

To: City Executive Board

Date: 1 September 2010

Item No: 4b

Report of: Scrutiny Finance and Performance Panel

Title of Report: Financial Reporting for Quarter 1

Summary and Recommendations

Purpose of report: To present the Panel comments on financial reporting for the first quarter

Key decision - No

Board Member: Councillor Turner

Report approved by:

Scrutiny Lead Member: Councillor Coulter

Legal Services – James Pownall

Recommendation(s):

These are contained within the body of the report but are produced below for clarity

Recommendation 1

That the list of current year budget reductions agreed be made available to the Panel showing the individual amounts, their effects on service delivery and which are to be offered as permanent savings

Recommendation 2

That base line reviews are undertaken as part of the budget setting process for all large income budgets or those where monitoring shows current or potential shortfalls

Recommendation 3

That City Executive Board look at options to bring spending in People and Equalities in line with budget within the current year and provide an opening position for 11/12 that is affordable and achievable. If this cannot be achieved for the Panel to be given sufficient details to understand why

Recommendation 4

That the Panel see the draft response to consultation on concessionary fares funding as early as possible

Introduction and Background

1. The Finance and Performance Panel met on the 24 August to consider the budget position at the 1st quarter. The Panel had also been asked by the Value and Performance Scrutiny Committee to consider any structural challenges in 9/10 that carried forward to the current year and beyond. In particular the committee asked the Panel to consider for 9/10
 - Savings targets
 - Income targets
 - Spending within service areas
2. This request was set against the committee view that good work had been done to bring the 9/10 budget in £484k below target but some areas had performed better than others with one off positions supporting this good result.
3. City Executive Board also asked to see any views the Panel has in this area

Conclusions and Recommendations

Savings and Income Targets for 9/10

4. Attached at Appendix 1 is the analysis of savings in 9/10 that were either not achieved or achieved in different ways. The tables highlight the focus for potential structural issues in these areas. The Panel accepted that other one off budgetary opportunities may serve to bridge these gaps for the future but real consideration needs to be given now and in planning for 11/12 and beyond for these potential difficulties within the base budget.
5. The Panel also considered a list of income targets and performance against these. This remains incomplete so is not included here but the large income streams in:
 - Car Parks
 - Property
 - Building Control
 - Investment Incomewere considered within the debate as most of these same issues showed themselves to some degree during 9/10
6. The Panel was reassured to hear that for some of the larger items (mainly income streams) base line review was planned within the 2011/2012 budget setting process and early estimates of shortfalls had been modelled in some of these areas. These still remain an issue (in some cases an increasing issue) for the current year and the Panel noted the early interventions on discretionary spending set to address this. The Panel did not have any information on the budgets that had been paused/cut or how this choice had been made other than the list consisted of some things that would be presented as permanent reductions and some that would not. The Panel could therefore not judge the effects of

this on the delivery services funded by the budget as agreed by Council. The Panel would ask to see this information.

Recommendation 1

That the list of current year budget reductions agreed be made available to the Panel showing the individual amounts, their effects on service delivery and which are to be offered as permanent savings

Recommendation 2

That base line reviews are undertaken as part of the budget setting process for all large income budgets or those where monitoring shows current or potential shortfalls

Spending in Service Areas

7. The Panel considered the outturn variance analysis for each service area (not attached here but available from Finance). These documents were useful and warranted more detailed consideration than the time viable at the Panel meeting. They showed for each service:
 - One-off windfalls and expenditure (amounts not to be repeated in 10/11). These amounts could give rise to structural difficulties for this year and beyond particularly in the area of grants. This will vary in service areas and needs further analysis to draw conclusions
 - Ongoing savings and pressures that have been identified and accounted for at the agreement of the 10/11 budget (already adjusted in the 10/11 base budget)
 - Ongoing savings and pressures that had not been identified at budget setting and so do provide a challenge for the 10/11 budget and potentially beyond
8. The notable themes throughout these were the income pressures (talked about above); the amount of expenditure supported by grants and under spends as a result of staff turnover or supplies and services. It was clear that Finance staff will use this analysis in setting the back drop for the base budget in the Medium Term Financial Strategy but the Panel would wish to understand more within their discussions with Service Heads and Directors as part of the Budget Review.
9. As an immediate view the Panel wished to see the consistent overspending in People and Equalities brought under control. This is a support service so affect the costs in all end services. Managers of end services can reasonably expect that those costs they bear but don't control should be managed efficiently and effectively by the corporate centre and the view that People and Equalities will overspend again within the current year is worrying

Recommendation 3

That City Executive Board look at options to bring spending in People and Equalities in line with budget within the current year and provide an opening position for 10/11 that is affordable and achievable. If this cannot be achieved for the Panel to be given sufficient details to understand why

General Consideration

10. The Panel discussed the options for the future funding of concessionary fares and the potential affect that this might have on the Councils Budget. Officers confirmed that a consultation paper had been received outlining a number of complicated options for consideration. The council will respond to this but outcomes were not expected to be known until the end of the year. It was accepted that this represented a significant risk within the Councils budget which would be modelled as part of the Medium Term Financial Strategy

Recommendation 4

That the Panel see the draft response to consultation on concessionary fares funding as early as possible

Comments from the Director of Finance and Efficiency

Details of the discretionary spend reductions can be provided to the Panel.

The budget process for 2011-12 includes the re-basing of income budgets for car parking, building control and commercial property rents where due to economic conditions existing budget levels cannot be met. Services are also identifying any other significant underlying pressures so that these are taken into account in budget proposals.

People & Equalities (P&E) have undertaken a restructure in 2010-11 that will save £163k per annum in a full year. The P&E budget has had a baseline review as part of the 2011-12 budget preparation.

CLG is consulting on changes to the allocation of Formula Grant, including changes resulting from the transfer of the responsibility for Concessionary Fares to upper tier authorities. The panel will be briefed on implications for the MTFS arising from the options set out in the consultation document

Comments from the Board Member for Finance, Corporate Assets and Strategic Planning

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Appendix 1

Savings in 9/10 either not or only partially achieved

Structural Risk is column D - B

Strategic Procurement and Shared Services					
Detail of 9/10 saving	A Amount £000	B Achieved 9/10 £000	C Shortfall 9/10 £000	D 10/11 effect £000	Comments
Strategic procurement – Increase income from joint working	20	11	9	20	Shortfall because of maternity leave.
Procurement saving 1%	130	51	79	9	
Procurement saving 1% additional to above saving	20	0	20	20	Adjustment down made in 10/11 for this saving and the one above savings
Low value spend areas	50	0	50	50	
Total	220	62	158	99	Structural risk 37k
Community Housing and Development					
Reorganise work in Community Development, Social Cohesion and Social Inclusion	70	56	14	70	
Total	70	56	14	70	Structural risk 14k
Environmental Development					
Review fees and charges for OCC & Residential Health and Food Safety Services	10	0	10	10	Stalled work caused by absence in 9/10
Additional income – HMO scheme	40	0	40	40	Assumed from bid for additional discretionary licensing. Scheme did not get approval. New scheme being consulted upon and is self financing
Total	50	0	50	50	Structural risk 50k

Corporate Assets					
Reduce Assets used – Northway	50	46	4	50	
Corporate approach to procurement/management of repairs and maintenance	30	0	30	30	
Commercial property insurance premiums	25	7	18	25	
Additional property income	119	0	119	232	Saving achieved in 9/10 from recessionary pressures budget. Shortfall revised down for 9/10 to 212k. Further increase for 10/11 to be met from recessionary pressures budget Base budget to be reviewed for 11/12 budget setting
Total	224	53	171	337	Structural risk 284k
City Works					
Car Parks 15% increase	500	409	91	500	Underachievement in 9/10 for bad weather but 1 st . qtr shows continuing downwards movement Base budget to be reviewed for 11/12 budget setting
Total	500	409	91	500	Structural risk 91k
Customer Services					
Council Tax – increase court costs	60	7	53	0	Removed in 10/11 budget
Council Tax – Citizens advice to pay for seconded employee	14.5	0	14.5	0	Removed in 10/11 as unachievable
Total	74.5	7	67.5	0	Structural Risk 0

Business Transformation					
Invest to save/Transformation	100	68	32	100	Achieved through recruitment cost reduction.
Total	100	68	32	100	Structural risk 32k
People and Equalities					
Shared provision with other services or a dedicated outside provider to provide service at a reduced cost	5	0	5	5	
Reduce 1 FTE when new payroll system comes in	13.5	0	13.5	13.5	
Integrate job evaluation function into HR	30	0	30	30	
Occupational health review	2	0	2	2	Review implemented but pressure remains
Recruitment	2	0	2	2	Recruitment reconsidered but pressure remains.
Efficiencies in payroll/HR	20	0	20	20	Subject to introduction of new system
Totals	72.5	0	72.5	72.5	Structural risk 72.5k

Savings in 9/10 achieved through different means to that agreed

City Development					
Redesign culture and transfer to Oxford Inspires	30	30	0	30	Achieved from staff under spends. Base budget for 9/10 has been altered but it not clear where
*Phase out museum budget	90	90	0	60	For 9/10 savings identified from reductions in staffing and reducing other spending. Adjusted down for 10/11 but returns to original 90k in 11/12

Community Housing and Development					
Improve void management in PSL properties	30	30	0	30	Achieved from an under spend on lease payments
*Obtain external funding for Street Wardens	10	10	0	10	Achieved by the reduction of ½ a Street Warden post
City Works					
*Bus Shelters - working in partnership with CCUK	15	15	0	15	Achieved by a reduction in the street furniture budget
Customer Services					
Council Tax – Review Council Tax inspections	27	27	0	27	Achieved from an under spend on employee budget
Partnership working in Council Tax	40	40	0	40	Achieved from under spend on supplies and services budgets
Invest to save- recovery of overpayments	50	50	0	50	Achieved by under spend on service area budgets overall
Business Transformation					
Review of ICT contracts	40	40	0	40	Achieved through an under spend on the County ICT contract
People and Equalities					
*Green Travel Initiative	15	15	0	15	Green Travel scheme did not go ahead. Achieved from a reduction in the budget for travel concessions
Totals	257	257	0	257	Structural Risk 217k (not included are those marked *)