

Report of: Finance Scrutiny Committee

To: Executive Board

Date: 7th. January

Item No:

Title of Report : Finance Scrutiny Committee response to the October Consultation Budget



Summary and Recommendations



Purpose of report: To report the conclusions and findings of the budget scrutiny process undertaken by Finance Scrutiny Committee

Key decision: No

Portfolio Holder: **Cllr. Campbell**

Scrutiny Responsibility: Finance Scrutiny Committee

Ward(s) affected: All



Report Approved by:

Price – Chair of Finance Scrutiny Committee



Policy Framework: No



Recommendation(s): The committee recommendations are those detailed in the body of the report. The Executive Board is asked to respond to the Scrutiny Committee:



1. If it agrees or disagrees with the recommendations outlined.

2. If it agrees what alterations will be made to budget proposals and processes.



3. If it disagrees why.



4. If more information is required from officers when that will be considered

Finance Scrutiny Committee response to the Consultation Budget

1. Aims

The aim of the committee has been to test the robustness of the proposals made and to provide an opinion on the deliverability of the budget. The proposals made available by the Executive are attached at Appendix 1

The committee has followed 4 lines of enquiry:

- Performance in delivering the 07/08 budgets against the targets and proposals agreed. In particular how the Council has delivered against the savings targets agreed
- The prospects for the 08/09 budget to be clear on the risks and assumptions within that and to determine the gap to be bridged to balance the budget
- The proposals offered to reduce expenditure or increase income, to test their robustness, the effects on service delivery and how they address Value for Money issues
- How well do the budget proposals establish the “golden thread” through the Council’s priorities, targets, aims and spending and further into the Sustainable Community Strategy and the LAA.

These lines of enquiry have been pursued via two Budget Risk Assessment Groups (BRAGs) with follow up and debate at formal committees. At the 13th. December committee meeting members considered their findings and made the following general and specific recommendations to the Executive Board.

2. General Comments on the process

Despite the plan to bring forward a set of robust budget proposals earlier in the year, there has been very little change from the timetable of previous years. During the consultation period the committee has not been able to effectively scrutinise the plans behind some of the largest proposed savings and income increases and is therefore not in a position to give an informed view on their deliverability.

The committee has been frustrated by a lack of information on the delivery of the current year’s budget, which is discussed below. The committee is concerned that the scrutiny process has been truncated and there are many areas of uncertainty, particularly around budget reductions and the link between the current and future years spending patterns. These will now require consideration by members in the short period of time prior to the budget setting, or not at all. This will result in added uncertainty within an already difficult budget round.

Members had experienced the consultation process at Area Committees and found this as unsatisfactory as in previous years. Efforts had not been made to make the presentations directly relevant to the committees and discussions were desultory and poorly informed – or non-existent.

Recommendations

- **That the outcomes from the previous review of budgeting are implemented as agreed which would see the process of budget setting for future years starting immediately at the setting of the previous to allow the formal presentation of proposals for consultation in the early Autumn to be both informative and clear**
- **Future consultation with Area Committees should be made directly relevant to those budgets and services that the committees either control or have some influence on. In terms of engaging the public in areas, citizens jury like meetings should be held at different points around the city to get a broader opinion from residents**

3. Delivery of the 07/08 Budget

Committee has made efforts through the year and during the consultation process to track the delivery of spending and savings to target. This process had 2 aims:

- To hold decision makers to account for the delivery of the Councils budget
- To test the quality and robustness of proposals made and agreed to inform the scrutiny process for the coming year

The tracking of the delivery of savings has been hampered by a lack of information in 2 particular areas:

- Amounts actually delivered against a particular reduction line
- Where savings have proved to be wholly or partially undeliverable the alternative budget cuts made to bridge the gap

The identification of these alternatives has proved particularly problematic. The October monitoring projections showed 29% (£1.448m) of the savings total for the current year is to meet by alternatives to that agreed within the budget. Committee wished to judge which of these alternatives could be “locked in” for 08/09 and beyond and therefore the true starting point for the base budget. The committee’s final attempt to gain information in this area was a request to see the updates of the savings action plans that form part of the Councils budget management process but these were not available. The monitoring processes that were put in place last year do not

appear to have been used robustly to manage the council's budget and to inform future spending patterns.

Recommendation

- **That the monitoring of the delivery of the budget through the year is improved to show real delivery against savings targets and any alternatives. That processes are improved to systematically lock in any alternatives for future years**

4. Budget prospects 08/09

The committee saw an improved prospect for the budget from that presented within the consultation budget and noted in particular:

- The removal of all the headroom for uncertainties around risks
- Removal of £300k of the provision for increases in concessionary fares
- A new allowance made for the potential non delivery of high risk savings
- No allowance made for the withdrawal by officers of savings they now consider undeliverable
- No clear adjustment for Leisure income
- An unexplained favourable adjustment of £33k
- That the budget gap was now detailed as £181k for 08/09
- The HRA grant subsidy settlement would cost an additional £1.89m

Committee considered particularly the prospects for concessionary fares and heard that the budget for next year is £2.2m plus the £.8m grant award for the new national scheme. The bus companies appeal on the formula is still not settled and expectations are that Oxford may be affected unusually under the new scheme because of fare payments for those non-City residents using the park and ride

On single status negotiations committee heard that pay modelling won't be available until January and that a provision of £800k existed to cover any increased costs. Any costs above this are not accounted for.

On Leisure income, withdrawn savings, and new savings committee heard that any adjustments made here were wound up in the £33k adjustment but details of these adjustments were not available. Committee were particularly concerned to know the amount of adjustment made within the base for Leisure Income and which savings had been discounted.

Based on the information given in response to questions the committee concluded that the budget gap was larger than that detailed because of

the withdrawal of undeliverable savings and potential extra adjustments for real levels of current and potential Leisure income.

Recommendations

- **Given the uncertainty and potential for over run on Concessionary Fares that the Executive Board monitor spending patterns carefully and ensure balances are marked to make good any potential gap**
- **That the position on pay modelling for single status be identified as soon as possible, preferably before budget setting in February, to better inform the robustness of allowances in this area. To consider the allowance already made high risk and adjust the allowance for non-delivery of high-risk items in the budget accordingly.**
- **That the Executive come forward with proposals to bridge the HRA gap because of reduced subsidy and protect the decent homes progress aims**

5. Proposals to balance the 08/09 budget

The table below represent the committee's recommendations on individual proposals

In considering adjustments the committee heard that new proposals in Community Housing, which have not been debated, have been taken into account in the production of the revised budget gap.

Reduction Proposal	Scrutiny Committee Comment
SFSR02 Increased TIC income £30k	Previous income increases in this area have not been met. No details are given of what might be done differently this time. This saving should be detailed upwards from medium to high risk
SFSR03 Merge IT and web support under the Web- Co-ordinator £55k	This saving was withdrawn by officers as undeliverable and so should be removed from the list and replaced
SFSR04 Tourism Management £15k	This reduction proposes to reduce the vacant Tourism Managers post to part time. This is an important area to the City that has seen improvement in recent years. The previous Tourism Manager supported not only City Council initiatives but also the wider tourism partnerships in Oxford.

	The County Council has now increased its activity in this area and the Executive should lobby them to fill some of the gaps created by this saving
SFHR01 Restructure HR and training administration £100k	Officers have now reduced this saving to £60k. A £40k alternative should be found.
SFLD01 More focused and strategic scrutiny service £40k	A review of the current scrutiny structure is underway to look at current working and response to new powers in the Local Government and Involvement in Public Health Act. This makes this saving premature. The service offers support to back bench councillors and so should be maintained This saving should come out for 08/09 whilst structures and working arrangements are considered
SFACS01 Establish T government unit – merging with other business unit manager £50k	Officers withdrew this saving but committee was subsequently told it remains in as achievable through restructure proposals. Clarity is required on this line
SFACS03 Merge procurement functions currently split between IT and facilities management £20k	This saving was withdrawn by officers as undeliverable and so should be removed from the list and replaced
SFACS04 Merge FOI roles currently split between IT and legal £55k	This saving was withdrawn by officers as undeliverable and so should be removed from the list and replaced
SHNR2 Rationalise sports facilities in Neighbourhood Renewal £20k	It is not clear which sports facility this is. This should be made clear before presentation to Council to allow members to be clear exactly what they are voting for
SHNR3 Obtain external funding for Street Wardens £15k	Committee heard that this represented requests to local business to support the costs of Street Wardens. Committee considered that this was unlikely to prove successful particularly on an on going basis. The saving should be withdrawn and

	replaced.
SHEH3 Additional income – HMO scheme £70k	Committee heard a legal opinion that licence fees could not be set to profit, charges can only cover costs. Committee concluded that for this £70k to represent a budget reduction it must cover existing costs within the licence operation. It is not clear how this will be implemented so the saving should be added to the high-risk category.
SHEH8 Charge for appointments not kept by customers £10k	There was no clear plan for this process or a view of how much the collection costs might be. This saving should come out as undeliverable in its current form
9SPBE03 Efficiency saving reducing supplies and services £1k	This saving was withdrawn by officers as a duplicate
9SPCW05 Modernise and introduce charging for City Centre toilets £40k	Committee heard that this represented the net amount after investment and represented some improvements, the introduction of “Paris like” toilets and advertising. This saving should be withdrawn in the first year because of the lack of clearly thought through plans for implementation
9SPPL11 Synergy from S&R – Economic Development £35k	This saving was withdrawn by officers as a duplicate of measures in 9SPPL10
9SPTP02 Rationalise parking operations £110k	This represented the transfer of Park and Ride Management. Committee heard that the figure was speculative and that no business case or market testing had been produce to inform negotiations. This figure should be withdrawn or considered high risk until clearly thought through and informed
9SPTP03 Change Barns Road parking tariff to the same as Templars Square £13k	Committee heard that Barns Road car park was in poor condition compared to Templars Square. No investment was planed in the car park and no allowance made for the potential loss of trade (to

	<p>Templars Square) if tariffs were equalised. This saving should be withdrawn as poorly thought through</p>
<p>9SPTP04 Synergies on management reorganisation £37K 9SPTP05 Improve efficiency on enforcement through additional training and motivation £50k 9SPTP07 Staff efficiency £45k</p>	<p>At the BRAG meeting it was unclear from officer what these savings represented and whether they were duplicates of each other. The Director withdrew them for investigation and reissue. Committee heard subsequently that 9SPTP05 remains in.</p> <p>£82k should be replaced as duplicates. The improved enforcement saving should also come out for the first year as no plans, either detailed or in outline, have been provided.</p>
<p>9SPLC01 Increase Leisure Centre fees from 3% in base budget to 5% £54k</p>	<p>Members heard that this was increases across all charges (except free swimming) and that our charging structures were at the high end of this market.</p> <p>Committee had seen that Leisure is currently under achieving across its current income base and projects to underachieve at the end of the year. In addition to the 3% increase the base also includes the recouping of lost income from Peers Sports Centre (£124k).</p> <p>Officers said that the current budget gap assessment includes some adjustments for Leisure Income but could not be clear how much these were or what they represented.</p> <p>This saving should be withdrawn until a clear assessment of the achievement of income in Leisure next year based on real, sound projections can be provided</p>
<p>9SPLC05 Cease directly providing events including the Lord mayors parade</p>	<p>Committee recognises that this saving can be delivered financially but asks EB to consider carefully</p>

and May Morning £71k	the desirability of some of the potential outcomes of this to the City
9SPLC06 Stop the provision of floral bedding (including hanging baskets) except in City Parks, sponsored beds and 50% of the City Centre £45k	This saving was reduced to £40k by officers Committee recognises that this saving can be delivered financially but asks EB to consider carefully the desirability of some of the potential outcomes of this to the City
9SPLC25 Increase in slice income following a review 10k	Same comment as Leisure income increases
9SPLC26 Energy savings. Reduction in utility costs at sports centres because of pool covers £40k	Committee heard that this represented a reduction in pool temperatures to the industry norm. Committee wanted to see in future years addition energy efficiency measures, translated into financial targets, in Leisure.
9SPLC27 Increases in Museum Income £20k	This was withdrawn by officers and should be replaced
9SPLC29 Introduce a Leisure Trust £30k	In previous estimates committee had seen projections that the introduction of a Leisure Trust would represent a net cost in the first year. The savings in subsequent years was not supported by detail and so was assumed as speculative. This saving should be withdrawn in the first year until clearer proposals are available
9SPLC30 Savings via a Leisure Board £100k	This saving was withdrawn by officers as no proposals for delivery were available This should be replaced

Conclusion

Category	Amount	Comment
Savings withdrawn by officers	£408K	SFSR03 SFHR01 (part) SFACS03 SFAC504 9SPBE03 9SPPL11 9SPTP04 9SPTP07 9SPLC27 9SPLC30
Further savings recommended for withdrawal by FSC	£198K	SFLD01 SHNR2 SHEH8 9SPCW05 9SPTP03 9SPTP05 9SPLC29
Savings recommended for re-categorisation to high risk and a 50% underachievement allowance made	£260k	SFSR02 - MEDIUM SFACS01 - MEDIUM SHEH3 - MEDIUM 9SPTP02 – MEDIUM
Savings recommended for reconsideration	£220 plus Leisure income base assumptions	9SPLC01 9SPLC25 9SPLC05 9SPLC06 9SPLC26

Further recommendations

- **That the proposals for the capital budget and the effect on this of new subsidy calculations in the HRA be made available to the committee as soon as possible**
- **Proposals presented for budget reductions included 31 posts that are not currently vacant. No obvious budget allowance has been made to manage this reduction. Executive Board is asked to identify reductions to savings targets where vacancies are not expected to be achieved for the whole year or be clear how else these are to managed**
- **Dependent on Executive decisions, at the time of final consideration by the committee a budget gap exists between £181k and £1m. A clear analysis of the final gap along with proposals to balance the budget are made available for scrutiny before recommendation of a final budget to Council**

6. How well does the budget establish the Golden Thread

Committee saw no evidence of this and in particular where disappointed not to be able to see the results of public consultation in drawing together their conclusions on the current budget proposals.

Recommendation

- **That the Executive ensure that the Councils priorities and targets, both inwardly and in partnership with others, are clearly mapped into the short and medium so that future budgets and financial strategies can be set and considered within the framework of delivering on the overall Corporate Drive.**

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