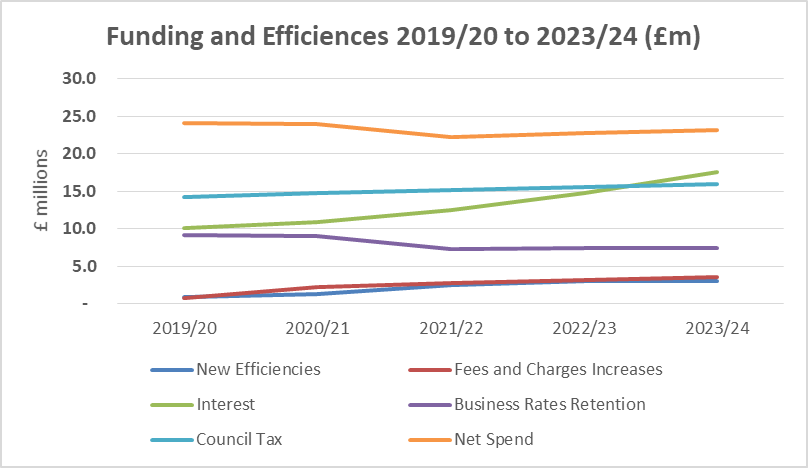
**Draft Text of the Substantive Element of the Budget Review Group**

**Financial Strategy**

The proposed MTFP is balanced over the four year period whilst maintain the level of services to the public; the Review Group recognises that this places the Council in a privileged situation compared to many of its local authority peers, and is the fruit of previous hard work and good decision-making.

As illustrated below, projected net spend and the services provided are fairly constant over the period of the MTFP. However, from April 2021 the Council faces a significant decrease in business rate income. The Council’s strategy is to cover that decrease through increases in efficiencies and income. Within the Council’s stable net spend figure, there are a number of financial priorities attracting particular investment: the HRA, homelessness spending and the Council’s response to the Climate Emergency.



Efficiencies

At £2.09m, the proposed efficiency target over the course of the MTFP is equivalent to 10% of Council’s net spend. Unlike in previous years, service reductions have not been disaggregated within the budget report on broader efficiency measures. However, the value of cuts to services (as opposed to efficiency savings) is minimal, less than 1.4% of the total At this scale it is not recommended that the Council list service reductions separately to efficiency savings.

Investment and Returns

In support of the achievement of its corporate priorities and to facilitate its income returns the Council will be making £427m in capital investment over the life of the MTFP, including

* £17m infrastructure investment to ODS to fund the building of a new depot, the electrification of the ODS fleet and transformation work
* £75m of loans to OCHL as working capital
* £136m for the purchasing of social housing over the next four years.

A large proportion (54%) of the Council’s capital expenditure is funded by external borowing and that there will be a significant increase in the Council’s debt over the course of the MTFP.

Returns on capital investment form a key plank of the Council’s income, as detailed in the tables below

TABLE 8, p.28 and others

Whilst it is stressed that the Review Group does not hold any concerns over the solvency of OCHL, lending to the Housing Company is significant, and the returns on this lending form a key source of revenue for the Council within its MTFP.

The risks to the Council of a solvency event would be twofold, through its lending exposure, but also on the future returns that would be foregone. Providing greater prominence and clarity over the Council’s accuracy of the Council’s risk assumptions may be prudent when pursuing a strategy reliant on income generation.

1. **That the Council as shareholder provide information on the level of exposure to OCHL and the potential consequences if there were to be any solvency issues in the future.**

Due to the recent increase by central government of borrowing costs from the PWLB, the Council has increased its loan rates on future loans to OCHL from 4.88% to 5.88% and extended the repayment terms from 25 to 35 years. Whilst this does come at a cost to OCHL, it also reduces the risk by providing greater flexibility whilst still allowing it to pursue a strategy of prioritising debt repayment.

The section in green type will be included as a confidential appendix to the main report.

Regarding the Council’s strategy for property investment, the concerns previously raised to Cabinet by the Finance Panel about the level of reduction in overall levels of risk remain. The absolute risk of retail investment is only reduced insofar as the Council reduces its retail holdings, yet only approximately a sixth of the investment capital for the Council’s proposals is raised by this means. Accordingly, the level of risk will remain at elevated levels under the Council’s proposals. As opposed to risk reduction, risk dilution will occur. To use a nautical analogy, the Council intends to increase the size of its fleet so that the impact of one particular shipwreck can be managed but its original ships are no less liable to sink than before. It is felt strongly that if the original risks of retail were sufficient to require so significant a level of intervention as proposed, chipping it downwards is insufficient as a means of risk management, particularly when new risks are also introduced in the process of dilution.

The risks that are introduced to the Council through investing in commercial property such as offices and warehouses face the same type of risk as retail: that the level of demand will not support the rent charged, meaning having to accept rent reductions or face the possibility of long void periods, each damaging returns. At present, office rents, for example, are very high by historic standards. This indicates that there is also a historically high level of demand, but it also means that the price paid to purchase those properties will be commensurately greater also. The Council’s proposals are predicated on achieving market-beating returns on their commercial property, which given the number of dedicated property funds it would mean outperforming is itself a confident assumption. A fall from the current levels of unusually high economic activity, be it from Brexit or other sources, could undermine the case for an investment made towards the top of the market and which relies on market-beating returns. The risk introduced as an alternative to retail-related risk is not inconsiderable.

A further consideration is that the majority (£50m) of capital raising for the proposals is through debt financing. The Review Group is dubious that this is the right course to take. It considers that in light of the risks above there are serious doubts whether the investment case is fully made. However, it also has a wider line of enquiry: if the Council did choose to take out a £50m loan, would commercial property be the chosen destination for its investment or would something else be more attractive? Particularly due to the borrowed money, it is felt that this investment decision must be assessed for desirability on a standalone basis, as well as interactions and implications on the Council’s existing commercial property portfolio.

Outside its opposition to the overall strategy, the Review Group suggests that the likelihood of securing strong returns would be increased by investing in areas the City Council knows best: its own property and others within the city.

1. **That the Council proceeds with the rebalancing of its commercial property portfolio away from retail, but does so only with capital funds raised from selling of non-core retail properties and progressing with the proposal for an income strip of the future Westgate Centre rental income.**

1. **That the Council revisits previously-considered candidates for development within its existing portfolio which did not proceed, looking at their development potential and the reasons why they did not proceed.**

The City Council engages in a particular approach to the delivery of its services, the ‘Oxford Model’. This can be summarised as a commitment to in-housing and investment to ensure a workforce capable of delivering quality outcomes for customers and residents in commercial and non-commercial spheres, and recycling the returns from its commercial work to underpin the services which benefit of residents. A strategy which covers gaps by increasing income comes with a particular risk in that the income must by generated year on year. Cuts to the net spend (and thus services) only need to be made once. However, successful management of that risk enables the Council’s service levels to be maintained, even in the face of declining business rates income.

The Review Group is glad to note that with the reliance of the Council of company-generated income, the Council is aware and giving active consideration to the issue of replacing the income received from OCHL beyond its current 10 year business plan.

Council Tax

The proposed Council tax increase in the budget is 1.99% which is the maximum level it can be raised without a referendum. When placed against alternative sources of income raising – further efficiencies or higher fees and charges for residents – it is considered prudent to make this decision. By growing the Council Tax base in this manner whilst protecting the poorest through the CTRS the Council equitably maximises its locally generated, reliable income. In addition, it should be remembered that the impact of each increase is compounded over future years.

*Council Tax Reduction Scheme*

The CTRS is relevant to the Council’s position on the Care Leaver Discount, which is to provide 100% discounts on Council Tax for care leavers under the age of 21, and to consider on a case by case basis whether to apply discounts from thereon to the age of 25. Of the 96 care leavers between the ages of 21 and 25, all but two qualify for 100% reduction under the CTRS and those two are earning significantly beyond the level of income the Council would wish to subsidise. It is felt, therefore, that the CTRS is proving to be an effective mechanism in supporting care leavers with the level of Council Tax after they cease to be eligible under the Council’s support for up to 21 year olds is withdrawn.

Business Rates

The Council faces significant risks relating to income from business rates over the course of the MTFP. Central government’s Fairer Funding review, which may seek to set a new baseline of funding allocations; deliver an up-to-date assessment of the relative needs of local authorities; examine the relative resources of local authorities and focus initially on the services currently funded through the local government finance settlement, and this is anticipated to reduce the Council’s current £9m business rate income by at least £1.5m from 1st April 2021, though the exact figure is yet to be determined as the details of the changes are not yet available.

Separately, as the table below shows, business rates are anticipated to fall in 2020/21 by approximately 2% or £185k, even before the implementation of central government’s changes.

|  |  |  |
| --- | --- | --- |
| **Table 3: Retained Business Rates** | | |
|  | **Total** | **Variation** |
|  | **£million** | **%** |
| 2017/18\*\*\* | 6.817 | 53.40 |
| 2018/19 | 8.169 | 19.83 |
| 2019/20 | 9.163 | 12.17 |
| 2020/21 | 8.978 | (2.02) |
| 2021/22\* | 7.374 | (17.87) |
| 2022/23 | 7.471 | 1.32 |
| 2023/24 | 7.563 | 1.23 |

\*\*\* Westgate development completed

\* Fairer funding introduced

The reasons for this include increased allowances for arrears on the basis of a 17% increase in the last year, and empty rate relief being claimed is up by 22%.

Staff wages

During the period of the MTFP the Council will be undertaking a local pay review to be implemented from April 2021. The Council has in some areas, such as Building Control and Planning, previously struggled with recruitment and retention, which have been partially addressed by market supplements. Nevertheless, in light of the starting point of national negotiations (which the Council is not part of and which do not affect pay locally) the risk of impactful wage pressure is a live one, despite prudent assumptions having been made.

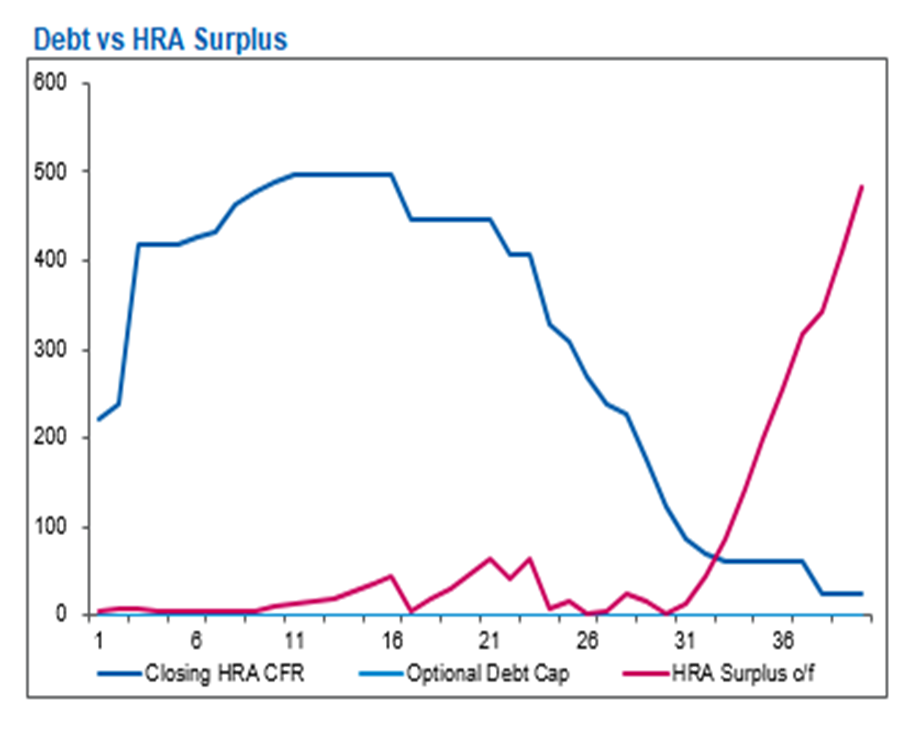
**Service Areas**

**Housing**

The housing budget is the locus of two of the Council’s biggest budgetary step changes: a significant increase in borrowing within the HRA to fund the purchase homes for social rent over the course of the MTFP and beyond, and a transformation of homelessness services to develop a county-wide approach focusing on prevention and early intervention, fronted by the commissioning of services at 1 Floyds Row.

HRA

As is illustrated in in the chart below, HRA borrowing is due to increase from its current level of £198m to £334m by the end of the MTFP period, topping out at just shy of £500m within a 10 year period, with the additional borrowing intended to purchase 1082 houses for social rent. This top-out figure remains within a prudential level. The red line in the graph shows the level of surplus remaining within the HRA is low, meaning the Council will not have significant funds for alternative unplanned spending within the HRA, particularly within the period of the MTFP. It is recognised that the Council is only committed to purchasing £136m of property (the anticipated delivery by OCHL to the end of the MTFP) and that it could divert funds from the HRA elsewhere after that, the corollary of this reduced spending power elsewhere is the delivery of urgently needed social housing within the City and should be prioritised.



Homelessness

It is important to preface discussion of the homelessness budget with the caveat that it is the role of Scrutiny to act as a critical friend. The decision of the Council to embark on an innovative course is considered to be justified on multiple levels, not least that of basic human dignity, but it is not without risk. The Review Group seeks to provide suggestions on mitigation, risk management and the means by which the Council’s strategy may be validated.

The homelessness budget has a high reliance on external (and thus less predictable) sources of funding, be they local partners or annual government grants.[[1]](#footnote-1) This is a notable risk in that the Council is committed to revenue funding of services costing £7.4m per year, having made assumptions over contributions made from central government via its grant funding, or on the level and duration of support from local partners including the County Council and the CCG. The accuracy of such assumptions, particularly around grant income, is uncertain and ultimately beyond the Council’s control. Should income from external sources fail to reach expectations the Council would face difficult choices on how to manage the situation, particularly in light of the fact that at current spending levels homelessness reserves are already budgeted to be depleted by the end of the MTFP. There is concern over the potential opportunity cost of making up any shortfalls, for example, the impact on families if funding were to be diverted towards homelessness to maintain service levels. It is understood that work is being done currently to model the decisions that would have to be made in different shortfall scenarios.

In light of this situation of uncertain funding to tackle entrenched problems, it is the view of the Review Group that should the Council’s homelessness services receive any income beyond its budgeted expectations, it should not seek to extend its services but develop a more robust buffer against future potential shortfalls against budgeted expectations.

1. **That Council will, in the event that it receives external homelessness-related grant receipts above predicted levels, top up the homelessness reserve with unspent monies.**

A further risk the Council faces in having decided to make a step change in homelessness provision is the uncertainty that positive results will have on other parts of the Council’s housing eco-system. Should, for example, the Council be successful in moving people off the streets into permanent accommodation the balance of available housing stock may not be correct to provide for the particular increase in demand from single males, who make up the majority of the homeless demographic. However, until the Council’s transformed homelessness services begin to operate in practice it is not possible to predict the amount of time and support they will require to get into permanent accommodation or the areas and the quantum of issues that will arise, making forward planning deeply uncertain.

The challenge of uncertainty and associated risk also translates into individual budget lines; efficiencies of £150k are budgeted, but there is currently no clear plan as to how these might be achieved beyond greater awareness of the possibilities for savings in commissioned services as the Council becomes more familiar with them.

The level of funding provided by the City Council towards homelessness is high. The Council’s expenditure less grant income is approximately £6.25m per annum, out of an average net spend across the MTFP of £23m, meaning spending by the Council on homelessness services is approximately 30% of the money available. The Review Group reiterates its support for the Council’s approach towards homelessness prevention and commends the way in which it has followed through the priority the issue has with commitments to significant investment, both financially and in terms of staff and member resources. However, it is difficult to demonstrate easily on the basis of the Council’s budget and report the level of financial commitment that is being made by the Council to finance this work. Partnership contributions from neighbouring district Councils, the County Council and the CCG, as well as grant funding from central government will obscure the Council’s own contribution, making it more difficult to illustrate the lengths to which the City Council itself is going to in tackling homelessness.

For many, the challenge to the Council is as above, whether it is doing enough for the homeless in the City. However, there are also those who seek justification of the high level of spending made on preventing homelessness. Consequently, it is requested that additional commentary is made in relation to the savings made by early intervention and prevention of homelessness.

1. **That the Council will, in its final budget report, include specific reference to the cost of Council-funded homelessness services (street homelessness and temporary accommodation) as a percentage of its net budget. Further, it will add in commentary on to explain the long-term financial paybacks of investing in prevention and early-intervention homelessness services.**

In light of the level of the Council’s allocation of resources towards homelessness it is felt that the Council would benefit from benchmarking its own spending against other Councils nationally which are providing leading levels of service on homelessness including Manchester, Bristol and a number of the London Boroughs. Doing so would provide useful feedback on value for money, as well as pointers as to how the Council’s spending may be made more efficient or more effective. It is recognised, however, that the impacts of preventative work may take some time to work through and not immediately show up in the figures.

1. **That the Council will identify and use national benchmarks for homelessness-related spending to monitor the value for money of its approach.**

There are particular challenges around street outreach services in particular in that they are expensive and the outcome they seek to achieve is uncertain. Within the specific context of the City Council, there are additional challenges in predicting and being able to build the changing requirements of commissioned services as they have an impact into the initial specification, thereby avoiding costs for changes to spec mid-contract. Further, in due course it is likely that a significant proportion of this work may be funded by the County Council, who may wish to commission the services they pay for themselves, but who have not been the leaders in developing with partners the scope of commissioned services. On such a complex area a particularly rigorous evidence base is required to inform future decision making.

1. **That the Council will monitor and report on the outcomes of commissioned outreach services at Floyds Row to determine efficacy and value for money before such services are recommissioned.**

**Environment, Sustainability and the Climate Emergency (NB This section has not been edited yet by the Head of Service and is liable to change)**

Intro required.

Climate Emergency

A previous recommendation of the Budget Review Group was that ‘the Council makes available appropriate resources to support the establishment of a citizen’s assembly’. This recommendation was adopted and following which the City Council convened the UK’s first Citizens’ Assembly on Climate Change over two weekends in October and November 2019.

Whilst the strongest message arising from the Citizens’ Assembly was that the public supported greater ambition than that proposed by the government in tackling climate change, another key message was that members of the public had been unaware of the breadth of activity already being undertaken by the Council in this area. A report was prepared for Cabinet on 19th December 2019 which brought together into one place the Council’s existing activity on climate change and its additional responses having heard the public’s views via the Citizen’s Assembly. This direct response has also been brought through into the Council’s budget report, which details similar information.

This level of clarity, however, is not replicated within the budget itself as the £18m of spending is spread across multiple budget lines. This means that whilst the money is suitably accounted for, those engaged residents who do wish to be able to hold the Council to account on its undertakings in response to the Citizens’ Assembly will not find it possible to track that spending through the budget. This is made all the more difficult by the fact that the Council has been a national leader on climate change issues before the Citizens’ Assembly and there has been significant pre-existing budgetary commitment beforehand. Because climate change is such a priority issue for many of the city’s residents, it is recommended that the Council takes steps to enable budgetary transparency and accountability.

In addition, it is recognised that the Council is taking steps to reduce its carbon impact which go beyond the size of its investment, for example, discussions about the procurement of energy and the efficiency to which Council-owned properties will be built or retrofitted in the future. Whilst greater financial transparency is encouraged, it is equally noted that the Council’s reaction to climate change cannot be adequately measured through its finances alone.

1. **That in its final budget, the Council will report separately on how much of the ££18 million of new capital investment the Council has made to help support decarbonisation measures in Oxford has been spent to date.**
2. **That the Council will in its final budget itemise the percentage of spending spent on decarbonisation measures …**

In the previous report made to Cabinet by the Budget Review Group, financial year 2019/20, it was recommended to Cabinet and accepted ‘That future budget proposals feature independent officer comment on the impact that the Council’s plans may have on the environment, and how closely aligned the proposals are to the Council’s broader environmental ambitions’. The Review Group welcomes the budget report’s references to the work it has undertaken in response to Climate Change and the Citizens’ Assembly on Climate Change. However, it is felt that this only draws attention to the areas in which the Council is making a beneficial contribution to the environment, rather than recognising those areas where there is potential to make improvements.

1. **That future budget proposals feature independent officer comment on the impact that the Council’s plans may have on the environment, and how closely aligned the proposals are to the Council’s broader environmental ambitions’**

One area of response to the Climate Emergency which the Review Group devoted particular time to was the Council’s plans for offsetting carbon emissions and exploring ways in which the twin objectives of ensuring value for money and simultaneously providing tangible benefits locally. The Council’s position in only considering British Standard PAS2060 accredited offsetting schemes is supported by the Review Group for the assurance it provides. Whilst superficially attractive, it is not felt that gaining a local accreditation would be a sensible means of furthering the Council’s twin aims on the basis of the cost and difficulty of gaining accreditation, and the relative cost of offsetting in Oxfordshire compared to elsewhere in the world. This area is complex, and decisions on how to implement it will require trade-offs between desirable outcomes, meaning the Council is encouraged to seek a report to draw out these issues and to understand the consequences of different actions. One potential solution, and one which has the support of the Review Group, is outlined below.

Most carbon offsets are designed not only to produce the required reduction in CO2, but also to be of social benefit to the communities delivering that offsetting. A premium is charged on ‘pure’ offsets to fund the ‘co-benefit’ element. However, it is possible to purchase ‘pure’ (though still similarly accredited) offsets. Should the Council purchase ‘pure’ offsets it could invest the co-benefit premium in non-accredited but local environmental projects, which would provide an accredited and affordable offset with tangible local benefits. It is suggested that an easy means to achieve this would be through payments being made to the Lord Mayor’s Climate Fund.

1. **That the Council devises a policy on offsetting to balance the delivery of efficient and accredited offsetting with tangible local benefits. Specific consideration to be given to investing in ‘pure’ carbon offsets and donating the spread figure between the price of those and ‘co-benefit’ carbon offsets to the Lord Mayor’s Climate Fund.**

Recycling and Waste Management

An important reminder of the challenges faced by the Council in its response to the Climate Emergency is that the pressure of the situation does not make available more funding. The need for efficiencies, therefore, is more acute than ever to enable funds to be diverted to higher priorities. Discussion was devoted by the Review Group to particular proposed efficiency savings where the balance of priorities was questioned – the Blue Bin Recycling League, and the Green Flag accreditation for the Council’s parks. Following discussion, it is the view that although it is a shame to lose the Green Flag accreditation, the Council has already extracted and embedded much of the value from having previously gained the accreditation so it would not be deriving the same value from it as when it began. Consequently, the saving is justified so long as it is not accompanied by a deterioration in standards. The Blue Bin Recycling League, however, is a response to an ongoing issue that the Council faces – maintaining recycling rates with a high transitory student (and also international) population. Due to the churn of residents, the need for this work will not become redundant. Indeed, a strong message from the Citizens’ Assembly was that residents wanted to recycle but were confused by how the system works and would welcome greater education and information to support their efforts. As such, the Review Group requests that should alternative funding be found this work is not stopped.

1. **That the Council reconsiders the costs and benefits of the proposal to cancel the funding for the blue bin recycling league, and to consider this as a priority item for funding in the event that funding becomes available between the creation of the draft budget and the agreement of the final budget.**

Recently the value of recycled waste has reduced significantly, which has had a number of impacts on the Council. Firstly, with thinner margins, purchasers of recycled waste have become a lot more fastidious about contaminants and have been willing to reject whole deliveries on the basis of minor contamination. This leaves ODS, the Council’s waste contractor also forgoing the mitigative income anticipated from the waste. These financial costs are ultimately felt by the Council as the shareholder of ODS. In addition, the Council has suffered some reputational damage in its eagerness to reduce contamination.

One area of mitigation is stockpiling, rather than taking the market price on any given day. An opportunity to improve the Council’s position with regards to this will arise when the Council begins its procurement process for waste disposal in XX.

Whilst many people are reasonable and their contamination is occasional or accidental, there remains a minority of serial contaminators. With the multiple negative consequences for the Council, it is felt that the Council’s current policy of not collecting contaminated recycling may not be working, and it may also have a deleterious impact on neighbours. It is recognised that the cause of the Council’s reputational damage was through over-zealousness, which the fining of repeat offenders may also be, but it is felt that as good recycling habits become ever more important for the Council and for the environment, that a review of all options available should be encouraged.

1. **That the Council undertakes a review of its approach to those who repeatedly contaminate recycling bins, and to include greater consideration of whether the use of fines is an appropriate response.**

A County-level decision which will support waste management is the decision to re-establish the Oxfordshire Waste Partnership. A [useful resource](http://www.wrap.org.uk/collections-and-reprocessing/tools/la-toolkit) for local authorities is provided by the Waste and Resources Action Programme Partnership (WRAP), through which relevant issues such as cost-contributions towards interventions, the expected efficacy of such interventions and gate price modelling.

1. **That the Council will encourage as a member of the Oxfordshire Waste Partnership the use of the WRAP Toolkit for Local Authorities to identify and support partnership priorities.**

The funding arrangements of income arising from the Zero Emissions Zone have not been formally agreed with the Highways Authority, Oxfordshire County Council. However, public undertakings for equal revenue sharing have been made by the County Council, which mirrors the equal contribution towards the set up and running costs. Whilst income from this source is ringfenced for XX, if the Council is reasonably confident of this income it should be included within its MTFP.

1. **That prudent assumptions for income expectations arising from the Zero Emissions Zone be included with the Medium Term Financial Plan.**

**Planning and Development**

Planning

The area of planning is unusual in that it is showing significant growth, with a total of 8 new planners proposed to join existing staff. This reflects the housing and development commitment of the Council in the new Local Plan, in which the Council aims to see 11,000 new homes built by 2036. Investment in additional staff resources is considered necessary to prevent the planning process acting as a bottleneck for this development, with the potential that the Council would otherwise lose control over its planning decisions. The increased income arising from more planning applications and a number of planning performance agreements (PPA) and service level agreements (SLA) is anticipated to go over and above the cost of the additional staff and supports existing overheads.

Staffing increases are planned to be phased to match demand, but due to the shortage of Planners the phasing is expected to be flexible to bring forward recruitment if a surfeit of suitable candidates apply in one particular recruitment round. It is noted that at the moment recruitment and retention of Planners is a challenge due to under-supply, but within that overall context the Council has an advantage over its immediate neighbours in being able to offer greater experience and variety due to the number of significant development projects planned within the city. That advantage, however, is anticipated to erode over time and would not be expected to continue beyond the period of the MTFP.

One area of particular success within the service is the recruitment and development of apprentices. Recently a second member of the Planning team who originally joined as an apprentice has now become a Senior Planner. It is felt that this is a good news story which should be communicated more broadly internally.

1. **That the Council will take actions to promote the successes of the Planning apprenticeship team and the positive impact well-delivered apprenticeships can deliver.**

Regeneration and Economy

The primary budgetary contribution of Regeneration and Economy relates to income generation for the Council, rather than efficiencies. The delivery of the Council’s commercial portfolio strategy is tasked to this service area and forms its major focus over the course of the MTFP. A further key area includes the delivery of a stock condition survey, to get a clearer understanding of the Council’s liabilities regarding its non-HRA assets and which will be used to prioritise the allocation of future investment, including elements of the Council’s on-going £2m maintenance budget.

To deliver the work required of the service area budget allowances have been made for new staffing capacity, specifically one FTE post to protect and manage the Council’s current assets and ensure their future revenue, one to manage acquisitions within the commercial property investment strategy, and one to undertake the stock condition survey. Additional funding has also been allocated towards feasibility studies to ensure robust feasibility studies are delivered against capital priorities, reducing the risks of significant overspends later on.

*Covered Market*

The allocated spending on marketing and promotion of the Covered Market is seen as protection for the Council’s existing revenues at a time when the retail sector is under considerable pressure. Service charges or new tenancy agreement structures such as revenue sharing are medium term options to pass the cost of the Covered Market’s promotion to the primary beneficiaries whilst aligning the interests of lessor and lessee.

**Assistant Chief Executive**

The Assistant Chief Executive’s service area is comprised primarily of the Policy, Partnerships and Communications Service. Its budget is relatively straightforward, with the overriding costs being staffing, and with two changes of note: the reversal of a fixed term Policy and Partnerships Officer (Health), and the creation of a new post to provide policy support for the Chief Executive and the Leader of the Council.

The impact of the reversal of the Policy and Partnerships Officer was considered by the Review Group. It is felt that the decision is justified on the basis that the need for the post, to manage a particular bulge in health-care related projects and develop the necessary relationships and infrastructure to partner with those with statutory responsibilities for healthcare has been achieved. Further, assurances have been provided that work has been undertaken to improve the cross-working within the Partnership team, meaning that the team overall is in a position to absorb from existing capacity any leftover work.

**Business Improvement**

The Business Improvement Service covers the Council’s Customer Service Centre, HR and ICT functions. Its key response to the pressures on service area budget lies in efficiencies made through the rationalisation and streamlining of operating systems and processes, automation, enabling more flexible working and reducing costs when renegotiating contracts. Changes at national level are also expected to have an impact on this area’s budget within the period of the MTFP due the transferral of the responsibility for administering benefits claims to the DWP under Universal Credit.

In discussion of this particular service area the Review Group noted the absence of high/medium/low risk ratings against the deliverability of some of the posited efficiencies throughout Appendix 3 of the draft budget report. Historically these have been used to help to determine the size of the contingency fund required by the Council, but this is no longer the case. Nevertheless, it is considered useful additional information for those wishing to scrutinise the Council’s budget and should be included.

1. **That the Council will in its final budget report list the perceived risk to deliverability of savings within the General Fund Budget Proposals Summary.**

Efficiencies

The proposed efficiencies within Business Improvement include not renewing the ICT contract for housing software which is no longer necessary, and the trimming of unused elements of the staff offers budget.

Within the period of the MTFP the Council will have the opportunity to renegotiate its telephony contract. This provides an opportunity to seek improved value within the contract, but it also provides an opportunity to consider and rationalise the telephony needs of staff within the Council to meet staff needs better whilst also enabling the reduction of costs. Though there are multiple issues to consider prior to any changes, not least data protection, there are opportunities to offer a broader variety of telephony services to staff to support their specific working situations, including ‘soft phones’ which are integrated within the employee’s computer or dual-sims enabling workers to use their own telephones for work purposes.

The Council pays an external company for the storage of its data and applications; the greater the volume of storage the greater the cost to the Council. The Council has a document retention policy which states the length of time particular documentation should be held for and after which it should be destroyed. It is felt that with a more consistent application of this policy corporately this cost can be reduced.

It is a particular characteristic of the Business Improvement Service that many of its savings are reliant on implementation of its plans outside its own service areas. This, for example, is illustrated by its proposals to reduce the volume of printing and to divert volume printing to the more efficient services provided by the print room. Whilst Business Improvement can develop a structure to induce changes in printing habits, the behaviour change itself (and savings arising) will take place across the whole Council.

One feature of previous Council budgets has been the investment in IT capability. In the last year £2.3m has been invested in IT, generating across the MTFP period £465k of savings. As an illustration, the Council is currently in the midst of a pilot to use robotics and automation to increase the efficiency of its postage under which outgoing letters are scanned and duplicate addresses are matched, enabling letters to be consolidated and postage costs to be reduced. This is a process which is proving very effective, and it is felt that this is an avenue along which there is significant potential for future savings.

1. **That the Council continues to pursue prudent invest to save schemes, and that it gives particular attention to savings enabled through technology, especially artificial intelligence and automation.**

Universal Credit

Though central government has introduced Universal Credit, which rolls entitlements to a number of benefits into one centrally administered benefit, it is still in the process of transitioning claimants of its predecessor benefits onto the new system. New benefit claimants are put onto Universal Credit, but there remains a significant number of legacy claimants whose benefits are administered by the Council. It is the expectation of the Council that as existing benefits claimants are transferred from Council-administered benefits onto DWP-administered Universal Credit, demand will lessen, enabling a reduction in Council capacity. However, it is noted that the pace of transfer between benefit schemes is slow and has already been delayed by central government previously, meaning there is a degree of uncertainty over when those savings will be realised.

Executive Assistants

One area of budgetary growth is in staffing costs, with the addition of an executive assistant. Since the executive assistance team was set up the number of executives and service heads supported by each team member has increased from two to three, meaning during periods of sickness and holiday cover the team is spread very thinly. Consequently additional resource is proposed to increase its resilience and maintain its service levels to the senior management team at times of stress.

**New Ways of Working**

The New Ways of Working Transformation programme is a discrete element of work within the Council, which has only been in place since the beginning of January 2020. Its remit is to support the services to deliver change resulting in savings of X over the period of the MTFP.

Previous transformation work has already been undertaken with service heads to identify the areas where greatest benefits can be made including customer service delivery and potential savings,. This was informed by looking at areas such as the volume of calls made to the contact centre and directly to services, opportunities for using online forms, areas of under-utilised IT investment and income generation potential. Eight projects were identified for taking forward , in the areas of Food Safety, Benefits, Council Tax, Recruitment, Building Control, Planning, Licensing, Grants with baseline data being collected currently to enable accurate quantification of savings made once the new ways of working have been embedded and sustained.

It is recognised that there is potential for crossover with the work of the Council’s PMO, which currently is focused on capital projects but whose skills could also be extended towards transformation projects instead. Initial discussions have taken place between the PMO and Transformation team to look at where there are synergies and where the two teams may be able to work together to avoid duplication of effort.

It is anticipated that the Scrutiny Finance Panel will seek six-monthly update reports on the progress of the New Ways of Working Programme.

A key concern for the Finance Panel is that the impact of the Council’s financial decisions is not guided by a narrow consideration of the immediate impacts, but the wider ripple effects on society. As such, it is asked that at the early stage of identifying and monitoring new ways of working that appropriate measures are developed to capture the social impact of decisions made, rather than simply the impact on the Council’s expenditure.

1. **That in considering the viability of proposed projects within the New Ways of Working programme consideration of social value impacts be embedded as part of the decision-making process.**

One particular area where the question of social impact versus cost is particularly acute is over the degree of digitalisation required for interaction with the Council. The Council provides multiple services in ways which are not cost effective, such as offering multiple payment options for garden waste instead of relying on direct debits, paper processes where digital would be more cost effective and provide an improved service for the customer. Though there is a social cost of increased digitalisation, often to those who are most vulnerable, as more and more people become digital natives the cost of mitigations relative to the potential savings becomes increasingly compelling. It is therefore recommended that the Council reviews key service areas with a view to becoming more digital unless there is a compelling reason not to do so. It is suggested that a refresh to the City Council’s app may be a useful way of enabling people to interface digitally with the Council.

1. **That the Council will take steps to become more ‘digital by default’ rather than ‘digital by choice’ in its service provision, and as part of this will present to members a report on the costs of current non-digital provision, the possible savings made by digitalisation in key service areas and the cost of possible mitigation measures. The Council will also consider potential internal savings by additional digitisation.**
2. **That the Council will take steps to become more ‘digital by choice’ rather than ‘digital by default’ in its service provision. This keeps a range of options open to all customers but encourages the adoption of the more cost effective channels of communication for the council. and as part of this will present to members a report on the costs of current non-digital provision, the possible savings made by digitalisation in key service areas and the cost of possible mitigation measures.**

**Regulatory Services and Community Safety**

The Regulatory Services and Community Safety service area consists of Building Control, Business Regulation, HMO Enforcement, Private Sector Safety, the Home Improvement Agency and Community Safety, which includes General Licensing, Community Response Team and Anti Social Behaviour Investigation Team. Its response to the budgetary challenges are balanced between efficiencies and increased income generation.

A number of efficiencies have been identified which are anticipated to have no impact on services: a reduction in the unused supplies budget, the reduction of a staff member’s hours by a day per week and the provision of mobile technology to the food safety team.

Of greater concern to the Review Group was the proposal for reductions to the Community Safety [out of hours](https://www.oxford.gov.uk/info/20058/noise_pollution/145/report_a_noise_problem/2) service coverage. The service primarily handles noise complaints for residents outside office hours, triaging and investigating where required, with the service running from 11pm until 1am weekdays, with extensions at busier periods, particularly the weekends. Due to differences in demand the cost of a monitoring visit can vary from anywhere between £19 and £190. It was reported to the Review Group that in large part the cost of these visits had been rendered unnecessary by technology; the Council provides an app which allows residents to make a recording, not only presenting savings through staff not having to attend to determine the noise levels, but also enabling faster identification of situations in which enforcement action is required. Many calls to the out of hours contact centre at present are logged for being dealt with the following day and they do not require a visit at the time to resolve the issue. The budget proposes that the service is only provided at weekends, rather than during the week (where there is reduced demand), with callers being responded to by the contact centre at other times.

In discussion, however, the Review Group noted that Oxford has a high student population, for whom weekends are not necessarily the noisiest nights. If additional resource is required at peak weekend times, the removal of the service apart from those times would mean a diminution in the overall service available to residents. It was felt that for those residents needing to use the service, such service reductions might be felt very keenly.

18. **That the Council reconsiders the costs and benefits of the proposal to reduce the Community Safety out of hours service to weekends only, and to consider this as a priority item for funding in the event that funding becomes available between the creation of the draft budget and the agreement of the final budget.[[2]](#footnote-2)[1]**

Building Control

The Council’s Building Control function is unusual within the Council in that it is an area of income generation which operates in and competes against the private sector. As a public sector provider, however, it is necessary for the Council to publicise its charges, and it is also not allowed to charge rates below its costs at any point, putting it at a competitive disadvantage compared to private sector providers who know what to charge to undercut the Council’s rate and can use pricing strategies such as loss-leaders to generate income. This has led to an erosion over the last 5 years in the Council’s market share. However, due to changes in insurance requirements post-Grenfell one of the Council’s biggest local competitors has ceased trading, meaning that the Council has been responsible for bringing those part-finished projects to completion, leading to an upturn in work volumes and very positive customer feedback on the quality of the Council’s service.

There is a national shortage of building control surveyors which impacts on recruitment and there is a significant incentive for Council building inspectors to leave and set up their own business or work for a private sector organisation. As a counter-measure to this, two apprentices are budgeted for on the basis that the retention rates for apprentices are higher than those for non-apprentices and that the Council can ensure contracts contain clauses that retain their services and prevents them from working for competitors.

Selective Licensing

The power to introduce selective licensing is held by local authorities, however if a local authority wishes to introduce a scheme that covers more than 20% of the city then approval from the government is required. Selective Licensing enables councils to require that all rented housing outside a number of exemptions – council and social housing landlords, educational establishments, and houses of multiple occupation – must have relevant safety certification and that licence holders are fit and proper people. The City Council wishes to implement such a scheme across Oxford that will require approval from the government. Whilst it is not envisaged that the licensing scheme will be as rigorous as that for houses of multiple occupation due to the number of properties needing licenses and the reduced risks in non-HMO properties, through its licensing scheme the Council will drive up property standards and management of the PRS across the city.

Considering the schemes financial impacts, based on estimates there could be 15,000 qualifying properties in the city. The maximum length of time a licence can be given for is five years, which is the length the Council envisages granting for the majority of licences as it reduces administrative costs. Though the cost of any such license will be subject to consultation any figure arrived at must be demonstrably reasonable. The figure charged elsewhere is approximately £650 for a five year license. Thus, the income to the Council every five years could be almost £10m (£9.75m).

Whilst there is a highly significant impact on the Council in terms of its income, to set up and manage an entirely new service of this scale also requires significant resourcing. The net impact on the budget after those costs are incurred is a far smaller sum. By law, the Council is unable to use sums raised through selective licensing to cross-subsidise its work elsewhere. Consequently, only those services that the Council already provides but will be required by the selective licensing  function – inspection, enforcement, and management  - can have their costs apportioned from the Council’s base budget into the ringfenced selective licensing budget. The consequence of this is to make an effective saving to the Council’s base budget. The budgetary impact of this to the Council is not therefore anticipated to be circa £2m per annum (or £10m per five years), but £369k.

The base budget saving is considered to be relatively high risk because the whole project of selective licensing is subject both to consultation with stakeholders and so may change substantially in nature. Further, whilst there are precedents of similar schemes to that proposed in Oxford elsewhere in the country, Barking and Dagenham for example, the decision of whether it can proceed lies ultimately with central government and is not within the Council’s power to decide. Due to this uncertainty it is not possible within the budget to put exact figures to show the impact of this change, particularly in terms of recruitment. However, due to the significant gap between the high likely income and the much smaller impact on the budget, it is felt that the reasons for this should be explained in the final budget document for reasons of transparency. It is also felt that the protection of tenants in the private rented sector and the creation of multiple jobs within the city is a good news story which deserves greater prominence.

**19. That the Council will in its final budget provide an explanatory note which references the unmentioned staffing and other cost-neutral impacts the scheme will have, and significant benefits of the selective licensing scheme: protection of private sector tenants, and the creation of additional employment at no cost to the Council.**

Pavement cafe licenses

The Review Group raised particular concerns about the cost and difficulty of securing pavement cafe licenses for tables outside shops outside the city centre, where there is less passing footfall. The Council recently   reviewed its policy towards non-city centre street licenses, halving the cost. However, it was suggested that for many in a challenging retail environment the cost is still prohibitive, either encouraging law-breaking or missing out on the opportunity to improve the vibrancy and amenity of their streets. In addition, it was also suggested that the number of license holders was presently so small outside the city centre may be so small that a reduction in street license fees would have a negligible effect on the overall budget and could, if it encouraged greater compliance, actually increase revenue. It is suggested that the potential for this be looked into further.

**20. That the Council identifies the number of street licenses held by non-city centre businesses and the income they generate, and considers whether there is a business case for reducing street licensing fees further.**

**Community Services (NB This section has not been edited yet by the Head of Service and is liable to change)**

The Community Services consists of Active Communities, Cultural Communities and Town Hall Facilities Management. In addition to corporate savings, Community Services is also supporting or providing some particularly public-facing events, which come with associated costs, including the upgrading of the Christmas lights and the OVO Women’s Cycle Tour, which in 2021/22 is expected to finish on St Giles. The majority of its response is made up through increased income via fees and charges, with the redeployment of funding to reflect changing requirements, with an improved return from a renegotiated contract for the office block rented within the Town Hall as well. One area in which efficiencies are proposed is in the monitoring of Council grants.

One area of particular concern for the Review Group was the proposed reversal to the AccessAble app, which provides information to disabled people on things like lift availability, door lip height etc. It is important to note that the reversal does not mean that the Council has decided not to include Oxford City in the app, but rather the costs of gathering the information for submission to the AccessAble app have been incurred and do not need to be repeated. Far from retreating, the Ashmolean and the Westgate have independently engaged with the app, meaning that Oxford is particularly well served for when the app launches in April 2020.

Income Generation

The Town Hall’s status as a high-profile venue in the centre of Oxford is reflected in the proposed challenge to increase income generation by capitalising on its prestige and location.

Located within the Town Hall though administered separately, a policy proposal which will generate significant income is the charging of non-Oxfordshire residents visiting the Museum. Donation figures even at national museums are extremely low, and given Oxford’s position as a key tourist destination there is the potential for capitalising on this strength. Based on a £3 charge, this would be anticipated to generate £100k per annum. Current grant funding from the Heritage Lottery Fund means that this proposal is made more straightforward if it is not implemented until that funding is removed. A delayed implementation also allows focus on ensuring a successful opening of the museum. In the meantime, steps are being taken to increase donations through putting in a tap and donate system.

Grant Monitoring

The Council provides grants to local organisations each year of x. Of this figure, the majority is made available through services commissioned by relevant service areas, with a small remainder of X administered by the grants team itself. Following the retirement of the former post-holder, it is proposed that in combination with a lighter touch monitoring and reporting regime, and the spreading of remaining work throughout the wider Communities team a saving is possible. A new IT reporting system is proposed to mitigate the service level impacts of a lighter-touch approach.

Community Centre Leases

The Communities function is responsible for the oversight of the Council’s community centres. The balance between income generation is a fine one, because the assets are primarily community assets rather than commercial ventures. The Council provides staff to support those organisations that take on community centres to maximise usage, which not only provides them with greater sustainability but also provides greater community amenity.

Overall, the Council has invested significant effort to ensure that it has successfully negotiated leases with its tenants for its core community centres. The only ones outstanding are presently the Bullingdon Community Centre, which is undergoing works, and the Asian Cultural Centre.

**Law and Governance (NB This section has not been edited yet by the Head of Service and is liable to change)**

The Law and Governance service covers the Council’s Legal Services team, the Committee Services team, and Electoral Services. The key areas of focus within its budget proposals are increases to the Electoral Services budgets, and the recruitment of two additional lawyers. A number of proposals are made to offset these costs, but Law and Governance is an area of net budgetary growth.

Cost Increases and Reduced Income

Budgets within Electoral Services have been subject to upward revaluations having previously been frozen. These have been required not only because of cost inflation, but also due to the residual costs arising from the General Election, where reimbursements from central government have become more unpredictable..

The major area of growth, however, is due to an increase in the capacity of the Legal Services team to bring in a currently absent specialism in commercial property, and to increase the number of planning lawyers from one to two. Whilst it is anticipated that the planning lawyer may enable the Council to bring in additional funding to the Council through section 106 agreements with developers, such income is difficult to predict and is not budgeted for. The justification for the roles is in their enabling function for the Council’s corporate priorities around regeneration, commercial property and managing the volume of planning-related work committed to in the new Local Plan.

It is recognised that these ambitions could be met through outsourcing work to external companies, but this would attract a higher hourly cost and requires greater management commitment. In keeping with the Council’s positive preference for in-sourcing and higher levels of service through greater control, the proposal to recruit additional solicitors to facilitate the corporate aspirations of the Council is endorsed but that the reasoning for doing so is made more explicit.

1. **That the Council writes an explanatory note concerning the extra legal roles in Law and Governance, drawing attention to their necessity for the delivery of corporate priorities, the additional benefits they expected to bring and the challenge of quantifying those benefits**

The Council receives a grant from central government to fund individual electoral registration. The funding for this is currently under review and is anticipated to be withdrawn. Whilst the withdrawal is not guaranteed, prudential allowance has been made for this situation. Central government proposals to remove this funding are predicated on the assumption that Councils do not need funding any more to undertake this work because it can be achieved easily through data matching rather than through canvassing. However, due to the transience of its population, Oxford is amongst the most difficult places in the country for this to be achieved, indicating a potential challenge ahead.

Cost Mitigations

Efficiency savings are partially made up by more closely aligning budgets with actual expenditure over recent years – for example court fees and member training – and not continually running underspends. Consequently, there is expected to be no adverse impact on service levels.

Savings on the staff budget are anticipated as a consequence of the Council’s decision to increase its resilience around information management by merging the FOI and GDPR teams. A further saving is proposed by removing the requirement that the currently-vacant Legal Services practice manager be a qualified legal professional, allowing a reduction in salary.

The level of fees and charges was one area particularly considered by the Review Group. In a number of areas, such as property transactions and providing copies of legal documents, the Council’s charges are not governed by statute, meaning it can set its own fee levels, subject to them being reasonable. With payers in these areas being extremely price-insensitive, it was suggested that the Council may wish to increase its fees by the level of inflation, and that associated non-legal fees around land transactions, such as estate management valuations and consents be similarly increased.

The Review Group notes that income expectations over land transactions can be unpredictable because of relatively high number of transactions with community organisations, where it may not be in the Council’s broader interest to levy the charges. It is suggested, therefore, that a review is undertaken to determine the anticipated impacts of increasing fee levels and the scope to increase them by inflation.

1. **That the Council will review the merits and anticipated negative impacts of increasing fees and charges for land transactions within the Planning and Law and Governance services by the rate of inflation.**

1. £1.155m, forming almost a sixth of the income (15.6%) [↑](#footnote-ref-1)
2. [1] No priority is given between this recommendation and recommendation X [↑](#footnote-ref-2)