

Date: 22nd September 2015

Rt Hon David Cameron MP
House of Commons
London
SW1A 0AA

Leader's Office
County Hall
New Road
Oxford OX1 1ND

Councillor Ian Hudspeth
Leader of the Council



I acknowledge receipt of your letter of 14th September.

I, along with many councillors across the Country, worked hard to assist you in achieving a Conservative majority. Central to the manifesto was a commitment to removing the deficit. That does mean reductions in public expenditure, something I fully support and will deliver in Oxfordshire. The Council is moving cautiously and trying to maintain services, however there will be difficult decisions to be taken since I have to deliver a balanced budget on 16th February 2016. I am, of course, also conscious of the 2017 Council elections which, in my mind, suggests we should be seeking to take the tricky decisions as soon as we can

I am arranging a meeting with Sheridan as quickly as possible as I am open to all suggestions that will help. With that in mind, I am also working with the LGA to ask them to explore whether there are areas that I should be considering in order to protect front line services

The final paragraphs of your letter suggest that there is little vision for the future so I thought I'd start by addressing that first.

I am a great believer in devolution as it brings decision making closer to the public and has the potential to save Whitehall millions of pounds. My vision for the future is to move further forward with the Oxfordshire devolution proposal. I was delighted that after years of moving away from Oxfordshire, the districts and City came together with us for a credible proposal for 1 of only 3 regions in the Country that are a net contributor to the UK economy. With colocation of services and joining together on geographically based services, there will be big savings to be made as well as great opportunities to deliver the housing and infrastructure that the county needs in order to continue to deliver economic growth.

The County Council has worked together with Health for many years, having pooled budgets where the risk /savings are spread across organisations - indeed we were the first area of the country to pool budgets and have the largest pool nationally, so having the CCG involved is only the start. Our devolution model seeks to combine the commissioning power of the total local NHS budget with that of the County Council and we would use this increase in commissioning power to leverage savings in the provider market. I do though believe that in the longer run the real savings would be made by joining with the acute sector to have a truly '1 place Oxfordshire' As shown by Public Health coming to Local Government, we are providing an enhanced service yet producing savings too and retaining democratic accountability. To move Social services into the NHS would be folly as it would very significantly increase the pressures on their budgets and lose democratic accountability. It also ignores the impact that other local authority services have on the NHS.

An example of one of our key issues within the health sector in Oxfordshire is Delayed Transfers of Care. Looking at the latest figure there were 159 patients of which the acute sector accounted for 134. That means the NHS is paying approximately £4,500 per week for 134 patients that should not be in an acute hospital bed. The solution is relatively simple - by discharging the patient to Social Services and providing a sum towards their care, say £500 per week they could save £4,000 per week per patient or £27m pa. Of course this can't currently take place since once the patient is discharged the funds cease. However, in a '1 place' model that could be achieved. Unfortunately the 134 patients a week suffer and the NHS rack up another overspend that the government simply fills at the year end. This is an example of a clear perverse incentive, failure just equates to the NHS receiving more budget to reward the failure. In comparison the County Council has a legal responsibility to deliver a balanced budget and we do that year after year, driving out millions of pounds each time.

Furthermore by combining planning powers across the county and with health we could also provide more extra care housing in the correct locations, along with planning medical facilities - again delivering better outcomes for residents.

The Oxfordshire devolution proposal is the start, but being realistic we need to add other functions to it to deliver the best result. One of the areas that we all agreed not to investigate was an elected mayor. I realise that the Secretary of State for Communities and Local Government has removed that requirement but I know that the Chancellor is keen on elected mayors. We need to look at whatever model will deliver the best solutions for local residents - for me, value for money and local accountability are critical. A different local model means that there could be a reduction of the 282 councillors across the County who currently cost the taxpayer over £2 million pa, 36 of who claim allowances at more than one council.

Moving now more specifically to the position of the County Council; as you know we have a local economy that really is world class - since the recession we have had the fastest growing LEP area of any in the country, unemployment is the lowest nationally and our economic output is over £19bn per year. Because the benefits of this growth are largely provided back to the Exchequer, with very little retained locally, we are not in a position to use this to support service delivery. A fundamental role of the council is to provide services for the most vulnerable residents. Already approximately 50% of our budget is spent on only 2% of the population, and as funding becomes tighter this skew continues so that by 2020 this is likely to be 75% spend to support the same group. This inevitably means that universal services provided at the County level are being squeezed. Unless we work differently with local partners - e.g. through a successful devolution deal - then this will unfortunately continue to be the case.

Your letter raises a number of serious issues, which I will try to address in turn;

Letter Assertion - "Oxfordshire's spending has actually increased in recent years..."

Our Revenue Support Grant has fallen by almost 50% in the first half of this decade from £122m in 2011/12 to £62m in 2015/16, and we expect it to approach zero by 2020. Other funding streams have not kept pace with this, particularly in real terms.

Your letter fails to acknowledge additional functions have been transferred to local authorities since 2009/10. Most notably Public Health as well as new burdens related to the Care Act 2014 and Health & Social Care Act 2012. The funding was determined on the level the NHS required to provide the services, however we have reduced costs and increased services. This is right across Local Government - proving how efficient we are compared to the NHS. Furthermore, it is incorrect to assert that all education spending relates to academies. The local authority retains responsibilities such as home to school transport and admissions and the costs of the former have increased significantly since 2009/10.

The Better Care Fund is not new money for the system, there has been £8million in additional funding for Adult Social Care, but this has been at the expense of funding for NHS Services. This one factor alone turns this year's Revenue Spending Power increase of 1.3% into an actual cut of 2.6%. In total the NHS funding, New Burdens, and Public Health, constitute £65m of annual funding which cannot be viewed as 'additional' relative to previous years.

The letter correctly identifies that academy schools have been taken away from OCC, complicating the budget picture. We have in recent years always quoted the figures net of schools.

In line with this reduction in spending power, the number of people we employ (excluding schools) has fallen from 7,498 at 1st April 2010 to 4,695 at 30th June 2015 FTE, a 37.4% reduction .

The DCLG's own figures, as quoted earlier this year in the Institute for Fiscal Studies report on Local Government Spending and Revenues, highlight the level of funding reduction that Local Government has seen since 2009; "Grants from central government to local government (excluding housing benefit grant and those specifically for education, public health, police, and fire and rescue services and the housing benefit grant) have been cut by 36.3% overall (and by 38.7% per person) in real terms between 2009/10 and 2014/15". The report goes on to say "Taking grants and council tax revenues together, local authorities' total revenues have fallen by 19.9% overall (or 22.9% per person) in real terms. Council tax revenues funded just over half of local government spending in 2014/15, up from 41% in 2009/10".

Letter Assertion – Oxfordshire County Council is not following the best practice of other Conservative Councils

Our budget reductions are from an already low base:

This reducing Oxfordshire County Council budget starts out from a lower base than many local authorities around the country. We receive just under £300 per capita from the UK taxpayer (excluding fire services), compared to an upper tier and unitary

average of around £500, and over £900 for authorities such as Westminster, who still face their own budget challenges despite this extra money.

Excluding schools, our total government grants have fallen from £194m a year in 2009/10 to £122m a year in 2015/16, and are projected to keep falling at a similar rate - I cannot accept your description of a drop in funding of £72m or 37% as a "slight fall".

The Council Tax referendum threshold of 1.99% has meant that we have been unable to keep pace with our challenges by using local revenue raising powers – if we had been permitted to make the planned modest increase of 3 -3.75% over the decade we would be facing £50million less of required savings.

Rising Demand:

As a thriving economy, growing more quickly than London since the recession, we have seen significant population growth that generates significant service needs. The overall population is up from around 640k in 2009, to 675k today, and a forecast 725k in 2020. This does not take into account the growth in population envisioned by the Strategic Economic Plan and Strategic Housing Market Assessment (SHMA).

In particular, the growth in the elderly population (who generate the largest demand for expensive social care placements and support) is substantial. The number of over-85s in Oxfordshire will grow from under 15,000 to over 20,000 in the current decade, and even more rapidly thereafter, generating cost pressures of £30m in the annual budget so far this decade, and another £20m expected by the end of the decade.

The other big area of cost growth for us has been children's social care - not just in tackling horrendous Bullfinch-style abuse, but also in dealing with the heightened awareness and concern around vulnerable children which has been growing ever since Baby P. Referrals, assessments and children coming into the system have been growing rapidly; in March 2013 we had 30 children per 10,000 looked after. By March 2015 this had risen to 36 children per 10,000 and subsequently has risen to 41 children per 10,000. In terms of absolute numbers this represents a 40% increase in 2½ years.

We currently have 574 children in care at an average cost of £49,000 per year. This rising demand results in significant rising costs - relevant budgets have increased from £40m in 2009-10 to £64m this financial year, a 60% increase.

As well as these people-centred services we are also working hard to support a blistering pace of economic growth - Oxfordshire is growing more quickly than London in percentage terms, and this is in no small part thanks to the support for growth delivered by the local public sector and the LEP - however that has required investment, and generates costs. The main 'payback' comes through New Homes Bonus, primarily channelled to Districts and used to support revenue budgets, not to invest in infrastructure. Ironically, despite Oxfordshire's rate of growth, Oxfordshire County Council is a net loser from the New Homes Bonus scheme. Addressing the infrastructure gap is a key element of our ideas for devolution.

Letter Assertion - £204 million is a cumulative figure including efficiency savings from cutting waste

I cannot emphasise enough that £204m is NOT a cumulative figure. Rather it is the amount that we have saved annually by 2014/15. The cumulative savings since 2010/11 are in fact £626m. Around two thirds of the savings achieved have been

required to meet increasing demand particularly in adult social care, children's social care, highways and waste disposal. I acknowledge that many of the savings made have been efficiencies but would argue that they have not been cutting waste. Oxfordshire, due to its historic low funding has not been an organisation riven with waste.

It is inaccurate to imply that our spending would have remained the same as it was in 2010 – inflation and population growth alone would have pushed our spending up if we hadn't made savings.

Letter Assertion - We are not looking at radical savings proposals from the back office, including 'blue light collaboration' and property

I was disappointed to read that you do not feel Oxfordshire is living up to the good practice of Conservative councils around the country in reducing wasteful spending. Our significant savings over recent years have included taking out as much from the back-office as possible through our in-house shared service arrangements. From this July, on-going savings in this area will be secured via our new partnership with Hampshire County Council. In addition, we have undertaken a major review of our management structures across the council since 2010 making significant cost savings through cutting 40% of our top two tiers of management (directors/deputy directors) and 50% of our third tier managers. Over the same period our staff have had their terms and conditions reviewed as we have moved to local pay arrangements and have had below inflation pay rises, or total pay freezes

We are driving these back office costs down further. Having already established a shared service for our back office functions in 2006 delivering £2.7m annual savings, we have recently joined the innovative public-public partnership with Hampshire County Council and other partners (Hampshire FRS and Hampshire Constabulary) to share our transactional back office, saving a further £0.8m annually. The Thames Valley fire control room is also delivering savings of £1.8m across three authorities. In addition, we were the first council to put in place pooled budget arrangements with health and have the largest pooled budget with genuine risk sharing arrangements in the country. .

In terms of fire and rescue, we are one of only 13 County Council Fire and Rescue Authorities, and CIPFA benchmarking shows that our costs are £38.64 per head of population - cheaper than the average cost for County Council FRAs (£39.54) - and the average of South East FRAs (£40.05) - and all FRAs (£40.50).

You raise some serious issues regarding the council's approach to property.

Our asset register can be found on our website -

<https://www.oxfordshire.gov.uk/cms/sites/default/files/folders/documents/aboutyourcouncil/accestoinformation/DetailsOfOxfordshireCountyCouncilLandAndBuildingAssets.xls>
[X](#)

The council has been ahead of the curve on property reviews and disposals. We have actively been disposing of property since 2006. A subsequent comprehensive review of surplus property assets was carried out in 2011, and the Council's policy restated to be clear that assets should only be retained where they are required for operational reasons or are held to support growth. This strategy to release such assets and generate capital receipts has, over the past 10 financial years, removed in excess of

110 properties from the Councils property asset register and generated in the region of £62m.

However capital income cannot be used to support revenue costs - it is neither legal, nor sustainable in the long term since they are one-off receipts. The Council therefore changed its strategy in 2014 to prioritise income generation over capital receipts. This has had the effect of slowing the process of disposals, as (a) more are retained but with an income stream, but also (b) it takes longer to consider those options than just a straight disposal route.

We are currently investigating the possibility of co-locating offices with South & Vale District Councils as they have to rebuild their damaged offices. This would lead to combining other services such as customer services that could be offered to the other Districts, generating even more savings with enhanced services. Residents do not differentiate between Parish/Town/District or County Councils they just want 1 person to deal with their enquiry. Our review however needs to be comprehensive, and consider our services not just for the South of the county but the whole. We are looking at the impact of similar arrangements in the North, and how we maintain our key services in the City of Oxford itself. We are though still planning to meet the timescales set out by South and Vale for their requirements.

I apologise that my previous briefing may not have been clear enough on all of these measures, but that doesn't mean we haven't delivered - indeed we are now in the cheapest quarter of English counties in terms of what we spend on the back-office.

We have been through the budget with local MPs in previous years looking for 'easy' savings, and no new ones have been identified through this process. Nonetheless we are, as your letter advises, moving cautiously. We need to put draft proposals out in time to work with partners, staff, and the public to prioritise and look for the most acceptable options, or look for innovative alternatives (e.g. devolution of local highway work to towns and parish councils).

I am of course very keen to understand if there is more in the way of back office savings that we could be making, as this is the way of protecting front line services. I have therefore asked the LGA to come in for a quick review of recent and current budgets to understand what we have delivered in recent years and to consider if there are any further areas that they would recommend us considering. I hope that this work will be undertaken in October this year in order to help us make decisions about the budget that will come to council in February 2016.

I hope this clarifies our position, and look forward to working with you and other Parliamentary colleagues to find solutions which meet the deficit challenge while minimising reductions in the services people most value.

Jones


Direct Line: 01865 815283 Mobile: 07956 270318

Email: ian.hudspeth@oxfordshire.gov.uk

www.oxfordshire.gov.uk

