Details of the savings and additional funding in the existing MTFP for 2020/21 to 2022/23 are set out in Annex 1a.

Earmarked Reserves and General Balances

12. Earmarked reserves (reserves held for a specific purpose) were forecast to be £45.5m at the end of 2019/20 in the MTFP. This position was updated in the Provisional Outturn Report for 2018/19 presented to Cabinet in June 2019,

¹ Applied to costs of premises, transport and supplies and services.

which forecast that reserves will total £56.2m. The latest forecast in the Business Management and Monitoring report elsewhere on this agenda, shows earmarked reserves totalling £63.4m at the end of 2019/20. As with general balances, the level of earmarked reserves is reviewed each year as part of the Service & Resource Planning process through the Earmarked Reserves and General Balances Policy Statement 2019/20.

13. The MTFP assumed general balances would be £22.2m at the start of 2020/21. The Business Management & Monitoring report elsewhere on the agenda forecasts that currently general balances will be £22.8m at the end of 2019/20, assuming corporate contingency is used in full. The risk assessed level for balances in 2019/20 is £19.3m, therefore balances are currently expected to be £3.5m greater than the risk assessed level going into 2020/21. A review of the risk assessment to determine the level of appropriate balances will be undertaken as part of the Service & Resource Planning process. Although at this stage it is envisaged that the level of balances will be sufficient.

Funding

14. The Financial Strategy for 2019/20 approved by Council in February 2019, set out that in relation to 2020/21 it was expected that at least some of the temporary funding received in 2019/20 will continue as part of the spending review and new formula. However, as it was not possible to predict what the funding level will be, the MTFP does not assume any of this funding for 2020/21. As a consequence of this assumption, the proposed MTFP has a budget shortfall of £15.6m in 2020/21.
15. The Settlement Funding Assessment (Revenue Support Grant and Business Rates) is estimated to reduce to £64.7m in 2020/21 a 12.8% reduction from £70.8m in 2019/20. The reduction is based on the assumption that the temporary funding to not implement the negative Revenue Support Grant adjustment is not received in 2020/21. The MTFP also assumes that the growth in business rates above the baseline falls-out with the expectation of a business rates reset in April 2020.
16. One-off grants for 2019/20 that are assumed to fall out in 2020/21 include the Business Rates Levy Grant, the Social Care Support Grant and the Firefighters Pension grant.
17. Taken together, these reductions in funding total £15.6m for 2020/21, equivalent to the shortfall in funding in the MTFP as referred to above. Details are set out in the table below.

| Detail | £m |
|--|-------------|
| Business Rates growth above 2013/14 baseline | 3.4 |
| Levy Account Surplus | 1.1 |
| Negative Revenue Support Grant/SFA | 6.1 |
| Unringfenced Social Care Support Grant - announced in Autumn Budget 2018 | 3.9 |
| Grant for increased pension costs for Fire Fighters | 1.1 |
| Total Funding Reductions in MTFP | 15.6 |

18. Council tax increases of 1.99% are assumed across all years of the MTFP. Council taxbase increases of 2% are assumed in 2020/21 and 2021/22, with 1.75% assumed for 2022/23. Total income from Council Tax (including collection surpluses) is estimated to be £419.0m a year by 2022/23.
19. Further details on the assumptions in the existing MTFP are provided in Annex 1b.

Government and Other Announcements

20. Since Council approved the 2019/20 budget, MTFP and Capital Programme, several announcements have been made which have, or may have, financial implications. They are set out below.

Spring Statement March 2019

21. On 13 March 2019, the Chancellor of the Exchequer, Philip Hammond made his 2019 Spring Statement announcement.
22. The Chancellor confirmed that the 2019 Spending Review will conclude in time for the 2019 Autumn Budget and subject to a 'smooth and orderly exit from the EU', this will be a three-year Comprehensive Spending Review. A No Deal Brexit, or delays, could lead to a one-year Spending Review.
23. The Chancellor announced Homes and Infrastructure Funding (HIF) for Didcot Garden Town, Cambridge, Cheshire and West London. The HIF funding for Didcot and Cambridge was announced together with the publication of a new strategy statement for the Oxford to Cambridge Arc.

Government Changes

24. Following the resignation of Theresa May MP, on 24 July 2019, Boris Johnson MP became Prime Minister. A Cabinet re-shuffle saw Sajid Javid MP appointed as the new Chancellor of the Exchequer, replacing Philip Hammond MP and Robert Jenrick MP appointed as Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG), replacing James Brokenshire MP.
25. On 8 August 2019, Sajid Javid announced that the Treasury will carry out an accelerated one-year Spending Round to ensure departments have the

financial certainty they need to deliver their plans on public services in 2020/21.

26. The Spending Round, which is due to complete in September, will support the commitments made by the Prime Minister since he came to office including the recruitment of 20,000 extra police officers and his ambition for additional funding for schools, as well as delivering the government's promises on the NHS. Completing the spending Round in September will give Government the time to focus on delivering Brexit by the 31 October 2019.
27. A full Spending Review will be held in 2020 and will set multi-year budgets.

Review of Funding Assumptions

28. With the announcement of an accelerated one-year Spending Round, it is likely that the funding for 2020/21 will be a "roll-forward" of funding from 2019/20. The implementation of the Fair Funding Review, 75% Business Rates Retention and business rates reset is likely to be delayed to 2021/22 following the full Spending Review in 2020.
29. There are many possible scenarios in a roll-forward of funding from 2019/20 depending on the funding streams and grants that are included and the level at which they are rolled forward at i.e. at the same level as 2019/20, a reduced level or an increased level. At this stage it is reasonable to assume that the shortfall in the MTFP for 2020/21, which is equivalent to the fallout of funding as set out in paragraphs 14-17 could be assumed to be received. On this basis, it could be assumed that there is a breakeven position for 2020/21, before taking into account any new or emerging pressures.

New and Emerging Pressures

30. As reported in the Business Management & Monitoring report elsewhere on this agenda, there are areas of overspend and risk in the 2019/20 budget that could place pressure on the 2020/21 budget.
31. Within Children's Services, there are demand pressures in SEN Home to School Transport. There is an underlying overspend of £2.5m in 2019/20 due to current high demand. Cabinet approved a temporary virement of £2.2m from the corporate contingency budget to the SEN Home to School Transport budget which has reduced the forecast overspend from £2.5m to £0.3m, however it is highly likely that further ongoing funding will be required in this area to address the underlying pressure.
32. In the current financial year, the high needs block (Special Educational Needs and Disabilities) within Dedicated Schools Grant (DSG) is forecasting to overspend by between £9.7m and £15m. This is mainly due to increasing demand for special school places and the need to place children at independent non-maintained schools. Whilst this is a grant funded service, the pressure is likely to continue.

33. Within Adult Services, the Learning Disabilities element of the Adults with Care and Support Needs Pool is forecast to overspend by £1.3m in 2019/20 with a further £1.2m of savings at risk of delivery in this financial year. The overspend relates to the social care element of placements in out of county schools and colleges for 18 to 24-year olds with Special Educational Needs (SEN). The forecast of savings to be achieved through the reassessment of care packages is lower than anticipated and is adding to the pressure in the current financial year.
34. In July 2019, Cabinet approved the implementation of the Family Safeguarding Plus Model and the Strategy and Service Improvement Plan for the Fostering Service. In approving these strategies, Cabinet agreed to provide one-off funding of £2.2m in 2020/21 and £0.7m in 2021/22 for the implementation of the Family Safeguarding Plus Model and the re-profiling of £1.0m of savings from 2020/21 to 2022/23 and 2023/24. Overall the model is expected to deliver further savings but some of these will fall outside of the proposed MTFP period. In addition, the new strategy for the Fostering Service requires £1.0m of ongoing funding from 2020/21 and the reprofiling of £0.5m of savings from 2020/21 to 2021/22. Additional savings of £0.8m will be added to the MTFP in 2022/23 and 2023/24.

Updating the Corporate Plan

35. The vision and priorities of the Thriving Communities plan provide an understood and familiar structure to drive impact and delivery, which is increasingly supported by more effective business planning and reporting arrangements. It is proposed to retain the existing structure (including the existing vision and priorities) for the plan to be agreed for 2020/21, with a view to a full plan review in the following year.
36. While the overall structure is considered fit for purpose, since the original development and subsequent refresh of the current Corporate Plan, a number of new issues and themes have emerged alongside existing areas of activity that have gained additional prominence. These will need to include issues identified through the Corporate Peer Review process undertaken in March 2019 and reported elsewhere on this agenda.
37. At the corporate level issues for consideration include:
- Climate action, the council's commitment to carbon neutrality by 2030 and other environmental issues including air quality;
 - Investment and property strategies and restated ambition in these areas;
 - Addressing the wider impact and opportunities of growth across services and the community;
 - Our role in addressing inequalities in social, economic and health outcomes;
 - Locality working and local leadership including devolution of services, the need for more impactful area governance and the community leadership role of members;

- Ongoing ambition to expand our role in fostering social action including developing our relationship with the voluntary and community sectors;
 - The further development of the Cherwell-OCC partnership alongside further development of wider partnership working;
 - New and emerging cross-cutting strategies including for digital and culture;
 - The relationship with health and the development of an Integrated Care System;
 - Continuing focus on the role of prevention and managing demand;
 - Future workforce.
38. The overall corporate planning framework includes the Corporate Plan itself, finance and resource plans and the business plans of individual directorates and services.
39. It is proposed that these issues should be considered alongside existing priorities for formal incorporation into the overall corporate plan framework to drive action and outcomes. Work will be required to identify the tangible change associated with each priority area and how the issue is best incorporate into the overall planning framework – whether into the Corporate Plan or into service specific plans. Where issues are agreed as priority areas, consideration should be given through the budget process of how refocussing on these issues affects budget priorities.
40. In addition to revising plan priorities, within the current cycle of corporate planning, there is an opportunity to redesign and represent elements of the current Corporate Plan to better articulate for residents, members, staff and partners the existing and emerging narrative and purpose. Supporting materials to the Corporate Plan should include a highly visual plan on a page that articulates to internal and external audiences the Council's mission.
41. Finally, during 2019-20, business management reporting is being substantially upgraded in terms of timeliness and quality to help develop a culture of delivery against the agreed priorities and outcomes set out in the Corporate Plan. To achieve this goal, an Outcomes Framework was agreed that uses 48 indicators to measure delivery against the Corporate Plan's six priorities and 13 outcomes. This Outcomes Framework forms the basis of the performance element of the new monthly business management report.
42. Updating the Corporate Plan will necessarily require a parallel update to the Outcomes Framework to ensure that the framework accurately describes the priorities and actions in the plan. Alongside updating content, there is an opportunity to continue to improve the Outcomes Framework reflecting feedback and challenge received through the new reporting process. Indicators will be reviewed to ensure that they have a clear and direct line to outcomes and the target setting process will be reviewed to ensure that the reasons for changing or maintaining a target across years are transparent.

Service & Resource Planning Timetable

43. Budget proposals will be published at the beginning of December 2019, with Performance Scrutiny Committee considering them making comments ahead of the Cabinet meeting on 17 December 2019. An online public consultation on the budget proposals will commence when the information is published at the start of December 2019.
44. Capital proposals will be considered by Performance Scrutiny Committee in early January 2020 alongside the Capital & Investment Strategy which incorporates the Treasury Management Strategy. The Review of Charges will also be considered.
45. Cabinet will take into consideration the comments from the Performance Scrutiny Committees in December 2019 and January 2020 and comments from the public consultation alongside the funding available announced as part of the provisional settlement expected during December 2019, in setting out its proposed budget to Cabinet on 21 January 2020.
46. The District Councils are required to provide Council Tax bases, Council Tax collection surpluses/deficits and business rate forecasts by 31 January 2020. Provisional figures are expected in mid-December 2019.
47. The final settlement is not expected until early February 2020. This will confirm the general funding available to the Council for 2020/21 and the Council Tax referendum limit to be applied.
48. The Council meeting to agree the 2020/21 revenue budget, medium term financial plan and capital programme will take place on 11 February 2020.
49. A timetable for the Service & Resource Planning process is attached at Annex 2.

Capital Programme Planning

50. The Council considers capital investment and programming activity as an integral part of the Service & Resource Planning process. This ensures that the creation of a new asset or investment in the existing asset and infrastructure network is justified through detailed business cases and delivery models for the service, and implications for the medium term financial plan are clearly identified. In view of this, and the delivery period of significant investment programmes, it is proposed to extend the capital programme by a further year to cover the period to 2029/30. This will provide an additional year of funding in the programme.
51. Full Council is required to approve annually the Capital & Investment Strategy in order to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The overall Capital & Investment Strategy incorporates the Treasury

Management Strategy and the Investment Strategy and is supplemented by the Property Strategy and Highways Asset Management Plan.

52. To support the Council's new Investment Strategy, which will be recommended for Council to approve in September 2019, a new portfolio will be created in the capital programme to identify specific funding for capital investments. This will form part of the capital planning process for 2020/21.
53. Other capital investment pressures are also currently emerging. Proposals will be brought forward in November 2019 to inform the capital planning process.

Equality and Inclusion Implications

54. The Public Sector Equality Duty, under section 149 of the Equality Act 2010, places a responsibility on local authorities to exercise 'due regard to the need to eliminate unlawful discrimination... advance equality of opportunity... and foster good relations.'
55. There are no equality and inclusion implications arising directly from this report. A high level assessment of the broad impact of new savings options will be included as part of the published information in December 2019. More detailed impact assessments, which will take account of feedback from the public consultation and from Scrutiny, will accompany Cabinet's proposed budget in January.

Financial and Legal Implications

56. 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 2020, will lead to the council tax requirement being agreed in February 2020, together with a budget for 2020/21, updated medium term financial plan and capital programme.

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