

**To: City Executive Board**

**Date: 13<sup>th</sup>. February 2013**

**Report of: Finance and Performance Panel**

**Title of Report: Consultation Budget and Medium Term Financial Strategy 2013 - 2017**

### **Summary and Recommendations**

**Purpose of report:** To present the conclusions and recommendations of the Scrutiny Budget Review Group (RG) on the Consultation Budget and Medium Term Financial Strategy 2013-2017

**Key decision? No**

**Scrutiny Lead Member: Councillor Rowley**

**Executive Lead Member: Councillor Turner**

**Policy Framework: The Councils Corporate Plan and Budget**

#### **Recommendations**

##### **Recommendation 1**

**The Business Rate Retention Scheme becomes the focus of more robust modelling and detailed forecasting within the MTFs.**

##### **Recommendation 2**

**That the Trading Strategy is reconsidered, in particular its links with the MTFs, with the aim of minimising the amount of the Councils budget used to under right the risks associated with trading activities.**

##### **Recommendation 3**

**To reconsider our methods of providing for contingencies individually by producing a strategy that allows for the consolidation and pooling of risk.**

##### **Recommendation 4**

**That there is a clear recognition of the structural and operational needs to deliver on increased income and trading targets and those Service Areas most affected are reviewed to ensure best practice.**

**Recommendation 5**

**That Equality Impact Assessments are required for all budget changes and these are available at the earliest opportunity but certainly through the budget consultation.**

**Recommendation 6**

**That a briefing note is provided to all councillors as soon as possible outlining the use of the various pots of money within the Green Deal.**

**Introduction and Background**

1. The Budget Review Group (RG) this year consisted of Councillors Rowley, Simmons, Fooks, Mills, Fry and Kennedy with Councillor Rowley taking the lead. The RG would like to thank officers and members for their help and co-operation and hope that members find their comments and recommendations helpful.
2. The RG did not set any specific lines of inquiry instead decide to gather information around a set of questions based on testing robustness and some of the underlying principles used in framing proposals.
3. Available to the RG were the papers making up the Consultation Budget alongside extra data provided at the request of the RG to aid their scrutiny process. The list of questions and replies is available on request from:

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Email: [phjones@oxford.gov.uk](mailto:phjones@oxford.gov.uk)  
Tele: 01865 252191

4. The RG would like to congratulate the organisation on the continued excellent delivery of the budget and preparations for challenging times ahead.

**Conclusions and recommendations****5. Business Rate Retention Proposals**

The RG asked for and received a more detailed model for the likely scenario for Oxford within Business Rate Retention proposals. It was clear that this scheme has the potential to be positive for Oxford based on what we know about growth and volatility but there are clearly risks because of links between collection rates and tariffs and retention and other specific grants. Business Rates is not currently modelled in detail in the MTFS but these changes would suggest a greater focus is needed.

## **Recommendation 1**

**The Business Rate Retention Scheme becomes the focus of more robust modelling and detailed forecasting within the MTFs.**

### **6. Contingencies**

Planned increases in contingencies continue from £3.145m in 12/13 to a proposed £3.633m 13/14, £5.285m 14/15, £6.907m 15/16 and £8.204m 16/17. The main reasons for these increases are money set aside for the none achievement of service reductions, efficiencies and increases in fees and increases in employee pay.

7. The RG saw information and discussed in detail with officers how and why these amounts had been set aside. The RG noted particularly:

- The robust performance of the Council in delivering on its service reductions, efficiencies and income increases with no call on the reserve set aside for none delivery.
- For good reason none of the £650k homelessness provision will be used in 12/13.
- The negotiating position for pay increases was not set to use the contingency provided.
- About £2.1m of the contingencies set aside in 12/13 remain unused and will be carried forward (in addition to the ongoing amounts provided for in the MTFs).
- The Council is likely to see from 2013 the adverse affects in communities and calls for service as a result of Welfare Benefit Reform.
- The Finance Settlement was worse than expected and in some part contingencies will allow the Council to cope with these reductions.
- Not every risk in the budget has a contingency set against it.
- Income from commercial work (trading) was treated the same way as any other income.

8. Of particular discussion and without complete agreement were the budget position and the treatment of those risks associated with commercial activities (trading) particularly because of the greater reliance and prevalence of these activities to fund services and contribute to overheads. The RG saw that the current position was to set a contingency against income expected from trading depending on the judgement of the risk associated with it. In effect to use the Councils budget to underpin the risks of commercial work. Within our current structures the arguments for operating in this way are clear but as this type of activity becomes more common these operating principles need to be reconsidered within our structures and the flexibility of our work force to allow commercial work to stand or fall on its own.

9. In conclusion the RG considered contingencies overall and in particular the methods used to produce the numbers that appear in

the MTFFS. The aim was to try to make a judgement on whether they struck the right balance between prudence and the need to provide as much money as possible to support services. They based this on: the information provided; outcomes from previous budgeting and what is known about future funding.

10. It was agreed unanimously that these are uncertain times with many pressures facing the Council and the communities it serves. Sensible prudence is necessary to secure the future as far as we are able. The RG did however feel that taking a cautious approach to all risks individually and aggregating these together provided for a position that did not strike the correct balance between caution and spending. For the future the RG would like to see an overarching risk strategy for the MTFFS that consolidates and pools risk.

**Recommendation 2**

**That the Trading Strategy is reconsidered, in particular its links with the MTFFS, with the aim of minimising the amount of the Councils budget used to under right the risks associated with trading activities.**

**Recommendation 3**

**To reconsider our methods of providing for contingencies individually by producing a strategy that allows for the consolidation and pooling of risk.**

**11. Fees, Charges and Trading**

The RG saw projections within the MTFFS which showed the significant shift in the make up of the funding position of the Council. The most significant shifts show income from fees and charges (including trading) moving from 53% to 61% of our gross expenditure and Revenue Support Grant (including changed Business Rates) moving from 23% to 12% of our gross expenditure. The RG heard that this trend is likely to continue. This increased reliance on income must bring about a consideration of structure and how the Council is managed and the work force configured to ensure the best use of resources (some of this has been highlighted by the RG in paragraph 7). The RG would like to see structural reviews in those areas most affected by these changes.

**Recommendation 4**

**That there is a clear recognition of the structural and operational needs to deliver on increased income and trading targets and those Service Areas most affected are reviewed to ensure best practice.**

**12. Impacts of Budget Changes**

The Equalities Impact Assessment published with the consultation budget did not clearly judge the impact of budget changes on Oxford's communities and the groups within that. The RG heard that a more detailed document was being prepared and this was provided to the RG on the 31<sup>st</sup> January 2013. This document gave a much more detailed picture. The RG felt that this information should be considered in a much more timely fashion with individual budget proposals at internal consideration being required to have an equality impact assessment and these being available publicly as the budget is consulted on.

**Recommendation 5**

**That Equality Impact Assessments are required for all budget changes and these are available at the earliest opportunity but certainly through the budget consultation.**

**13. Green Deal**

The RG was pleased to see proposals for the Green Deal and the extra award of £310 as an addition to these. It was hoped that some of the extra award could give opportunities to substitute some of our costs and share overheads. The RG asked for a briefing on how the various monies would be used so they could be sure of the best use of resources. At the point of writing this had not been provided.

**Recommendation 6**

**That a briefing note is provided to all councillors as soon as possible outlining the use of the various pots of money within the Green Deal.**

**Board Member and Director Comments**

Comments from the Board Member and Director will be made at the meeting of the City Executive Board.

**Name and contact details of author:**

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**List of background papers:**

**Version number: 2**

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