

Report of: Value and Performance Scrutiny Committee

To: City Executive Board

Date: 3rd. February

Item No: 4 and 5

**Title of Report: RESPONSE TO THE CONSULTATION BUDGET
2010/2013**

Summary and Recommendations

Purpose of report: To present the agreed finding and recommendation of the Scrutiny Budget Review Group

Key Decision?: No

Executive lead member: Councillor Ed Turner

Report Approved by:
Councillor Goddard – Value and Performance Scrutiny Committee Chair
James Pownall – Law and Governance

CEB is asked to consider the report and recommendations of the scrutiny committee attached at Appendix 1 and say if it:

- Agrees – and if so what is the timescale for implementation
- Disagrees – and the reasons for this

1. Introduction and Background

Attached at Appendix 1 is the report of the Value and Performance Scrutiny Committee presenting their conclusions and recommendations on the consultation budget 2010/2013

Recommendations are listed at the front of the report and repeated alongside conclusions in the body of the report

Appendix 1

Report of: Scrutiny Budget Review Group

To: Value and Performance Scrutiny Committee

Date: 27th January 2010

Item No:

Title of Report: Budget Scrutiny – Indicative Budget 2010/13

Comment [x1]: Name of Strategic Director or Business Manager

Comment [x2]: Name of Committee

Comment [x3]: Date of meeting

Comment [EM4]: Page: 1
Field to be completed by Committee Services

Comment [x5]: Title of report

Summary and Recommendations

Purpose of report: To report the findings and conclusions of the Scrutiny Budget Review Group

Key decision: No

Board Member:

Scrutiny Responsibility: Value and Performance

Ward(s) affected: All

Report Approved by:
Cllr. Goddard – Review Group Chair
James Pownall – Law and Governance

Recommendation(s): The scrutiny committee is asked to consider the conclusions of the Review Group and decide on their recommendations to the City Executive Board. The conclusions are contained in bold within the body of the report alongside findings but are as listed below.

Comment [x6]: To... (insert one or two sentences explaining what the report seeks to achieve)

Comment [x7]: Yes/No – only applicable to Executive functions. Say if not applicable.
In financial terms a key decision is one that is likely to result in the Council incurring expenditure or the making of savings that are significant with regard to the Council's budget for the related service or function.
The guidance figures for significant items in financial terms are £150,000 for General Fund or £200,000 for Housing Revenue Account. In more general terms a key decision is one that is likely to be significant in terms of its effect on communities living in an area comprising two or more Wards in the Council's area

Comment [x8]: Only applicable to Executive functions - there may be more than one. Say if not applicable.

Comment [x9]: Identify which of the scrutiny committees has this function within its terms of reference – there may be more than one.

Comment [x10]: There may be more than one.

Comment [x11]: These should be clear and concise and be identical to those at the end of the report. They should capture all the decisions the report author wishes the minute to reflect. Authors should not "seek members' views" but recommend a definite course of action.

Recommendation 1
£100k of the investment income target be considered as high risk

Recommendation 2
Pension funding represents a significant risk within the 11/12 budget and the RG wish to see a provision made at a prudently early time

Recommendation 3
The provision for high risk savings is not set prudently. This should be increased to £500k

Recommendation 4

The provision for recessionary pressures is not set prudently. This should be increased to £500k

Recommendation 5

The proposed changes to HRA subsidy present fundamental challenges to HRA funding arrangements. These should be considered as soon as possible in consultation with tenants and be open to scrutiny

Recommendation 6

That planning for 11/12 and beyond starts in earnest now and be managed by a small Steering Group involving members of all parties within agreed terms of reference

Introduction and Methodology

- 1 The Value and Performance Scrutiny Committee agreed to set a Review Group (RG) to consider the indicative proposals to fund Council services for the coming year and beyond. The councillors nominated to undertake this work were Cllrs. Simmons, Goddard, Hazell and Keen with Cllr. Goddard as Chair. The Group refers to service names and positions pre the recent restructure to fit with proposals presented within the indicative budget

The RG wishes to pass on its thanks to all councillors and officers who have supported this review and would commend their positive and open attitude.

- 2 The headlines of the RG lines of inquiry were:
 - Are the budget assumptions for 10/11, 11/12 and 12/13 set robustly
 - Is the 9/10 budget on target to be delivered as planned. What alternatives are to be offered to bridge any gaps
 - What plans are in place to prepare for potential difficult budget reductions from 11/12 onwards? Are these consistent with agreed ABC and VFM principles
3. The methodology used by the RG was a mixture of document review and officer interviews. When talking to officers about proposals the questions were directed at Executive Directors, the Chief Executive and Heads of Service.

Findings

4. **Are the budget assumptions for 10/11, 11/12 and 12/13 set robustly**

Corporate Accounts

5. Investment Income

The £407k income figure from investments for 10/11 was confirmed as that detailed by our advisors. This year (9/10) we are predicted to achieve £293k against a budget of £793k (a shortfall of £500k). Whilst seeing some improvements to come it was hard for the RG to accept a 39% increase on 9/10 performance as prudent in this area.

In addition the Treasury Management Strategy for 10/11 confirms that “there are risks that this will not be achieved because interest rates may not rise as predicted and investments may not be available for us to undertake”

Recommendation 1

£100k of the investment income target be considered as high risk

6. Pension Funding

There is still very little firm information here so the amounts in for 11/12 onwards are best estimates only.

Recommendation 2

Pension funding represents a significant risk within the 11/12 budget and the RG wish to see a provision made at a prudently early time

7. Provision for High Risk Savings

The table below details savings the RG consider high risk (discussed in more detail in Appendix 1) plus:

- An assumption of general underachievement based on previous year performance

Proposed provision in the indicative budget - £400k

Risk	Amount- £000	Comment
Customer Services	411	Carried forward savings unachieved. Linked to service review
City Leisure	10	Carried forward saving achieved in another way but not "locked in" for future years
City Development	135	Carried forward unachieved savings plus new Town Hall income
Legal and Democratic Services	20	Error in budget assumptions
Human Resources	63	Carried forward savings unachieved. Achieved in other ways but not "locked in" for future years
Property and Facilities Management	130	Carried forward savings unachieved
Car Park permit scheme	52	This requires new users. No calculations are evident on displacement and no pilot information available
Unidentified support service reductions	100	Support service reductions to the HRA. No information available
General assumption on non delivery of new 10/11 savings.	270	15% of total based on previous years performance
Total	1191	

Applying the Councils prudent practice of funding 50% of high risk savings would require a provision of £595k.

Recommendation 3

The provision for high risk savings is not set prudently. This should be increased to £500k

8. Recessional Pressures

The table below details the RGs opinion of existing recessionary pressures that are likely to continue into 10/11.

Proposed provision in the indicative budget – £400k

Risk	Amount- £000	Comment
Property Income	232	Unachieved income plus 10/11 increase on this
City development income	200	Unachieved income
Investment Income	100	10/11 increase on 9/10 projection
Total	532	

This gives a provision at 30% less than potential requirements. Even ignoring the investment income the provision barely meets a prudent view of the potential requirement.

Recommendation 4

The provision for recessionary pressures is not set prudently. This should be increased to £500k

Service Accounts

9. The table at **Appendix 2** highlights issues identified by the RG on the budget proposals put forward for funding services in 10/11. In addition to the recommendations above the RG would like to make the following recommendation arising from this and relating to future planning

Recommendation 5

The proposed changes to HRA subsidy present fundamental challenges to HRA funding arrangements. These should be considered as soon as possible in consultation with tenants and be open to scrutiny

11. **What plans are in place to prepare for potential difficult budget reductions from 11/12 onwards? Are these consistent with agreed ABC and VFM principles**

There are significant uncertainties for 11/12 and onwards which have the potential to widen the funding gap well beyond that detailed in the draft budget. These are well identified in the MTFs and the effects of some of them can be seen now and in planning for 10/11.

The Council has achieved a significant budget reduction in particular over the last 2 years coming mainly from “offered” efficiencies, increased income and a fundamental service review in Leisure with one on-going in City Works.

It is not clear to the RG whether the Council is in striking the right planning balance between calling for the offer of efficiencies in existing

services, fundamental services review and reducing service levels. The evidence is inconclusive:

- Service managers who have not achieved savings have been able to offer “alternatives” to balance the budget. These mainly seem to come from supplies and services and vacancies. This suggests a budget still with some way to go before efficiency is reached
- Fundamental service reviews have been able to not only maintain service levels but increase them for less expenditure. This suggests some way to go with realising value for money gains
- A Transformation Programme providing the tools to drive efficiency and reported to be on target to provide a surplus against investment in 11/12. This suggests further to go with transforming services to produce efficiency

Yet.....

- Recessionary pressures continue to affect our ability to maintain levels of income
- Some service managers say that the pressure to maintain service standards within their decreasing budgets is not sustainable
- More details on local authority benchmarks has provided some clarity on effectiveness and suggests that we are effective in some areas
- Using national definitions we have cut services by £1m
- The use of fundamental service review has obvious benefits but cannot be repeated often

So for the future where is the right balance between squeeze, challenge and stop? More information is needed to come to a firm view.

The RG discussions and evidence gathering for this review and previous budget reviews would suggest that the picture of efficiency and VFM is better but still patchy across services so considerations of reducing service levels or stopping a service completely should be considered with caution

The Group are pleased to see the enhancements to the ABC process and the proposals to engage in SIMALTO. On the other hand they are disappointed not to have seen the VFM analysis promised at the agreement of the MTFs or indicators of where we should move onto in terms of fundamental service review

Recommendation 6

That planning for 11/12 and beyond starts in earnest now and be managed by a small Steering Group involving members of all parties within agreed terms of reference

Report author:

Pat Jones on behalf of the Budget Review Group

Tele: 01865 252191

Email: phjones@oxford.gov.uk

Service Budget Proposals for 10/11

Appendix 2

City Services		
Service	Issue	Comment
Customer Services	9/10 savings marked red and amber total 341.5k (October monitoring). These will be delivered in 9/10 using other “one off” methods but will, with some additions and one deletion, role forward to 10/11. This gives a total role forward of 411.5k of saving. Officers are beginning now to review all service elements with the aim of meeting this target.	This saving represents almost 20% of the net 9/10 budget for Customer Services and all service elements are dealing with increased demand. Its achievement should be considered high risk
City Leisure – Sports	The 9/10 budget saving of 10k (marked amber in budget monitoring) is large compared to the overall budget (most sports activities here are grant funded). The original saving was to consider better working with Community Development and Community Housing where other elements of this service are delivered and budgets are much larger.	This work has not progressed and needs to move forward quickly to be sure of delivery in 10/11. This saving should be detailed as high risk
Countryside	The 10/11 savings totalling 40k in this service represent a 20% reduction within a very small service. Officers expressed the view that delivery solely within this service is not viable. Rangers have already been moved into grounds maintenance teams (parks) and this along with a grant from Natural England is hoped to make the target saving.	Parks have a cost reduction of 70k to make in 10/11 from improved working efficiencies and the importing of 40k makes this more challenging. This 40k should be considered to be medium risk
City Works	Section 42 saving and future still not settled. Saving moved to 11/12	Disappointing to see that the review of Section 42 activities is still not complete. The Group heard that the review had

		<p>been commissioned jointly by the City and County Councils and was being conducted by a consultant. The Review Group wished to see the City (independently) widen it's scope of consideration and see if it may be more beneficial to retain the service and look for ways of raising extra income from activities to achieve the saving now required in 11/12</p>
<p>Car Parking</p>	<p>Budgets are just holding up at both city centre and suburban car parks but usage figures demonstrate a steady decline (based on information to October).</p>	<p>The approval of minimal tariff increases is sensible and prudent. The maintenance of income targets for 10/11 within this declining usage should remain as medium risk. The Business Permit Scheme seemed good but the Group did not see evidence of consideration of displacement and would not wish to see this scheme taking places used by shoppers particularly at Christmas and other peak shopping periods. The Group wish to see this evaluated in a pilot scheme</p>

Oxford City Homes	<p>Good progress in 9/10. The lack of knowledge on subsidy calculations is worrying particularly when last years determination produced an unexpected 1m gap.</p> <p>Looking forward the challenges seems greater with a national review of Housing subsidy and our own local requirements to make increasing surpluses to fund capital works.</p>	<p>The Group would like to see as soon as possible the effects of the subsidy calculation on the 10/11 budget.</p> <p>The Group wish to see these subsidy challenges considered soon in conjunction with tenants and open to scrutiny</p>
--------------------------	--	---

Chief Executive and Support Services		
Service	Issue	Comment
General	<p>The budget includes a reduction in support service cost from the GF to the HRA of 100k. The Group has not seen details of how this will be achieved.</p>	<p>Without any information this saving is considered as high risk</p>
Legal and Democratic Services	<p>There is a saving agreed in 9/10 for 10/11 of 20k that is not detailed in an action sheet. This is reported as an error in the budget.</p>	<p>Given that is amount remains listed for achievement it is high risk</p>
Human Resources	<p>63.5k of 9/10 savings will be achieved using different one-off methods to those detailed. These role forward and increase to 97k in 10/11.</p>	<p>The delivery of these savings is linked to projects at various points of delivery. Their achievement is high risk</p>
Strategic Procurement	<p>The saving of 150k for 9/10 is listed as amber and with $\frac{3}{4}$ of the year gone there is still 50k to achieve.</p>	<p>This should be considered as a medium risk for 10/11</p>

City Regeneration		
Service	Issue	Comment
City Development	<p>Two savings agreed in 9/10 for 10/11 are at risk</p> <ul style="list-style-type: none"> • 80k tourism – this relies on the DMO proposal proceeding successfully. This is still uncertain • 30k redesign culture and transfer to Oxford inspires. Officers said this was not going to happen <p>The increase to the income target for the Town Hall in 10/11 (25k) is challenging particularly because of the effects on community and voluntary use.</p> <p>Building Control and Planning income has suffered from economic pressures in 9/10 with a few large planning applications helping out Planning income targets. This gap has been bridged in 9/10 from the recessionary pressures fund</p>	<p>The 2 tourism/culture savings totalling £110k should be considered high risk</p> <p>Town Hall increased saving should be considered high risk</p> <p>Planning and Building Control income pressure is likely to continue forward some way into 10/11 so at least 200k of this income should be considered as high risk</p>
Environmental Development	<p>The saving agreed in 9/10 to provide 40k extra income from discretionary licensing is not being realised because the scheme has not been approved. The service is looking at other ways to achieve this for 9/10.</p>	<p>This saving should be considered as medium risk</p>

<p>Property and Facilities Management</p>	<p>Two savings agreed in 9/10 and 10/11 are at risk of underachievement:</p> <ul style="list-style-type: none"> • 30k Corporate approach to the procurement of maintenance and repairs – will be achieved for 9/10 by using reductions in supplies and services but a review is needed • 100k Asset rationalisation. Head of Service said this will not be achieved <p>The additional property income of 119k in 9/10 has not been achieved and therefore covered by the budget for recessionary pressures. This increase is 232k for 10/11. It was made clear to the Group that voids and defaults looked likely to continue to produce pressures well into 10/11 against a budget that assumed a 100% let portfolio.</p>	<p>The 2 carried forward 9/10 savings should be considered high risk</p> <p>This 232k extra income should be considered as high risk</p>
--	--	--