

To: City Executive Board

Date: 9th. February 2011
No:

Item

Report of: Value and Performance Scrutiny Committee – Budget Review Group

Title of Report: Scrutiny response to the Consultation Budget

Summary and Recommendations

Purpose of report: To present the Value and Performance Scrutiny Committee's response to the consultation budget

Key decision? No

Scrutiny lead member: Councillor Coulter

Executive lead member: Councillor Turner

Policy Framework:

Recommendations

These appear in the report alongside conclusions but are repeated below.

Recommendation 1

That the contingency set against the non delivery of efficiency savings is reconsidered and the RG would suggest:

- 100% against high risk savings
- 20% against medium risk savings

The suggested reprofiling reduces the contingency by @ £400k over the four years with the reductions being front end loaded (£240k in 11/12 and £142k in 12/13). As 80% of the efficiency savings (£4.8m) are due to be made across those two years with over 50% (£3.3m) in 11/12, putting significant pressure on the Council corporately and suggesting that pressure is more than the

“sum of its parts”, we would suggest the contingency is not reduced at this stage, but kept under review and updated as part of the annual MTFs refresh. We refer to this recommendation in our response to recommendation 10 below.

Recommendation 2

To ensure that the strategy response to housing pressures is linked financially and this is kept under regular review to identify any positive or negative financial effects within the budget

Agreed

Recommendation 3

That the contingency for redundancy payments is revisited in October with a view to releasing money from year 2 through the management and forward planning of vacancies and turnover

All contingencies will be kept under review & updated as part of the annual MTFs refresh. There is a tension between seeking to minimise payments and seeking to avoid compulsory redundancies, because if volunteers are sought, these are likely to have longer service than is the average.

Recommendation 4

That Council clarifies as a matter of urgency the proposals around the cut off date for the Housing and Council Tax Administration Grant and then revisits funding assumptions to be sure that we are making available as much as possible to fund front line service delivery

We have been seeking clarification from a variety of sources for some time. We will keep the situation under review, but will have to wait for DWP announcements later in the year for clarity on resource availability.

Recommendation 5

That the release of the contingency for Employers Pension Contributions is used now to fund services

Don't Agree. We need to understand the impact of the restructures and fundamental service reviews that are flagged as part of the MTFs before we release these funds, otherwise we could face an ongoing unfunded liability.

Recommendation 6

To the Council as an employer. Any partnership agreement that requires staff to deliver outcomes to receive a reward needs to contain targets that are realistic and achievable and the ability to pay that reward should be secured from the outset

The partnership payment is predicated on attendance and appraisal performance as well as the Council delivering its budget, i.e. delivering efficiency savings, service reductions and income targets as planned and containing pressures within the base budget. The delivery of the budget will enable the release of contingency sums for the partnership payment.

Recommendation 7

Any savings from negotiations on terms and conditions should be factored into the budget as soon as possible to ensure best use of resources

Agreed

Recommendation 8

- **Charging for road closures to be deleted from the budget**

Agreed

- **Within the next year a full review of the out of hours service is conducted, to include our partners, with the aim of ensuring we are delivering the most effective results even within a reduced budget**

We think this is a good idea and would ask Scrutiny to consider including this in its work programme for next year.

- **To take as priorities for spending in any re-evaluation of funding:**

- **Energy advice and fuel poverty**

Some additional funding has been provided for this in the CEB budget proposal. It is clearly the government's intention to transfer responsibility for much of this work to the private sector, via the Green Deal, but we hope the sum agreed will contribute to ensuring that the Green Deal is able to support the most disadvantaged.

- **Crime Strategy outcomes:**

We clearly need to keep this area under review.

Recommendation 9

That a full and detailed Equality Impact Assessment is available at the time Council consider the budget for setting
Agreed.

Recommendation 10

All new and increased income streams are considered within the same risk assessment as applied to efficiency savings

Applying the same methodology as proposed at Recommendation 1 would require a contingency sum of £529k across the 4 years (£238k, £77k, £83k, £130k respectively). However, as the Council has rebased income budgets to reflect past recessionary impacts and has an earmarked recession reserve of £300k going forward, we would suggest we don't amend the contingency sum at this stage, but review it as part of the annual MTFS refresh.

We also note the correlation between recommendation 1 (where the Review Group suggests that contingencies are around £400K higher than they need to be, including £240K in 11/12) and recommendation 10 (where the review group suggests an additional contingency of £529K is needed, including £238K in 11/12), and the fact that the CEB proposal and the Scrutiny proposal with regard to contingencies is almost identical.

Recommendation 11

A Cross Party Group is set to consider the risks, values and “ground rules” for trading as they apply to individual services and accumulate for the Council overall before we go much further than the proposals here

If further proposals for trading come forward, we are happy for these to be considered on a cross-party basis.

Introduction

1. The Budget Review Group (RG) this year consisted of Councillors Brown, Coulter, Wolff and Keen with Councillor Coulter taking the Lead. They were not able to begin their considerations this year until the publication of the consultation budget on the 8th. December so have undertaken a narrower review. The RG wish to thank officers and councillors for their co-operation and hope that members find their comments and recommendations helpful.

2. The RG set 3 lines of inquiry:

- Budget assumptions and setting
- Service reductions and increases in charges as they apply to vulnerable groups
- Proposals for trading

Comments and recommendations are made within these headings below

Comments and Recommendations

3. Budget assumptions and setting

The RG considered a number of lines within the consultation budget concentrating their focus on large amounts in years 1 and 2. Below are their comments and recommendations based on the information presented

4. Contingency set against the non delivery of efficiency savings – 606k yr1 and 480k yr2

The RG at its starting point agreed:

- The “gap” to fill in terms of balancing the budget is significantly greater than in previous years
- Strategies are necessary to encourage officers to think imaginatively and give things a go
- Every pound in a contingency is a pound not spent on a service
- We have a good track record of delivery

5. A clear mathematical process has been applied to come up with an amount of money that should be set aside to back fill non delivery of efficiency savings and it was clear that senior officers and councillors do not believe that all these efficiencies will be delivered. The RG did not “test” these efficiencies and risk ratings directly with Service Heads but were reassured that a very rigorous process was undertaken to produce the results and ratings with the consultation budget

6. The RG cannot comment on a process of risk rating that it has no structural knowledge of but would comment that the outcome produced provides for a more cautious approach than taken in previous years were generally speaking contingencies have been set against “high risk” savings at about 50% of their value. Introducing contingencies against medium risk savings has increased the value of the contingency significantly given that medium risk efficiencies make up a large proportion of the offer (40% in year 1)

7. No further reasoning was provided and so the RG conclude that this contingency is overcautious. To move from a general position of no

contingency against medium risk savings to 40% needs further justification and consideration

Recommendation 1

That the contingency set against the non delivery of efficiency savings is reconsidered and the RG would suggest:

- **100% against high risk savings**
- **20% against medium risk savings**

8. Contingency set against the effects of homelessness and other housing changes – 330k yr1 and 850k yr2

There is general agreement that changes in housing and benefits will produce significant stress and pressures within this budget with the main effects being seen from year 2 onwards. The RG welcomed the development of a policy response to these issues within the Housing Strategy but recognise that the effects and consequences will develop as reality bites over the coming years. This contingency is significant over the 4 years of the budget set against our overall spending and the RG would want to see the strategy responses linked financially and this to be kept under review regularly to show any affects positively or negatively within this contingency

Recommendation 2

To ensure that the strategy response to housing pressures is linked financially and this is kept under regular review to identify any positive or negative financial effects within the budget

9. Contingency set against redundancy costs – 500k yr1 and 750k yr2

The RG heard conflicting responses when considering issues related to staff reductions. They heard:

- Where, who and how job losses will occur and be managed is not clear but will develop as the various proposals are worked through.
- Officers cannot give a view on the grades across which jobs are likely to be deleted
- Staff reductions will be mostly across middle clerical and administrative posts
- Redundancies will be kept to a minimum by using staff turnover and vacancies. This is likely to reduce the number significantly
- The amount allowed for redundancy is difficult to calculate because of the number of variables within the calculation of payments but figures have been profiled on what is in the budget set against previous redundancy payments

10. The RG would conclude from this that the Council does not know exactly where jobs will be lost so figures in the budget are indicators

only but officers expect those jobs that are lost to be of a clerical and administrative nature. Further because of the opportunity to plan in advance and strategies to use turnover and vacancies the need to make severance payments will be kept to a minimum. Given this the size and profile of this contingency appears over cautious particularly from year 2 on wards.

Recommendation 3

That the contingency for redundancy payments is revisited in October with a view to releasing money from year 2 through the management and forward planning of vacancies and turnover

11. Government Grant

The RG received the general advice issued by the Director of Finance and Efficiency after the announcement of the Local Government Finance settlement. This was clear that when looking at the net position over the first 2 years of the budget the overall funding position is close to that assumed within the consultation budget.

This advice included an assumption that the Housing and Council Tax Administration Grant may be cut from 12/13 a year earlier than expected

12. The RG also received representations that the assumption on Council Tax Administration Grant were unnecessarily cautious and that it had been confirmed by the DWP that this grant will be paid as planned. In discussions with senior officers on this matter it was concluded that the announcement was uncertain and unclear but the likelihood was that we would get some money

13. This is a large amount of money, large enough to make a real difference in budget planning. The organisation must use whatever methods it can to clarify this as a matter of urgency

Recommendation 4

That Council clarifies as a matter of urgency the proposals around the cut off date for the Housing and Council Tax Administration Grant and then revisits funding assumptions to be sure that we are making available as much as possible to fund front line service delivery

14. Employers Pension Contribution

A contingency for the expected uplift of the employer's contribution to the Pension Scheme has been in the MTFS for a while. The RG received the advice that contributions are to stay the same and so the Council's budget is better off by about 500k. This is good news and the RG would wish to see this money used within service delivery

Recommendation 5

That the release of the contingency for Employers Pension Contributions is used now to fund services

15. General balances

The consultation budget does not include an opinion on the recommended level of general balances. The RG noted that the recommendation of the Section 151 officer at budget setting last year was that these should remain at about 3m when taking into account the uncertainties facing the Council in the years to come. The RG may wish to comment on forward proposals in this area when these are made public

16. General recommendations in this area

The RG wish to propose a couple of recommendations in this area arising from general discussion and the consideration of information and representations made

17. Some consideration was given to the current negotiations on terms and conditions for staff and the partnership agreement in lieu of incremental progression. The RG would not wish to comment directly on these but would wish to make 2 recommendations

Recommendation 6

To the Council as an employer. Any partnership agreement that requires staff to deliver outcomes to receive a reward needs to contain targets that are realistic and achievable and the ability to pay that reward should be secured from the outset

Recommendation 7

Any savings from negotiations on terms and conditions should be factored into the budget as soon as possible to ensure best use of resources

18. Service Reductions and increases in Charges as they apply to vulnerable groups

19. The RG wished to take a view of the effects of front line service reductions on vulnerable groups, to understand what that effect was and the mitigation measures that were proposed. Time did not allow a full appraisal but the RG considered:

- Housing and benefit issues (considered at paragraph 8 above)
- Charging for pest control services

- Changes to the out of hours service (particularly for noise complaints)
- The redefinition of Environmental Services
- Energy advice and fuel poverty
- Charging for green waste collection
- Crime Strategy Work including Street Wardens and PCSOs
- Community Transport
- Holiday Schemes
- Use of sports pitches

20. It was clear that some service reductions would affect vulnerable groups. In some cases effects were likely to be evenly spread but in a few areas the effects on these groups were more direct. The RG would highlight and comment on the following service reductions

21. Charging for Road Closures – 3k

Community cohesion is critical for social well being. The charge of £25 to small community events may be significant within tiny community budgets and raise an insignificant amount for the Council overall. The RG would wish to see this deleted from the budget

22. Restrictions to the Out of Hours Noise Nuisance Service – 12k

As all members of Council will know there has been for some time a perception in particular areas of the City that these service outcomes are inadequate to address issues. A recent agreed motion in Council called for a review of the service. This cut represents the call out charge saved for the shortening of out of hours attendance to complainants. It was clear when talking to officers that addressing these issues is a matter of effective partnership working and best practice. The RG would like to see a full review of this service along with partners to ensure we are delivering the most effective results even within a reduce budget

23. Energy advice and fuel poverty programme – 109k

It was clear from the advice given to the RG this cut will disproportionately affect vulnerable groups. It is recognised that this is a large amount to step back from but the RG would wish this to see this as a priority for reinstatement in any re-evaluation of the funding position

24. Crime Strategy Work – 59k

The work delivered under this banner has had real and positive effects in the City and drawing back from it could potentially affect and create vulnerable groups. The RG was pleased to hear that a 1 year diversion of unused resources within PVE would allow the known short fall to be bridged but uncertainty still remains around future funding and

the County Council's allocation of grant to District Councils. The Council is clearly lobbying hard to address the latter point and are aided in this by a good track record in partnership working and making a difference. Once again this is a large amount to step back from but the RG would wish this to see this as a priority for spending in any re-evaluation of the funding position

Recommendation 8

- **Charging for road closures to be deleted from the budget**
- **Within the next year a full review of the out of hours service is conducted, to include our partners, with the aim of ensuring we are delivering the most effective results even within a reduced budget**
- **To take as priorities for spending in any re-evaluation of funding:**
 - **Energy advice and fuel poverty**
 - **Crime Strategy outcomes**

25. Equality Impact Assessment for the budget overall

The draft budget proposals do not include an equality impact assessment and the RG has not considered all proposals so are not able to give a complete view of the proposals contained within this draft. This impact assessment is important and the RG were disappointed not to see an interim consideration in this draft particularly because this budget advertises proposals that affect in a significant way both our workforce and the services we deliver. Some of the issues about service cuts are discussed above. In addition the RG has concerns about reductions in the workforce (judged to be mainly falling between grades 1-6) when seen as a whole and the potentially disproportionate affects these could have within the equality strands

Recommendation 9

That a full and detailed Equality Impact Assessment is available at the time Council consider the budget for setting

26. Proposals for Trading

27. The RG considered a list of new proposals for trading our services and it is to be commended that managers are beginning to consider raising money through selling their services in support of the budget.

28. As with any other set of new proposals these plans come with their own inherent risks to be weighed against the positive income gain. It was clear from responses that some of the more immediate proposals (years 1 and 2) were still somewhat underdeveloped with managers not being clear of their market potential with others showing a good degree of confidence. The RG was surprised to see that these new potential income gains were not considered within risk framework

applied to efficiency savings given that responses indicate that some are more certain than others.

29. Proposals listed for year 1 and 2 amount to 197k with a projected promise of a further 188k in the latter 2 years. It was clear from the Chief Executive's briefing that this area of development is something managers are keen to pursue more vigorously. This creative attitude is to be commended and expectations (within the financing review) are that local authorities are to be freer and positively encouraged to pursue this path. The RG would however wish to see Cross Party consideration of the risks, values and "ground rules" as they apply to individual services and accumulate for the Council overall before we go much further than the proposals here

Recommendation 10

All new and increased income streams are considered within the same risk assessment as applied to efficiency savings

Recommendation 11

A Cross Party Group is set to consider the risks, values and "ground rules" for trading as they apply to individual services and accumulate for the Council overall before we go much further than the proposals here

Pat Jones on behalf of the Scrutiny Budget Review Group

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List of background papers: Consultation Budget

Version number: 1