

To: City Executive Board

Date: 12th. February 2013

Report of: Scrutiny Finance Panel

Title of Report: Consultation Budget and Medium Term Financial Strategy 2014 – 2018

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 2014-2018

Key decision? No

Scrutiny Lead Member: Councillor Simmons

Executive Lead Member: Councillor Turner

Policy Framework: The Councils Corporate Plan and Budget

Recommendations

That City Executive Board says if it agrees or disagrees with the following recommendations.

Recommendation 1

To welcome the changes in the methodology for calculating contingencies for the non-achievement of savings, efficiencies and income and change the ratings as proposed in the tables shown within this report. Given the high level of contingencies, we recommend leaving the overall total as currently proposed in the budget.

Board Member – Agreed

Recommendation 2

To adjust the budget as follows:

- Remove the £110k pressure for additional waste disposal costs because the Head of Service is no longer expecting these to be incurred.

Board Member - County officers put forward this as a proposal to charge for waste disposal from schedule 2 properties (halls of residence) a while ago although this did not appear in the County Council Budget Consultation. Since this time however information has not readily been forthcoming as to whether this proposal is still to go forward. At this point in time it seems prudent to allow for such a charge

- To add an additional saving line for Housing and Property of £35k for supplies and services which we understand is possible in addition to the higher risk savings already identified.

Board Member – Agreed

- To add an amount of at least £25k to the new investment “Low Carbon Oxford” budget line which is currently empty.

Board Member - There is currently provision within the councils 2013/14 base budget for £25k to the low carbon hub and an additional £25k is proposed to be added. No further budget provision is thought necessary

- To reinstate at least half of the total of deleted community development grants to provide confidence that there is funding available for new initiatives in 14/15.

Board Member – Agreed

- To keep under review the expected self-financing of the Design Review Panel.

Board Member – Agreed

Recommendation 3

For City Executive Board to ask the Chief Executive to set a clear process, criteria and expectation for invest to save bids and challenge the organisation to be more imaginative in this area.

Board Member – Agreed

Recommendation 4

That investment is made in a market analysis of trading opportunities and the skills needed to take advantage of these. For the Trading Group to use this information to refocus the Council’s trading and investment work.

Board Member - Agreed – will need some cash though!

Recommendation 5

That the impact of budget proposals on jobs is set within agreed criteria and then reconsidered within this MTF.

Board Member - Not agreed. Job losses with the exception of the admin review (which was an oversight) have been included within MTF – amendment will be made to final budget proposals

Recommendation 6

The reporting and control of post reductions is reconciled more effectively to provide an accurate picture of the effects of budget changes in our establishment now and for the future.

Board Member – Agreed

Recommendation 7

That a strategic “health check” is provided to ensure that the staff skill and experience level across the whole authority is maintained at high levels. For this to be reported at the beginning of each year.

Board Member - Not agreed. Job losses with the exception of the admin review (which was an oversight) have been included within MTF – amendment will be made to final budget proposals

Recommendation 8

To express concern at the absence of good quality outcome monitoring from the Council’s investment in Youth Activities. To note that some better quality information is expected but, as this programme goes into its third year, to require this before the end of 13/14.

Board Member - Partially agree. This is an area officers have recognised needs to be improved going forward, and will seek to develop for 15/16

Recommendation 9

That the Council to take the Council Tax Freeze Grant should the Council Tax increase referendum trigger be set below 1.49%.

Board Member - Not agreed - As this would erode the base and reduce C Tax on an on-going basis I would not support

Recommendation 10

That the prudent approach to the likely withdrawal of Revenue Support Grant is applied to the Housing Benefit Administration Grant and judgements are made and reflected in the budget of the likely loss of some grant between 15/16 and 17/18.

Board Member – The grant is a specific grant unlike RSG which is un-

ring fenced. The grant will ultimately go down with the reduction in benefit workload over the next 4 years although the profiling of this is uncertain. The assumption in the plan is that we will reduce our spend in the same profile as we lose grant. I am not inclined to change this but note the comments.

Recommendation 11

During the coming year to reappraise the current and likely trends within homelessness and related issues, to provide a clearer view of the capital and revenue effects and the need for and scale of reserves.

Board Member – Agreed

Recommendation 12

To review procurement within the Capital Programme to remove some risk and ensure value for money. In particular to consider the merits of Framework Contracts.

Board Member - Not agreed. The Council already use framework contracts where they are available. However, slippage within the Programme is generally not procurement related, but rather an issue of project and programme management. Officers are currently reviewing procedures around this to improve delivery.

Recommendation 13

As investment with property funds increase to keep under review the need for provisions in the accounts for increases and reductions in property values.

Board Member - Agreed

Introduction and Background

1. The Budget Review Group (RG) this year consisted of Councillors, Simmons, Fooks, Fry and Darke with Councillor Simmons 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:

Pat Jones – Principal Scrutiny Officer

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Tele: 01865 252191

4. The RG would like to congratulate the organisation and members on the continued excellent delivery of the budget. At a time of severe challenge for Local Authorities it was pleasing to see a budget balanced for 4 years with few service reductions and new and continued investment in important services.
5. The RG would like to thank in particular Finance Officers for good quality information and clear explanations.

Conclusions and recommendations

Adjustments to Risk Ratings

6. The RG was pleased to see the adjustments in the methodology used to set contingencies against the non-achievement of savings. The RG wishes to see some adjustments made to the risk ratings to help focus the organisation's efforts on delivering the MTFS. However, despite the agreed methodology, we consider the level of contingencies to be such that no overall change in the amount set aside needs to be made.
7. In particular, we would draw members' attention to the expectations set for increases in Town Hall income which despite a considerable shortfall this year was given no risk rating in the budget papers.

Environmental Development

Budget Line	Comment	Current Risk Rating	Suggested Risk Rating
12 15/16 £45k	This proposes to provide efficiency by charging for proactive work across the private rented sector. The RG heard that this relied on a change in legislation.	M	H

Regeneration and Major Projects Team

Budget Line	Comment	Current Risk Rating	Suggested Risk Rating
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2 14/15 £365k	This is an increase in Commercial lease income agreed in the budget last time. The RG heard that this was subject to lease negotiations and therefore felt the low risk status was insufficient	L	M
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Housing and Property

Budget Line	Comment	Current Risk Rating	Suggested Risk Rating
7 15/16 £300k	This review of assets was agreed in the last budget and was confirmed as the purchase of a long lease in St. Aldates Chamber providing savings on rental income. The RG heard that this was still subject to a number of factors and felt the low risk status was insufficient.	L	M

City Development

Budget Line	Comment	Current Risk Rating	Suggested Risk Rating
8 14/15 £14k	Increase in Planning income. The Executive Director advised the RG that he was confident of achieving this increase income. The RG felt that the high risk rating therefore overstated the position.	H	L

Human Resources and Facilities

Budget Line	Comment	Current Risk Rating	Suggested Risk Rating
13 14/15 £25k	The RG were provided with information on the difficulties of achieving the Town Hall income target. This budget line represents a £25k expected shortfall in income this year. The RG felt that given the uncertainty in this area this short fall should be risk rated.	None	M

Recommendation 1

To welcome the changes in the methodology for calculating contingencies for the non-achievement of savings, efficiencies and income and change the ratings as proposed in the tables above. To leave the overall total as currently proposed in the budget.

Adjustments to Savings and Pressures

8. After discussions with Officers the RG wishes to highlight a number of additional savings and adjustments for consideration within the budget.

- **Direct Services - £110k 14/15** for additional waste disposal cost and a potential legal challenge from the City Council in light of this. This represents potential costs that may be levied by the County Council as the Waste Disposal Authority. The Head of Service said that because of a letter from the Government Department clarifying the position he now expected regulation to be changed in our favour and did not expect to have to make a legal challenge. On this basis the RG feel the pressure is not needed.
- **Housing and Property - £36k 14/15** to reduce a post in allocation because of an expected drop off in applications and administration. The Head of Service outlined that the pressure had been marked as high risk but he was confident it could be made. The alternative was that the money could come from supplies and services without any detrimental effect. Given that the efficiency has a 40% contingency against it with a relatively high confidence level the RG wishes to add to the supplies and service saving offered as an alternative to the efficiencies at £36k for 14/15.
- **Environmental Development –Low Carbon Oxford.** This new investment has no money set against it across the 4 years of the MTFS. The RG assumes this is an error that needs adjustment.
- **Communities and Neighbourhoods – £110k 14/15** service reduction as a consequence of the realignment of community development budgets. During questioning sessions the RG heard that this was the removal of grant streams aimed at Social Inclusion £50k, Older People’s Isolation £50k and Home Share 10k. To replace this officers have been asked, during 14/15, to come forward with new options to support the development of community initiatives for consideration by the City Executive Board. The RG thought this arrangement was sensible but felt it reasonable to assume that new “community initiatives” would require some funding and so to delete the whole budget was not prudent or likely to allow delivery of the intention.
- **City Development – Planning Design and Review Panel.** The Budget allows for a £50k investment to set up this Panel with it

becoming self-financing by the end of 16/17. It was not clear to the RG that the self-financing element of this new investment was deliverable and so would like it kept under review.

Recommendation 2

To adjust the budget as follows:

- **Remove the £110k pressure for additional waste disposal costs because the Head of Service is no longer expecting these to be incurred.**
- **To add an additional saving line for Housing and Property of £35k for supplies and services which is available to replace a saving that is very likely to be achieved.**
- **To add an amount of at least £25k to the new investment “Low Carbon Oxford” budget line.**
- **To reinstate at least half of the total of deleted community development grants to provide confidence of funding for the expected new initiatives in 14/15.**
- **To keep under review the expected self-financing of the Design Review Panel.**

Invest to Save and Trading

9. When considering the budget overall the RG was disappointed to see so few “invest to save bids”. The Council has a large budget delivering a range of complex services and support services and to see only 6 relatively small scale bids in the revenue budget does not reflect the drive articulated by the Council. The RG accepts that some larger scale “invest to save” projects have been delivered e.g. Offices for the Future, and that others require capital investment and long pay back periods which may bring about a reluctance to bring them forward. However as efficiencies are taken the opportunities to reduce budgets have to be considered more creatively and invest to save must be seen as a significant contribution to this. In discussion with the Chief Executive the RG was satisfied that current process do not include any unreasonable conditions so would challenge managers to be more proactive in this area.
10. The RG were impressed with the trading position and ambition in Direct Services. The Executive Director outlined the work of the Trading Group to engage the whole Council and the very varied results of this. As budgets become increasingly dependent on income and to some degree income from trading the RG wishes to be sure that the Councils “whole Council” approach is likely to produce the best results. The RG would like to see investment in a market analysis of trading opportunities and the skills needed to deliver on these to produce a more focused approach.

Recommendation 3

For City Executive Board to require the Chief Executive to set a clear process, criteria and expectation for invest to save bids and challenge the organisation to be more imaginative in this area.

Recommendation 4

Investment is made in a market analysis of trading opportunities and the skills needed to take advantage of these. For the Trading Group to use this information to refocus the Council's trading and investment work.

Post Reductions

11. The budget details the number of posts to be reduced, and in some cases increased, related to the various adjustments to service budgets over the life of the MTFs. In discussions with officers it was clear that the reporting of this was not consistent across the Council and the numbers could not therefore be relied upon. Of particular concern are the post reductions that relate to larger projects that are yet to be articulated in detail. It was obvious that posts would be lost but in one instance the scale of this loss had not been estimated at all giving the impression of no post reductions. This needs to be improved on and the RG would like to see all these estimates reviewed around agreed criteria.
12. The RG went on to consider information on the movement in post numbers from 2010 to date and for the same period posts lost by grade and length of service. There were slight timescale adjustments needed but overall an immediate observation of the information was that during the period when the highest numbers of posts were lost established posts increased the most. The picture from this data and budget information for this period overall suggests that reporting and control of post loss needs to be reconciled more effectively to provide an accurate picture of the effects of budget changes in our establishment now and for the future.
13. The reduction of post numbers is more than a quantitative exercise. The RG want to be sure that the organisation both at operational and strategic level ensure that the loss of posts does not undermine the skill and experience levels needed to deliver services effectively. Given the economic climate, the RG also wanted to ensure that the impact on jobs and skills was a material consideration during the budget-setting process. It was not clear that this "health check" happens at a strategic level and the RG would like to see this change.

Recommendation 5

That the impact of budget proposals on jobs is set within agreed criteria and then reconsidered within this MTFs.

Recommendation 6

The reporting and control of post reductions is reconciled more effectively to provide an accurate picture of the effects of budget changes in our establishment now and for the future.

Recommendation 7

That a strategic “health check” is provided to ensure that the staff skill and experience level across the whole authority is maintained at high levels. For this to be reported at the beginning of each year.

New and On-going Investments

14. The RG considered data on a number of the Council’s on-going investments with the aim of reviewing the value being derived from spending, particularly in areas not traditionally the responsibility of District Councils. The RG wishes to highlight the investment in Youth Activities of £240k per year which in 14/15 will be going into its third year. The outcome data provided was set around the number of young people engaged with rather than the outcomes for those young people. Some additional case studies were provided but these did not effectively add to clear outcome monitoring. The RG wishes to express concern at the lack of evaluation of the outcomes for young people, particularly in our deprived areas and would like to see focus and monitoring of outcomes improved.

Recommendation 8

To express concern at the absence of good quality outcome monitoring from the Council’s investment in Youth Activities. To note that some better quality information is expected but, as this programme goes into its third year, to require this before the end of 13/14.

Grants

15. The RG noted the changes in the Council Tax Freeze Grant for previous years and the lack of clarity on the Council Tax increase referendum trigger. Given the Government decision to roll the Council Tax Freeze Grant into the base the RG would recommend that Council take the Freeze Grant should the referendum trigger be set below 1.49%.
16. The decision to withdraw RSG within the budget by 20/21 was discussed by the RG. Officers advised that this was a judgement that had been made based on the Governments actions and statements, it is better to plan than react. Opinions on the necessity of this proposal varied but all agreed that if this very cautious approach is to be taken it should be applied consistently. The RG noted that the Housing Benefit Administration Grant (HBAG) of £975k has been allowed for throughout the MTFS despite the likelihood of some of it being lost during this period. The RG believe a consistently prudent approach should be taken to HBAG and the same judgements made

and reflected in the budget of the likely loss of some grant between 15/16 and 17/18.

Recommendation 9

That the Council to take the Council Tax Freeze Grant should the Council Tax increase referendum trigger be set below 1.49%.

Recommendation 10

That the prudent approach to the likely withdrawal of Revenue Support Grant is applied to the Housing Benefit Administration Grant and judgements are made and reflected in the budget of the likely loss of some grant between 15/16 and 17/18.

Homelessness

17. The RG is pleased to see the support for preventing homelessness, previously a ring-fenced grant and now provided within formula grant, kept in the budget at previous levels. The RG discussed with officers the provision of £10m to purchase properties to add to available temporary accommodation. Officers said that the surge in the need for this accommodation was not materialising in quite the way expected so consideration was being given to how best to use this accommodation. One option was to use the properties to replace temporary accommodation currently provided in the private rented sector. The RG could see a number of benefits to this in terms of housing management but it seemed likely that the spending of this capital amount and the delivery of revenue savings from this may need recasting to reflect the most up to date decisions and judgements.
18. This is an area of uncertainty and hence high risk with some expected outcomes not materialising and changing factors and timescales producing added complexity. There is a large earmarked reserve of £1m in the budget and the RG would like to see a reappraisal of the risks and budget lines over the coming year to ensure the most prudent and reasonable allowances are made going forward.

Recommendation 11

During the coming year to reappraise the current and likely trends within homelessness and related issues, to provide a clearer view of the capital and revenue effects and the need for and scale of reserves.

Capital Programme

19. The Council's Capital Programme is large and highlighted as a significant risk. The RG note the on-going slippage within the programme and would like to see a review of procurement in this area in an effort to remove some of the risk, improve project management and maximise value for money. In particular the RG

would like to see an appraisal of the use of Framework Contracts as a method of improving the quality of delivery.

Recommendation 12

To review procurement within the Capital Programme to remove some risk and ensure value for money. In particular to consider the merits of Framework Contracts.

Treasury Management

20. The RG welcome the investment in property funds which delivers significantly better returns for our increasing cash reserves. No provision is currently made in the accounts for the potential loss or increase in property values and the RG agree that at the current level of investment this is reasonable. As investments increase the RG wish to see this kept under review.

Recommendation 13

As investment with property funds increase to keep under review the need for provisions in the accounts for increases and reductions in property values.

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List of background papers:

Version number: 2