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OXFORD CITY COUNCIL

Scrutiny Budget Review 2022/23

Report of the Budget Review Group 2022/23

Commissioned by Oxford City Council's Scrutiny Committee

February 2022

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Foreword by the Chair of the Budget Review Group

Though this is not the first budget set by the Council since the advent of the pandemic, the financial shadows cast by Covid 19 are long and it continues to have deep impacts on the Council's budget setting process. Being a year on from the original post-pandemic budget, however, means that the situation that the Council finds itself in is different. Previously, the principal aim of the budget was to create stability and buy time, largely by calling on reserves, to allow the huge uncertainties over expenditure, income and government support to become clearer. Over the course of the past year a large proportion of the population has been vaccinated against Covid, allowing fewer restrictions to be imposed, and tighter financial modelling to occur. There is clarity over the withdrawal of emergency lines of support from central government which provided partial compensation for lost income, fees and charges, as well as the furlough scheme. This withdrawal has unfortunately occurred prior to the full recovery of income but at least provides clarity. To draw a medical analogy, last year's budget dealt with the acute problems. This year, the budget must start to turn its focus towards adjusting to its new circumstances and setting the foundations for rehabilitation.

Though Covid has impaired resources available to the Council to achieve its objectives, the underlying importance of those objectives has not decreased. If anything, the pandemic has seen these objectives become more important: public transport has decreased in favour of car usage; many firms, particularly in the hospitality and tourism sectors, are facing huge challenges to remain viable, with a threat to jobs and prosperity; house prices in Oxford have remained broadly stable, despite the country having experienced the biggest economic contraction in over 400 years. The need for the Council to make progress in its aims, namely to pursue a zero carbon Oxford, enable an inclusive economy which works for all of society, to provide housing affordable to those on lower wages, and to ensure the health and wellbeing of its residents and visitors, is more pressing than ever.

Covid is not the only influence on the Council's budget setting. Central government continues to discuss a 'Fairer Funding' model for business rates, which would leave Oxford with even less than the eight pence from every pound of business rates currently retained in the City. Likewise, proposed accounting changes may force the Council to hold back money to cover the value of certain investments, reducing available cash flow for other projects and services.

This situation, with fewer resources needing to meet greater need, does make setting a balanced budget challenging. The last year has seen a number of councils issue s. 114 notices, effectively declaring their inability to meet their legal duty to set a balanced budget. This difficulty is exacerbated considerably by the leanness of the Council going into this exercise following a decade of reductions in income from central government. The Council must make difficult decisions, both in terms of where it can make reasonable reductions in Council activity, but also how it can generate income to underpin the remaining key services to residents. With the Council's reserves having been significantly depleted by the cost of the pandemic to date, misjudgements over cost-cutting or income generation will have real-world implications for residents. The work of the Review Group in supporting the Council to find that optimal balance is consequently more vital than ever.

Councillor James Fry, Chair of the Budget Review Group 2022/23

Glossary

Acronym/Phrase	Explanation
CPPC	Corporate Policy, Partnerships and Communication – a department of the Council
COMF	Contain Outbreak Management Fund – central government grant funding to reduce the spread of Covid 19
DLUHC	Department for Levelling Up, Housing and Communities – the department within central government responsible for the vast majority of the Council's functions.
EV	Electric Vehicle
ESO	Energy Superhub Oxford – a pioneering project based at the Redbridge Park and Ride site to develop large-scale super-fast electric vehicle charging.
FTE	Full Time Equivalent – since not all employees work the same hours, speaking about job numbers can be misleading. Full time equivalents standardise understanding and enable comparison by giving the total number of full time workers proposed.
General Fund	General Fund – the main revenue account for the Council covering all its services bar housing
HMO	Houses of Multiple Occupation – homes which must be licensed on the basis of the number of unrelated people living together in one property.
HRA	Housing Revenue Account – the legally mandated separate account through which the Council pays for its housing-related activity
MTFS	Medium Term Financial Strategy – how the Council plans to maintain a balanced budget over the three years following the budget.
MRP	Minimum Revenue Provision - A charge made to revenue in respect of the cost of borrowing to fund the Capital Programme.
ODS	Oxford Direct Services – the Council's wholly owned direct services operation which comprises two companies; Oxford Direct Services Limited and Oxford Direct Services Trading Limited.
OCHL	Oxford City Housing Ltd – the Council's wholly-owned housing company
PMO	Project Management Office
PWLB	The Public Works Loan Board, a department of the government's debt office. This is the cheapest way for local authorities to access borrowing.
VCS	Voluntary and Community Sector
ZEZ	Zero Emissions Zone – an initiative to be piloted in Oxford from February 2022 whereby polluting vehicles are charged to enter certain parts of the city.

Chapter 1: Introduction

1. The role of Oxford City Council's Scrutiny Committee is similar to the role of UK Parliamentary Select Committees. Scrutiny is led by a cross-party membership of councillors who are not on the Cabinet (the main Council decision-making body) and is empowered to question Council decision-makers and make recommendations to them about policy decisions. Scrutiny can also investigate any issue that affects the local area or its residents, whether or not it is the direct responsibility of the Council. It has a duty under the Council's Constitution to consider the Cabinet's draft budget proposals before they are put to Council for final endorsement.

2. The Scrutiny Committee established the Budget Review Group on 08 December 2021. Its membership was agreed to be the same as that of the Finance and Performance Scrutiny Panel, with additional contributions made by the Housing and Homelessness Panel regarding the Housing budget scrutiny, with the contribution in this area also of the Council's Tenant Ambassadors. It was scheduled to meet in January 2022 to scrutinise the Draft Budget and Medium Term Financial Strategy (MTFS) as approved for consultation by the Cabinet on 15 December 2021, and to test the robustness of the underlying assumptions used in the proposals. The Council has a statutory duty each February to agree a four year balanced budget. This report of Scrutiny is intended to provide a considered second opinion on the budget proposals with constructive recommendations and suggestions for changes.

3. Having an effective budget scrutiny function is considered a cornerstone of good governance, allowing a cross section of councillors to ask challenging questions about the budget for various services that the Council delivers, as well as the wider financial context in which the Council operates. In addition to the detailed Budget Review Group process, the Finance and Performance Panel leads its own work plan year round to review and evaluate spending against the budget. At least five meetings of the Finance and Performance Panel are held each year. To date, this year, meetings have been held via Zoom. Meetings and agendas continue to be open to the public.

4. The Budget Review Group has a cross-party membership comprising the following City Councillors:

   - Councillor James Fry (Chair)
   - Councillor Andrew Gant
   - Councillor Amar Latif
   - Councillor Landell Mills
   - Councillor Chris Jarvis
   - Councillor Imogen Thomas

   Housing and Homelessness Panel members are as follows:

   - Councillor Linda Smith (Chair)
   - Councillor Nadine Bely-Summers
   - Councillor Lizzy Diggins
   - Councillor Laurence Fouweather
   - Councillor Chris Jarvis
   - Councillor Liz Wade

Tenant Ambassadors:

- Susan Carson
- Sue Marcus
- Brenda Walton

5. This report is written with two audiences in mind. It is directed to the Council's executive body, the Cabinet, who agree the draft budget which should go to Council for approval. Here, it gives concrete recommendations of actions it would like to see done differently with a rationale for making those changes based on a narrative of the discussions of the Review Group held at each of its meetings. However, this report is also written for the public, to assure them that independent testing of the budget proposals has occurred and that public money is not being put at undue risk, and that it is being allocated wisely. This review does not intend to be a comprehensive presentation of all aspects of the Budget, but draws out the key proposals and themes explored by the Review Group as requiring greater scrutiny.

6. This report will be presented to the Council's Scrutiny Committee for endorsement on 01 February 2022, and subsequently to the Cabinet and the Full Council on 09 and 16 February 2022 respectively.

7. The Review Group would like to place on record its thanks to all of the people who contributed to the review, which has enabled the recommendations in the report to be made. Particular thanks go to Nigel Kennedy, Head of Financial Services, and Anna Winship, Management Accountancy Manager, for their work in preparing the Budget, and attending each of the Review Group's meetings, and also to Tom Hudson in his role as Scrutiny Officer, keeping a full record of the meetings and drafting the report.

Chapter 2: Methodology

8. The Review Group's work involved a total of 4 meetings which were all held in January 2022. The aim of this work was to provide an independent and cross-party review of the 2022/23 budget proposals to provide assurance concerning the soundness of the budget, and recommendations for improvement and review where necessary. The Review Group used the Cabinet's draft budget proposals from 15 December 2021 as the principal document for scrutiny. Key themes and questions the Review Group sought to explore included:

- Justifications for additional staff or staffing reductions
- The deliverability of savings proposals and their impacts on service provision
- Seeking greater clarity on the risk profile of the Council's proposals
- The magnitude of the Council's borrowing, particularly within the HRA, and the interest cover on that borrowing
- Interactions between wider policy and income, particularly relating to car parking
- A Scrutiny-requested consideration of the Council's Strategic Grants Review

9. The Review Group's findings and recommendations have been informed by evidence provided by eighteen senior officers of the Council across its meetings, as well as extensive written testimony in response to pre-submitted questions from councillors. The responses to the pre-submitted questions and written testimony are included as the confidential Appendix 2 to this report. Contributors to the review included:

- Adrian Arnold: Head of Planning
- Helen Bishop: Head of Business Improvement
- Tom Bridgman: Executive Director of Development
- Ian Brooke: Head of Community Services
- Steven Clarke: Head of Housing
- Claire Corbett: Interim Director of Transformation
- Stephen Gabriel: Executive Director for Communities and People
- Caroline Green: Chief Executive
- Emma Gubbins: Senior Surveyor
- Helen Horne: Chief Executive (OCHL)
- Nigel Kennedy: Head of Financial Services
- Carolyn Ploszynski: Head of Regeneration and Economy
- Susan Sale: Head of Law and Governance
- Mish Tullar: Head of Corporate Strategy
- David Watt: Head of Finance (OCHL)

- Jane Winfield: Head of Corporate Property
- Anna Winship: Management Accountancy Manager
- Ian Wright: Head of Regulatory Services and Community Safety

Chapter 3: Background

Budget Context and Potential Risks

10. At a national level, the decade prior to the pandemic saw significant falls in financial support to local government from central government. Central government grants were cut, and an effective cap on Council Tax increases placed a lid on the capacity of Council's to replace lost grant funding through taxation. In England, combined revenues from government grants and local taxes fell by 15% in real terms between 2009–10 and 2019–20, in turn leading to an 18% real-terms fall in spending on non-education services. After accounting for population growth, the fall in spending per person was even larger: nearly a quarter (24%).[1]

11. In response to this reduction in support many Councils have sought to enhance their income streams to replace the lost income, rather than cut services further than ever. Income generation through investment is largely a function of the degree of risk assumed, and increased income means increased risk. Tax receipts, in contrast, are far safer. The effect of swapping the latter for the former was that councils, therefore, entered the pandemic with riskier, less robust finances. Whilst it would be reductive to suggest that this is the only reason a number of councils have recently been unable to set a balanced budget and made a s.114 declaration to that effect, it is nevertheless an important factor. Slough Borough Council, for example, invested £96m in commercial such as shopping centres and a cinema, which suffered deeply during the lockdowns. Croydon Council had borrowings of £1.5bn at the time of its s. 114 declaration invested in multiple commercial ventures, including a hotel whose operating company went bankrupt during the pandemic.

12. The Council, like all local authorities, has been no exception to this situation. It has suffered a fall in income from central government of around £6 million since complete removal of the Revenue Support Grant in 2019 and made the choice to uphold service levels for residents through investment, primarily through loans to its wholly owned companies, ODS and OCHL, to joint ventures such as the OxWED development, loans to green energy providers, and commitments to dilute the risk of the Council's retail-heavy corporate property portfolio by investing in alternative types of property.

13. When Covid took hold, in addition to cost-cutting measures such as cancelling new projects and making use of the furlough scheme, the Council agreed to draw heavily on its reserves to support its operations in light of the catastrophic drop in income experienced. This disparity between income and expenditure continues into the current budget, as anticipated, meaning the Council is expected to make use of over half of its earmarked reserves across the period of the MTFS, approximately £11m. The s. 151 officer (responsible for the finances of the authority) has determined that it would be imprudent to allow calls on reserves to fall below this figure.

14. As such, the Council's faces a situation that in order not to cut vital services its underlying financial situation must become less resilient, and it must rely more heavily on income which is not guaranteed. The cost of the Council's decision to prioritise safeguarding services for residents is that it must accept a more pronounced risk profile.

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[1] IFS Green Budget 2021 s.7.1

15. Whilst particular risks are considered below as part of service-level scrutiny, some effect the Council as a whole and are detailed below:

<u>Staffing: Pay and Retention</u>

16. Staff wages form an important element of the Council's overall budget, costing approximately £60m per year when ODS, which shares the Council's pay agreements, is included. With the deep uncertainty over the impact of the pandemic, a one year agreement was reached with unions (the Council does not participate in the national pay agreements). As such, a new agreement needed to be reached for this budget. A pay deal covering the next two years has been agreed with unions, seeking to balance the competing needs of fair reward for staff and supporting retention, with ensuring staffing costs did not impinge on the Council's ability to provide services to its residents.

17. The terms of the deal agreed, which also includes the Council's company ODS, are for a 2% rise across all grades in April 2022, and a 2.5% rise in April 2023. This is a little below the overall public sector wage growth of 2.7% but a more generous offer than the current offer made to staff working in councils, unlike Oxford, which participate in the national pay bargaining scheme. That rate, though not agreed, is 1.75%. The national figure for wages across all sectors is stronger, showing a growth (excluding bonuses) to October 2021 of 4.3%. An important figure is the 'real' inflation-adjusted growth rate. The Council's figure is below the current rate of inflation, the CPI measure running at 5.4%. This indicates a real terms pay cut for all staff, whose pay will purchase less next year than in the current one. However, it is necessary to view this in the prism of the general stresses upon local government and its ability to reward and retain staff, and the particular recognition that the Council's budget is predicated on a draw on reserves which is unsustainable over the medium term.

18. Allied to retaining staff is the need to ensure that recruitment is successful; failure to pass probation is one of the top four reasons why staff depart the Council. A review of the recruitment process is due to be undertaken, which will address issues related to this, such as where jobs are advertised, pre-contract communication, and supporting on-boarding in a remote-working environment. Successes in these areas are expected to reduce the carry costs of recruitment, as well as bolstering service levels by reducing churn.

19. An issue of note when discussing staff retention and reward is the degree of challenge staff at all levels have had to make in adapting to new working circumstances, contend with increased demand on Council services and find solutions to the challenges posed by the Council's situation. With many uncertainties remaining, it will be necessary that the Council remains agile. Significant change, however, is a cost which is borne by staff, a fact which senior management have noted as being of particular salience. In the long term it would undermine the Council to make efficiencies which create a financial saving but transfer the cost of the saving onto staff. Ensuring that resourcing levels are appropriate for the Council's activity is vital, and one which is addressed within the Council's Change Programme (details below).

Company Income

20. Oxford City Council has an explicit approach to funding its services, the ‘Oxford Model’. Under this model, the Council can further its strategic objectives by developing its own companies to undertake this work, house-building for example, and at the same time use those companies to compete in the open market, earning profits which are then repaid to the Council in the form of dividends, which underpin services. The size of this underpinning is substantial. Over the course of the MTFS, dividend payments of £12.4m are expected from Oxford Direct Services (ODS), and £12m from Oxford City Housing Limited (OCHL).

21. Reliance on income generation is inherently riskier than service reductions from a financial perspective. Service cuts, once achieved, avoid their associated spending year on year with no work required. Income generation must be achieved year on year or there will be a hole in the budget. Croydon Council illustrates this well; a further contributor to its insolvency was a failure to generate any dividend payments from a £200m to its own housing development company.

22. Specific risks exist for the Council’s companies. Of the £12.4m overall dividend payments budgeted for, less than half of those relate to profits from work undertaken on behalf of the Council, £5.7m. The remainder, £6.7m must be generated through successfully winning contracts on the open market. As a young company, established less than four years ago and in which time it has had to wrestle with the huge disruptions of Covid, it is difficult to draw much inference from past performance, in which a dividend has only been paid once, a payment of £1.25m. Its growth targets, however, can be judged. To meet the Council’s budget forecasts it must almost triple the profit made from trading over the term of the MTFS, from £0.92m to £2.64m. For a young company with growth potential this is not impossible, but it is ambitious and is a clear risk.

23. Likewise, the Council’s development company OCHL faces challenges. The Council, in its role as shareholder, has addressed a number of these challenges by agreeing a new business plan in June 2021 which de-risked a number of financing issues and reprofiled the delivery plan. A consequence of this, however, is that the Council’s expectation for a dividend payment has been brought forward by a year. Though a number of the amendments to the business plan support this accelerated schedule, nevertheless it places a pressure on the company to deliver developments more quickly which is, again a risk. This is particularly the case as the sites identified for development are not necessarily straightforward and, for different reasons, may be subject to delays.

Policy Changes

24. A significant element of risk to the Council’s budget comes from central government policy. A number of elements were unclear at the time of the release of the consultation budget, the outcomes of which could have significant impacts on the Council’s financial position.

25. At least partially in light of the unsuccessful investments made by Councils such as Croydon and Slough using borrowed money, central government has been consulting on means to reduce the risk of these investments by ensuring that there is sufficient money in the revenue budget to pay for the cost of borrowing should those investments not

return as expected. Similarly, loans to external companies, also must be de-risked. This means that money must be set aside to cover this risk, and cannot therefore be spent elsewhere. Notably, the Council plans on making very significant loans to its wholly-owned housing developer OCHL as part of its house-building drive. These loans are expected, at their peak in 2028/29, to total almost half a billion pounds. Loans are also outstanding to ODS and the OxWED development. De-risking these loans would significantly impair the Council's available funds and is unlikely to be viable. If the Council becomes unable to do this, it is not fatal for the companies. However, one of the sources of income to the Council from its companies is by way of the necessary margin it charges on lending to satisfy rules on unfair state aid to private enterprises. The Council receives margins of around 3.5% on its loans to its companies. Were the companies to borrow from sources other than the Council, that revenue would be forfeited. The Council is currently involved heavily with the consultation, having discussions on an individual basis with civil servants to explain the ways in which the rules, as currently drafted punish prudent as well as speculative investment by councils, and also through joint meetings with s. 151 officers from across the country. The government has been relatively receptive to a groundswell of opposition by local authorities and has delayed implementation of the measures from 2022/23 to 2023/24. Without changes to the substance of the regulations, however, this issue remains a significant risk.

26. Business Rates, whilst not as significant a contributor to council finances as Council Tax, are nevertheless an important form of local taxation, at least in wealthier areas such as Oxford. In Oxford, Business Rates contribute towards the Council's budget by around £7m per year. That sum, however, is a significant reduction from the almost £105m which is collected. Around 93% of Oxford's Business Rates are redistributed elsewhere. In spite of this, however, central government has been in consultation over implementing a 'fairer funding' review which, broadly speaking, benefits rural areas at the expense of urban ones by distributing more Business Rate income to the former from the latter. With Covid, the government's plans were delayed by a year, and there is the expectation that central government will be unable to implement the changes in time for 2022/23. However, whilst it is not certain the current proposals will be implemented in their current form, projections suggest that were the changes to be implemented in 2023/24 it would cost the Council approximately £2m in income every year. For prudence, this sum has been budgeted for from 2023/24.

27. Not all central government policy changes are necessarily negative for the Council. The increase in NI by 1.25% from 2022/23 has already been announced but there are indications that it could be reversed. Were this to occur, it would mean a £238k per annum improvement in the Council's financial position. The delay to the implementation of any changes to MRP provision to 2023/24 means there is an £800k provision which will not be required in the first year of the MTFS. A number of additional sources of central government funding – the extension of the New Homes Bonus, a Services Grant, and a Lower Tier grant - have been made available to the council since the conclusion of the Spending Review, amounting to approximately £1m. However, these funds are time limited for 2022/23 only.

Realising Savings

28. As with all budget forecasts, the anticipated savings from efficiencies are not guaranteed. They are subject to uncertainties and unanticipated events, which can alter their returns.

Active management is required to address these uncertainties to ensure that paper savings are realised.

29. In the Council's situation, even if all its budgeted efficiencies deliver their expected savings, it will still need to draw on £11m from its reserves over the course of the MTFS, over 50% of current earmarked reserves. Although it does have reserves remaining, its current buffer against future unforeseen shocks is thin and it would be imprudent to allow this sum to be depleted further. This puts an increased layer of pressure on the Council; beyond its £600k per annum contingency, it is likely that underperformance in delivering savings would translate to reduced service levels. To put it the opposite way, maintaining service levels to residents is contingent on success in delivering efficiencies, a high responsibility. The Council has, however, historically met the high bars it has set itself for efficiencies, with contingencies tending not to be fully used. Nevertheless, it is necessary that this level of performance be maintained year on year.

30. A further consequence of the Council's depleted reserves is that the pool of potential savings is reduced, and reduced a time when they are so important. The reasons for this are twofold. Firstly, because the Council is so reliant on efficiencies it must only entertain those which it is confident of being able to deliver. Savings which are less certain are less easy to justify, even if on balance they would likely be net positive, for they introduce greater risk to the Council's budget. Secondly, because the Council is presently relying on its reserves there is little, if any, unallocated money available. Many efficiencies cannot be delivered without some degree of up-front investment beforehand, be it new IT systems, equipment or additional training. The Council cannot borrow money to fund everyday expenditure, meaning that there is an opportunity cost to those investments – funding something which will ultimately bring savings comes at the cost of not funding current services. As such, deliverable efficiencies which have a high up-front cost or will take a long time to start making a net contribution to the Council are less viable because of the demands of existing services.

31. With the Council constrained in its options of how to save money, and heavily reliant on making the savings identified, it must perform well in delivering its identified savings. Part of the Council's response to that challenge is the Change Programme.

The Change Programme

32. Since the start of the pandemic the Council has undergone further and faster change than would previously have been imagined. Some of those changes, for instance, renting out floor space at the Council's St Aldate's Chambers following the move to home-working were developed into savings in last year's budget. However, as referenced above, the Council's reliance on its reserves is incompatible with delivering balanced budgets beyond the medium term. An imperative exists, therefore, that the Council find ways to identify efficiencies, to deliver to the same level but requiring fewer resources. What drawing on reserves does do is to purchase time for a sustainable solution to be developed; the Council's Change Programme is one aspect of the response to this challenge.

33. The Council has an established record of identifying and achieving efficiency savings from investment in systems and changes to ways of working, however there is now both the imperative and the opportunity to achieve more through a cross organisation and

strategic approach. The Council's Change Programme is in response to this. The experience of the pandemic shows that new ways of doing things can not only be done more cost-effectively, but actually that outcomes can simultaneously be improved. The move to remote working, for instance, enabled a long-requested ability to normalise home working by staff. The opening of the Council's hubs, initially to support vulnerable residents in the pandemic, has shown the great demand for local access to the Council. The programme seeks to build on the opportunities for efficiencies and improvements that the pandemic has brought to light concerning the way the Council interacts with its people – its residents and its staff. In order to achieve the scale of savings required, the Change Programme takes a deliberately organisation-wide approach. Being mindful of the pressing need to address pressures on staff that have been exacerbated by the direct and indirect impacts of the pandemic, the programme also seeks to ensure that staff experience is improved alongside generating efficiencies. Finally, the programme aims to ensure that the Council is targeted and smart in ensuring that its staff and systems are both efficient and sufficient to meet changing future demands and circumstances.

34. At present, the savings identified are at an early stage, meaning that full proposals beyond those included in last year's budget, have not been subject to full business plans at present. However, the MTFS includes savings of £250k per year from this source. This figure is an estimate based on work to date, but there is need to finalise proposals through collaboration with service areas to develop an evidential underpinning.

35. The expectation is that whilst £250k will be saved on average across the MTFS the profile of those savings is not evenly distributed, with implementation time meaning that the bulk of the savings arise at the back end of the MTFS.

36. Current work by the Change team is focused on two areas: developing those areas where the Council is in a position to make an immediate start, and to develop a plan and business cases for investment to drive out future savings, operational benefits and better outcomes for residents

37. The Change Programme focus of this phase is targeting areas: reducing our 3rd party spend through improved contract negotiations and arrangements. Improving our customer experience through the introduction of digital technology and 3rd enabling reducing in our ICT services through consolidating our systems and applications and reducing our storage and support costs.

38. The Review Group supports these measures, though it is keen to emphasise the point it has made previously that savings through digital self-service must simultaneously ensure that adequate support is available for the digitally excluded. There is not an automatic problem, but maintaining this balance throughout the process is a challenge.

39. Of greater concern to the Review Group is the potential for double-counting of savings. The point has been made to the Review Group that strong evidence of savings, and robust monitoring and governance structures to ensure their delivery, is a fundamental requirement underpinning the whole Change Programme. This is welcome, but the Review Group notes that there is cross-over in the current budget between, for example, the Change savings around third parties and the Business Improvement plans for savings arising from better telephony contract terms. Equally, if there are co-dependencies for some new savings, how will the savings be attributed between the

different elements? The Review Group's view is not that there will necessarily be double counting, but that there is a high risk of it. It would be reassured if this issue could be addressed, with details of the mechanisms and processes to ensure that double counting does not occur provided.

Recommendation 1: That the Council provides clarity around how it intends to avoid double counting in the Change savings, e.g., in the procurement savings already in the Budget proposals.

40. Savings which are to be implemented in the future have not been enumerated within the MTFS, meaning their beneficial impacts are not represented in the current budget proposals. They will include ideas for revenue generation, the management of the Council's operational and commercial assets, service delivery improvements and the streamlining of management structures. More details of these savings, their prioritisation, their up-front costs, the level of their savings are anticipated and similar issues are expected to be included within the post-consultation Budget document, which the Council will be asked to approve

Chapter 4: Findings and Recommendations

Service Area Budgets

Business Improvement

41. The Business Improvement Service covers the Council's Customer Service Centre, HR and ICT functions. In broad terms over the 4 year period the budget decreases from the current base for 2021-22 of £8.951 million to £8.142 million by the end of the 4 year MTFS period, a reduction of £801k. In addition full time equivalent (FTE) staff numbers reduce from 142.3 to 138.3 over the same period. Major contributors to the budget reduction include the reversal of a £300k investment in ICT, which instead can be covered through moving to cloud-based storage, reducing storage requirements through rigorous enforcement of document retention policies and renegotiating existing contracts for ICT infrastructure. A further £200k is expected to be saved by securing better contract terms on upcoming ICT contract renewals, including a major telephony contract. Another key saving, requiring initial investment of £138k in 2022/23 but enabling cost savings of £45k per year from 2024/25, is proposed to improve line management capability through self-service.

42. Some scepticism from the Review Group was expressed over how much of the projected £50k saving from reduced data storage needs would be realised, owing to the possible significant behaviour change it could require of some staff. Confidence was expressed by officers that this could be realised, but it would require a significant drive by the Business Improvement Team to communicate the need to reduce document storage and ensure document retention policies were being adhered to. The ability to track and manage access to storage on an individual level would also help to inform efforts.

43. One concern raised by the Review Group was over the importance of IT to the projected savings: Robotic Process Automation, QL-related savings, and contract negotiations for instance. The Council's experience of implementing the QL IT system which, to date, has not delivered its forecast savings reiterates the practical challenge of driving out paper savings in the real world. In light of the Council's difficulties with an IT-related saving, confidence by Review Group members in proposed IT-related savings was lower than it might otherwise have been. It is the view of the Review Group that more information is needed to determine whether the Council's experience with QL is an outlier of part of a trend given that IT-related savings form such a key part of the savings within Business Improvement. If the Council were consistently to struggle to extract its forecast savings from those on the paper it might indicate a disconnect between the Council's confidence and its ability, with the risk of a negative variance as a consequence.

    Recommendation 2: That the Council provides details of relevant comparator IT savings in recent budgets, comparing the forecast savings with those which have been delivered.

Corporate Policy, Partnerships and Communications (CPPC)

44. Over the 4 year period the budget increases from the current base for 2021/22 of £872k by £27k to a total budget of £899k by the end of the 4 year MTFS period. In addition full time equivalent (FTE) staff numbers reduce from 15 FTE to 14.05 FTE a reduction of 0.95 FTE over the same period. The Review Group provided challenge over a number of the growth factors contributing to an expanded budget within a financially challenging environment for the Council overall.

45. The key driver for budgetary change within the CPPC was actually an effort to catch up with a restructuring of the service which had already taken place, both by design and as a consequence of Covid-related needs. Deliberate changes meant that the officer in charge of the CPPC service had a broader remit as Head of Service for both CPPC as well as Environmental Sustainability. On the other side, the demands of Covid caused a sharp increase in the amount of partnership working across agencies to manage the response. As such, the majority of changes were simply recognitions of positions being acted-up into, or creating capacity to fill in work which was vacated by the restructure. Growth in the budget was also a function of the ending of central government COMF (Contain Outbreak Management Fund) funding, which helped to cover the additional partnership and communications work arising from Covid, prior to a commensurate reduction in workload.

46. An additional strand of the CPPC service is provision of data to support the Council's decision-making. Whilst a standalone Business Information Unit to support the Council's transformation aspirations has been deemed unaffordable, the idea is to use a virtual team instead, drawing resource when needed from relevant teams using data. To facilitate this enabling work, however, would nevertheless require resourcing, requiring a manager to be budgeted for. This would provide greater rigour and structure to the existing data-sharing between teams.

47. Challenge was put by the Review Group as to the overall quantum of the Council's spend on media and communications, at a little over £387k. A piece of work on comparative spend on communications relative to neighbouring and relevant comparator councils is underway. This would provide a baseline comparison in due course. However, it was expected that the Council would come out as having a relatively high spend in this area. It was also necessary though to factor in the level of ambition of the Council and the complexity of the issues it was engaging with: developing Council homes on potentially contentious sites, supporting modal shift in transport and enabling a move towards EVs, and maintaining the support work around Covid all being good examples. Communication was a key enabling element in all, without which the Council's ambitions would be notably blunted.

Environmental Sustainability

48. Over the 4 year period the budget increases from the current base for 2021/22 of £963k by £100k to a total budget of £1.063 million by the end of the 4 year MTFS period. There is no change to the FTE position of 16.6 FTE during this period.

49. It should be highlighted that the budget position for Environmental Sustainability reflects a proposed restructure to enable this service area to meet the significantly increased and

specialist work resulting from the Council's decision to double its rates of decarbonisation and biodiversity net gain, and take a lead in decarbonising the wider city. At the same time the Council – and ODS – have reached a critical juncture in the delivery of electric vehicle (EV) charging: the EV Strategy due in March 2022 is expected to help the Council reach an informed decision on whether to pursue a realisable commercial opportunity to become an EV installer/operator, or if the market risks mean the Council should simply follow a ground-leasing approach such as that being taken with ESO at Redbridge.

50. One of the primary involvements of the Environmental Sustainability Team is in the Council's collaboration with the County Council over the development of the Zero Emissions Zone (ZEZ). The City and County Council will share the cost of this pilot equally, but it was picked up by the Review Group that income from the pilot would accrue to the County only. The reason for this is that the ZEZ pilot is fairly small-scale, meaning a relatively low income. This income will cover some legitimately-incurred expenditure by the County Council for which the City provided no equivalent spending. When the main ZEZ is launched it will be expanded from the pilot, generate greater income and the Council would expect to see an equal return on its share of the expenditure once the County Council's preparatory expenditure has been repaid. The precise sums are, however, not yet certain are not included within the Budget as a consequence.

51. The Review Group, having scrutinised the proposals, was in support and makes no recommendations.

Financial Services

52. Financial Services as a service area covers the Accountancy, Corporate Finance, Investigations, Procurement and Payments, Revenues and Benefits, and Incomes teams. In broad terms over the 4 year period the budget decreases from the current base for 2021-22 of £3.019 m to £2.210 million by the end of the 4 year MTFS period, a reduction of £809k. In addition full time equivalent (FTE) staff numbers reduce from 99.3 FTE to 93.8 FTE a reduction of 5.5 FTE over the same period. Some notable pressures on the budget include reductions from central government grant funding for the administration of Housing Benefit as more individuals are moved over to government-administered Universal Credit; changes to the methodology used by the New Homes Bonus scheme; and loss of a number of key contracts mean the services sold by the Council with regards to investigations would reduce, with a £128k reduction per year expected. A change in approach to debtors – typically Council Tax, Business Rates or rental income - over the pandemic, with an emphasis on pre-court action shows a reduction in the amount of money collected at court. However, this new approach is proving effective in many areas, particularly housing debts, despite the effect of the pandemic.

53. Major proposed savings and investments include the recently-agreed loan to Ray Valley Solar Farm, returning approximately £57k per annum, raising current investments in property funds to raise a projected additional £150k per year, reducing the Council's employer-contributions to the Oxfordshire pension fund by 4.4% by making an up-front payment of £5m, reducing the use of cash, for example by piloting cashless payments at Gloucester Green car park, and using a new system for payments to allow more self-

service and enable more holistic data through a new on debts to deliver efficiencies of approximately £100k per year.

54. One issue raised by the Review Group concerned the budgeted sums for internal (£57k) and external (£87k) audit. With the Council's audits, there is typically a level of audit which meets required minimum standards. However, the Council usually seeks more than this, asking for additional work asked of its internal auditors. External auditors regularly make claims for additional payment on the basis that elements of work have taken longer than anticipated. The Council has successfully disputed a number of these claims, this is often a cause of budget pressure. The sums in the budget, however, only refer to the sums for basic levels of audit, not the Council's expected higher level of spend. If this figure is likely to be an underestimate, it will only lead to a negative variance at a later stage when those higher costs are realised. The Review Group's suggestion is that the full estimated cost is included within the Budget, including additional work, and that that figure is estimated using previous years as a benchmark.

Recommendation 3: That the audit fees from the past few years are used as a basis for estimating full audit fees.

55. Discussion was also held over the delayed savings accruing from implementing the Aareon QL system. Although the implementation had proven difficult, savings are still expected on the basis of being able to retire a number of software systems rendered redundant by QL, as well as improved staff efficiency. Other benefits would also accrue beyond the Financial Services team, extending across the Council and also within ODS also, but these latter benefits would come to the Council in the form of dividend returns rather than efficiencies. The Review Group noted the considerable effort Council staff had made to minimise the problems arising from the implementation.

56. Finally, the Review Group did note the missed benefits of a situation in which the Council offers an investigations service to outside bodies, whilst the County Council and Cherwell District Council have opted to end using the City Council Investigations Teams services and established its own much smaller unit. There are prima facie efficiencies for the County, and the benefits of income for the Council of not continuing this duplication. With greater cross-working between the two councils follow a change in administration at the County Council, the Review Group suggests that a return to more efficient joint-working arrangements might be raised with County colleagues. The recent dissolution of the partnership working with Cherwell may present an opportunity to revisit this issue once the dust has settled.

Recommendation 4: That the Council reinitiates discussions with the County and Cherwell District Council about potential reprovision of Investigations Team services.

<u>Law and Governance</u>

57. The Law and Governance service covers the Council's Legal Services team, the Committee and Member Services team, Electoral Services, Information Governance and Business Support. Over the 4 year period the budget increases from the current base for 2021-22 of £2.633m to £2.694m by the end of the 4 year MTFS period, an increase of

£61k. In addition full time equivalent (FTE) staff numbers increase from 38.6 FTE to 41.9 FTE an increase of 3.3 FTE over the same period.

58. Justifications for the overall expansion tend to be different aspects of the same basic issue, an imbalance between workload and resource within an area which is a key enabler for the Council's strategic priorities. Thus, expansion in the number of senior officers and the work being undertaken by them requires additional Executive Assistant support. The growth in developments in the City which need to be brought forward to meet the Council's Local Plan requirements provide the work (and fees to mitigate the cost) of an additional Contracts Lawyer to process developer s.106 agreements. The growth in the capital programme over recent years means two Major Projects lawyers are needed to prevent bottlenecks and maintain forward momentum on a number of key capital projects. Other proposals, such as the reinstatement at a part-time level of a previously agreed Practice Manager role in Legal Services is expected to free up lawyer resources to focus on fee-generating work rather than administration.

59. An important driver for this investment in staff is the high degree of churn of staff within Law and Governance, exacerbated by the use of locums to cover resource gaps. A concern exists that there is a time-critical factor for making an intervention. The more workloads increase, the harder it is to recruit and retain staff and the more the pressure increases on those remaining. To avoid the compounding effect of this pressure over time, intervention must be made sooner rather than later.

60. In addition to reducing current reliance on expensive locums, the proposals within the Legal Services team to generate more fee-generating income mean that some of the additional resource is offset. The proposed additional Contract Lawyer is 83% funded through a growth in conveyancing and s.106 income generation, with the remainder arising from a proposed increase to s.106 fees.

61. Although the Review Group welcomes this offsetting of cost, it also recognises a degree of risk in that income generation must remain at the level capable of sustaining the post year on year or else there will be a deficit. If this income is derived internally or from the Council's group of companies (which include ODS and OCHL), that income is more secure than if it is expected to be earned from elsewhere. To understand the security of this offsetting income, the Review Group suggests that it is helpful to know how much of it is expected to derive from within the Council and its companies, and how much externally. The approach used by ODS in its Annual Report, differentiating the secure (arising from work undertaken for the Council) from non-secure (from work obtained in the marketplace) revenues, is felt to be a helpful one.

Recommendation 5: That the Council presents how much of its fee generation by lawyers in respect of s.106 and conveyancing is secure (i.e., that it originates from OCC, ODS or OCHL) and how much is non-secure (is generated from external sources)

Planning and Development

Planning

62. In broad terms over the 4 year period the budget decreases from the current base for 2021-22 of £0.458 million to £0.344 million by the end of the 4 year MTFS period, a

reduction of £115k. In addition full time equivalent (FTE) staff numbers reduce from 46.1 to 44.1 over the same period. The fall in base budget alongside a broadly-flat staffing complement is partially caused by income growth, based on the 20% growth in planning applications being made to the authority.

63. The increase in volume of applications to the authority requires monitoring to ensure the right size of team to manage applications. Although the Council is high-performing relative to its peers in deciding applications within tight deadlines, the complexities of developments within the City mean that a high figure relies on agreeing deadline extensions with applicants. There is a policy risk that central government may remove or make more difficult such extensions. Estimates of the effect of a removal of being able to agree extensions with developers would see the Council fall from deciding around 90% of applications within the statutory time frame, to more like 60-70%. Falling below this lower figure would have serious impacts on the City, as it is possible that decisions not decided in time could be approved by default instead, allowing undesirable developments to pass.

64. The issue of an appropriate team size is also linked to particular issues of team capacity and knowledge. Retention of staff in within Planning is difficult. This is partially because staff developed by the Council receive exposure and responsibility at a higher level than most other planning authorities, making them attractive recruits. This, in conjunction with the Council's pay restraint and staff seeking further opportunities for career progression, is a primary cause of the high staff turnover within the service. This turnover is an area being actively addressed, with the potential for salary supplements, and initiatives to provide wider experience and career progression. With the cost of living in Oxford so high, pay rates are an increasingly important factor.

65. Aside from the growth in the volume of applications to the Council, the principal stress to the Planning service is the simultaneous development of the Oxfordshire Plan 2050 alongside the other councils in the county, and the development of its own Local Plan. This is being undertaken simultaneously because of external pressures; the former to satisfy the terms of the Oxfordshire Growth Deal and securing its funding, and the latter to bring the Council's Local Plan into line with those of its neighbours. Development of two highly complex plans concurrently is not ideal, placing pressures on the staff team. The staff resources available to develop the two plans are identical whilst the deadlines relating to the programme of work to be undertaken are very hard, being enshrined in law. As such, this causes a capacity pressure for the service, which carries a cost of £45k per year until the 2023/24. As the Plans develop, a further, significant but currently unquantified cost, is also likely to arise. Any unforeseen events which lead to calls on capacity may require significant additional resource to overcome. The uncertainty of this expenditure means, however, that it has not been included within the budget.

66. Changes to Planning regulations mean that biodiversity has become an increasingly important strand in larger planning applications. Capacity and knowledge within Council exists, but not as part of the Planning Service but within Environmental Sustainability. However, shared learning to develop familiarity on this topic throughout the Planning Service is occurring. Nevertheless, it is also true that it is necessary for more specialist issues to make recourse to external consultants. Liability for this cost was examined by the Review Group. Smaller, simpler developments can generally be managed by the Council's own in-house expertise and form part of the Council's service. Larger applications with complex biodiversity net gain issues which would require expert advice

would be flagged up prior to the application as an issue needing to be handled to enable a smooth application to move forward. These fees would tend to be met by the developers. Developments falling in the middle range, however, are where the costs to the Council are most likely to apply; the cost of expert advice cannot be charged to the applicant, but may be sufficiently complex to be unable to be dealt with in-house.

67. The Review Group's view is that the Council should be beginning to develop its in-house capacity further. Whilst it cannot hope to reach the expertise of external consultants in all areas, the greatest cost to the Council arises at a lower level of complexity and specialism, medium developments. If the Council currently pays for the cost of those external consultants, investing in greater expertise would result in cost avoidance, and increase the capacity of the service at the same time.

Recommendation 6: That the Council reduces its spend on external biodiversity consultants by investing in its own in-house expertise instead.

68. A further issue raised by members of the Review Group was whether previous savings made by reducing the number of Planning committees from two to one had led to a democratic deficit, particularly in light of the growth in applications coming forward. However, it was agreed that this issue requires substantial data which was not available to the Review Group to decide. Instead, a report will be made to the Scrutiny Committee reviewing the effectiveness of the reduction of Planning Committees at a forthcoming Scrutiny Committee meeting.

69. CIL (Community Infrastructure Levy) funding is a charge made on larger developers to pay to alleviate the additional infrastructure pressures that their developments create. Challenge was provided by the Review Group over use of CIL to fund administration and consultants, rather than infrastructure directly. For this, a percentage (5%) can be spent on administering the delivery of CIL infrastructure. Neighbourhood CIL, a portion of the main CIL income which is provided to some unparished areas in the City is more flexible, with greater permeability between revenue and capital spending, allowing posts to be funded from the CIL pot, subject to support of the proposals by unparished wards in the City.

70. The budget proposal not to raise CIL rates was also queried. However, this would require a review process, which costs money. The work required to determine the impacts of a new CIL schedule on viability, plus the cost of the review itself, would be unlikely to be covered by the subsequent extra income. It would be more cost effective to review this issue in the round as part of the development of the forthcoming Local Plan.

71. Finally, when the Council turns down a planning application the applicant does have the right to appeal the decision if they view it as being incorrect. A successful appeal can often lead to an award of the costs of bringing the appeal being made against the authority. These cost awards can be substantial. Between 2010 and 2016, the worst performing council in this regard, Cornwall Council, paid out an average of over £160k per annum after unsuccessfully defending appeal claims. The current budget makes no contingency for such appeals. This is based on past performance, where, generally, the number and size of unsuccessful appeals is small, typically one to two per year from between £1.5k - £4k. The Council has shown good judgement in its applications to date and has tended to have success in securing costs from parties going to appeal on the

basis of that their appeals had such little merit as to be vexatious. The prospect of losing a significant appeal is, however, an acknowledged risk.

Regeneration and Economy

72. The Regeneration and Economy service area covering City Centre Management and Economy, Regeneration, and Green Transport is having an overall budget decrease of £26,000. This includes: a reduction in budget for City Centre Management of £3,000, continued commitment to the income target of £10,000 per annum for Economic Development; and a budget reduction of £23,000 for Regeneration. Within the budget papers, the proposals for Regeneration and Economy include an Affordable Housing Development Officer post - increase to 1FTE (Currently 0.6FTE) as a £21,000 pressure. This actually relates to Housing Delivery. External funding, particularly for City Centre Management, such as the Reopening High Street and Welcome Back funding, is scheduled to fall away over the period, meaning steps have had to be taken to ensure a cost pressure on the Council budget is not produced, including reducing staff in that area and removing the budget for monitoring. Regeneration, including the Project Management Office, is primarily funded through capitalisation of officer time and therefore ebbs and flows in line with the size of the capital budget it is required to service. To enable this flexibility this area has a lower proportion of permanent staff, with greater use of fixed term contracts instead. Green Transport's resource is currently funded externally, through Neighbourhood CIL and no ongoing budget has been included for additional funding beyond the external funding. As a result there is risk around continuing to resource beyond 2022 but further external funding will continue to be sought.

73. The timing, quality and cost of the Council's capital expenditure has highly significant ramifications for both its finances and ability to deliver its policy objectives. With a growth in the complexity of projects being undertaken and seeking to improve on its record of delivering projects on time, over recent years the Council has invested in project management capacity and the PMO (Project Management Office). The Council's current slippage versus its budgeted capital spend as of the end of Q2 2021 was £28m from a £174.5m budget. Whilst Covid has clearly had a deeply disruptive effect, causing lockdowns, illness to key staff and supply chain disruption, the level of slippage has predated the pandemic. Challenge was raised by the Review Group over the efficacy of the PMO.

74. As a response to the above, it is important to understand that there is a distinction between regeneration managers and the PMO. The remit of the PMO is to support the work of the capital programme across the council, particularly in regard to governance and ongoing monitoring not just those managed by Regeneration. There are 2 permanent FTE in the PMO. The Regeneration Managers project manage specific projects. The Council continues on its journey towards improvements and refinements. As a result of the work of Regeneration Managers and PMO projects are consistently subject to rigorous scrutiny, and data on performance is kept up to date compared to before the investment in this area. It is important to note that the figure quoted includes the HRA, rolling capital programme including devolved budgets and the loans to OCHL and is therefore much more wide ranging than individual development projects. The area where there remain challenges in terms of slippage is with rolling programmes, devolved budgets and loans to OCHL, which are situated within specific service areas. Efforts are being made by the PMO and Finance teams to ensure data on any slippage is recognised and reported at an earlier point than previously. Progress had been made

though some degree of slippage is always to be expected, but there is capacity for further improvement. It has been identified that services that support the capital programme in terms of legal, finance and property have capacity challenges to service the capital programme. As a result, the capital programme includes additional funding to support delivery of the increasingly large and complex capital programme.

75. The Review Group queried the bringing together of the City Centre Management and Economy team. The proposal is, given the reduction of external funding, that the team of nine be reduced to between 4-5 FTEs, with a reduction in the responsibilities in the now-vacant City Centre Manager post to support a significant downwards regrading also required. Both areas would be managed by the Economic Development Manager. These, with reductions in spending on monitoring city centre footfall and wayfinder cleaning allow the loss of external funding to be offset, and create more resilience in the team by increasing the number of permanent staff (currently mainly on fixed term contracts) without increasing the base budget requirement. The Review Group's concerns focused about capacity within the City Centre team following this restructure. The risk is acknowledged by officers but given the challenging financial pressures faced by the council it was considered prudent to explore this approach. The aim in doing so is to create closer working between the two teams, generating flex to manage periods significant pressure on capacity. We will also continue to explore external funding to allow project specific resource to be secured if possible. Nevertheless, the team does have unpredictable workloads which are outside of its control, for example recent announcements by central government of further Covid grants, and this is a risk which will require careful monitoring.

Commercial Property

76. The Commercial Property service area covers all the Council’s buildings which are not within the HRA, be they commercial properties, the Council’s own buildings, leisure and community centres or car parks. Given its remit, the service is cash-generative, returning money to the Council. Over the MTFS the contribution to the budget rises from the current base for 2021-22 of £6.699m to £10.562m, an increase of £3.863m. There is no change to the FTE over this period in terms of the base budget, but five new posts are required to service the quantity and scope of work undertaken by the team. These posts will either be paid for through grant funding, or capitalised, meaning they do not place a pressure on the General Fund revenue account.

77. The impact of the pandemic on the Council’s investment portfolio is an area of particular risk; lockdowns have a particularly high impact on retail, food and beverage properties, areas in which the Council recognises its portfolio to be overweight. Initial feedback is mixed. On the one hand, the Council’s forecasts were predicated on there not being further lockdowns, and whilst these have not transpired, working from home has continued much longer than was anticipated. On the other, financial results of the companies show that drops in income have not been as drastic as may have been feared. The Council's rent protocol, designed to keep tenants in shops and keep shops open for customers, had had variable take-up. The Covered Market in particular has proven problematic, with uncertainty from government as to when landlords would be able to take action for rent arrears making enforcement difficult.

78. An important issue of note is that the financial impact of pandemic will continue to be felt after it has passed. Rent reviews with tenants in a depressed market set the baseline for

the rent for the duration of that rental period. This is a direct concern for the Council as a landlord, but it also creates a financial pressure through its interest in the Westgate, with a reduction in ground rent expected of £190k owing to the charging of lower levels of rent, or from seeking to change the use (and return) on units in order to ensure their continued use.

Car Parking

79. The issue of car parking is one which has exercised members of the Finance and Performance Panel at previous meetings. The principal challenge is the balance between car parking as an income-generator, and car parking as a means of reducing car usage in the city. Though there is not a perfect negative correlation between the two, there are clear trade-offs between the two objectives. Due to this, the Review Group requested a specific report to explore these issues in greater depth.

80. At a broad level, car park charges are in alignment with the Council's broader ambitions for reducing car usage in the city centre. Thus, parking charges in the city centre will rise by 80p per hour, those outside the city centre by 30p, and Council-owned Park and Rides not at all. With the application of a 15% margin for error, estimated income is expected to grow from the current year by £380k whilst dissuading car parking in the city centre.

81. This sum is arrived from assumptions which are not guaranteed: that the changes brought about by the pandemic will not have altered the elasticity of demand, and that from April 2022 the total demand for parking will have recovered its pre-pandemic level. Pre-Omicron figures indicate that city centre car parks were on course to recover, but weekday Park and Ride figures were down. Weekend figures for Park and Rides had mainly recovered. Whilst this says what demand is currently, one cannot tell what the impact of changing prices will be, whether concern over Omicron will mean people are willing to pay more to park in the city centre and avoid catching the bus, underpinning demand, or whether the extra cost of city centre car parking will diminish demand or divert it elsewhere. Equally, it is too early to tell what the impact of Omicron is, and whether it is reasonable to assume that recovery to pre-pandemic levels will occur by April 2022. In light of this uncertainty and the importance to the Council's finances and wider policy objectives, the Review Group recommends that in-year monitoring is undertaken, with a view to making necessary adjustments if required.

Recommendation 7: That the Council undertakes a review at 3 and 6 months of car park revenue to check if income is on track, and if not that this is escalated for consideration of in-year adjustment of car park fees

82. A further significant influence on demand for city centre parking is also due to be implemented within the period of the MTFS, the extension of the ZEZ from a small pilot to an area covering much of the city centre. Those driving ineligible vehicles in the zone will face charges from £2 to £20, depending on the type of vehicle and how long after implementation they do so. Even if the charge does not have the same outsized impact as, say, the plastic bag charge relative to its cost, this will be expected to have a very significant impact on city centre car parking demand and income, and very likely some compensatory effect on Park and Ride demand. This, in conjunction with the Council's plans for the closure of its Oxpens Road and Worcester St car park sites, means that the city centre car parking market will be very different at the end of the MTFS to the start. At

present, the Budget does not have any modelling on which to predict what could be substantial changes. The Review Group recognises that the ZEZ pilot may help in developing forecasts, but it does wish to highlight this as a risk and encourages the Council to work with County Council colleagues to develop an understanding as quickly as possible.

Recommendation 8: That the Council works with the County Council to model the expected impact on car park and Park and Ride revenues of the city centre Zero Emissions Zone

83. Where relying on cost increases to reduce car journeys in the city centre is a policy stick, the Review Group is keen that this should not be the sole approach to behavioural change. It welcomes the news that the Council is reviewing the workings of the Park and Rides to maximise potential demand by providing what customers want. The Review Group welcomes investigations into whether shift workers might be served more effectively with extended parking periods, or allowing overnight parking to service the growth in hotels without car parks instead of purely focusing on price. One group the Review Group is keen to see attracted to the Park and Rides is shoppers, people who are coming for the purpose of spending their money, money that supports the city centre economy. To that end, discussions with the County Council (and the Westgate, which will fall within the city centre ZEZ) should aim to facilitate the convenience of shoppers when using the Park and Ride by, for example, organising delivery and collection points for purchases made in the City Centre.

Recommendation 9: That the Council proposes in its discussions with County and the Westgate ways to improve the convenience of the Park and Rides to shoppers, such as arranging delivery of city centre purchases to collection points.

<u>Regeneration and Investment</u>

84. Discussion of this topic focused on commercially sensitive discussions and is not publicly available. Members may find it and recommendations 10 and 11 in confidential Appendix 1.

<u>Covered Market</u>

85. The Review Group held lengthy discussions over revenue projections for the Covered Market. Owing to the commercially sensitive nature of these discussions they are not reported here in detail. Neither are they included in a confidential appendix as no recommendations were made. Issues that were raised included rent levels, the mix and usage of units, rental strategy and occupancy levels. This Covered Market will be considered by the Finance and Performance Panel early in the 2022/23 civic year and a separate report submitted with any comments Scrutiny wishes to make.

Housing

86. By law, money generated through social rents must be managed in a separate account to the General Fund, the Housing Revenue Account. Consequently, those areas of spending relating to HRA and non-HRA funding are addressed separately.

Housing Revenue Account

87. The bulk of income to the HRA comes from rental payments made by tenants. Although not fully insulated against the pressures of the current economic climate, one of the most pressing issues for Oxford is the size of demand for social housing, not an absence of suitable applicants. Equally, a portion of rental income is underpinned by benefit payments, which are more reliable than individual earnings. As such, the HRA is under less pressure than the Council's General Fund budget.

88. The major stress on the HRA derives from its ambition to address the excess demand for social housing in the city by building 750 homes over the course of the MTFS, with over 1,000 scheduled in the next decade. The great majority of this housebuilding will be undertaken through the Council's wholly-owned development company, OCHL, and then purchased by the HRA, but a small number are expected to be commissioned directly from the HRA itself. Owing to the size of the borrowing taken out to finance this, the Council has submitted its HRA business plan to external consultants to assess its robustness, which determined that the overall assumptions were sound.

89. One issue identified is that the Council's coverage of its HRA debt obligations from rents is low for the period of the MTFS, as significant outgoings arise to develop properties before their rents begin to be generated. The rent to debt coverage ratio is 1.1 until 2025/26, meaning 1.1 times more rent is expected to be collected than debt servicing. This is below good practice, which put at a level of 1.25. This means that the Council is operating with greater risk, with less to fall back on in case of unforeseen financial problems. However, the Council is undertaking very significant work in developing large numbers of homes. This will inevitably stress the finances of an organisation. So long as the risk level is not deemed unreasonably high, which the S. 151 officer judges it not to be, and there is a clear pathway to reaching a robust state, temporary deviations from best practice are warranted in view of the social outcomes generated. What it does mean, however, is that until the ratio becomes more benign, there are financial limitations to additional discretionary spending within the HRA. The risk itself is acceptable, but the availability of resources will be at its upper limit until the end of the MTFS.

90. In response to questions from the Tenant Ambassadors present, the nature of the risks to the HRA's income were elucidated. The biggest risk is inflation and rises to the cost of materials and labour, both in development but also in repairs and maintenance. This is managed through prudent forecasting. There is a secondary risk, which is a political one. Central government has in the past placed a cap on rent increases. Though no indication has been received that it plans to do so at present, were it to happen there would necessarily have to be reductions in discretionary expenditure within the HRA.

91. The other source of stress is the level of investment the Council intends to make in its own stock. This includes structural investment and energy efficiency. Non-capital investments relate largely to legislative changes, such as post-Grenfell laws on building safety, and the soon-to-become-law Social Housing White Paper. However, owing to the Council's progress to date in developing housing, the next year is expected to be the first where the number of Council properties developed exceeds the number lost through Right to Buy. This requires greater capacity to manage the additional stock.

92. The Review Group is very supportive of the proposals to invest in increasing the energy efficiency of its stock. Not only is it an expression of the Council's commitment to addressing climate change, but amid the immense dysfunction in the energy market steps taken to insulate against fuel poverty have increasingly beneficial impacts on residents. An issue of concern is that the Council does not know the volume of carbon reduction expected by its investment. The Review Group's view is that for an investment of this size there needs to be transparency and accountability; measuring it should be a good news story for the work of the Council and the tangible difference its policies are making to residents. The point is recognised that there are a plethora of different types of building within the Council's existing stock, and that carbon reduction measures must interact with other issues affecting housing quality, and whether changes are being made to a single dwelling or a block. As such, the changes to each property will be bespoke, making estimates hard. However, it should not be difficult to provide a baseline figure. Current EPC certificates show how much CO_2 a building produces per year, and what their potential is. It is to be expected that the Council could, without excessive difficulty, work out the carbon savings if the top 95% of properties were to reach the lowest 'C' rating on an EPC. This would underpin a KPI to ensure that this work is delivering on its important objectives and allow a cost estimate per tonne of CO_2 to be developed.

Recommendation 12: That the Council provides a baseline figure of the carbon savings generated by ensuring that 95% of its properties achieve the lowest level of 'C' EPC ratings.

93. One issue raised in discussion of carbon savings was that the Council's policy is to prioritise the retrofitting of the worst EPC-rated homes. This is very sensible. There are houses, however, for example some of the Howard Houses, which are poorly insulated but where other issues relating to construction makes it difficult to improve without major works and significant planning. It is recognised that the Council's target is 95% of homes, not 100%, and that there are some homes which are simply not capable of reaching an EPC 'C' rating. The Review Group would be alarmed if the impossibility of reaching energy efficiency targets were to mean that tenants in the least efficient households were bypassed altogether, an excellent example of perfection being the enemy of the good. Likewise, there are those for whom it is possible to reach a 'C' rating, but where it is very complex. The Review Group is keen that complexity should not work against the principle that those most in need should be supported first. Some works may not be possible immediately, but interim works which can be undertaken sooner rather than later should be.

Recommendation 13: That so far as practically possible the Council ensures that energy inefficient homes are prioritised for retrofitting, notwithstanding the complexity of the task.

OCHL

94. Discussion of this topic focused on commercially sensitive discussions and is not publicly available. Members may find it and recommendations 14 and 15 in confidential Appendix 1.

Tenant Engagement

95. A further area of interest was over the resource implications of the Social Housing White Paper, which places new duties upon the Council regarding safety, consumer standards and tenant engagement. The Scrutiny Housing and Homelessness Panel has been looking at how the Council intends to respond to these changes throughout the current civic year and will report on this separately. However, they have significant resourcing implications, with five FTE posts being created to meet the Council's new responsibilities. The concern of the Review Group was that as much value be drawn from these posts as possible, and full consideration therefore be given as to how best those resources could be allocated. In particular, it feels that the high performance of the Council's Tenant Involvement Team might produce synergies that locating the posts separately within a separate team might not. The Review Group would therefore like to see this option of locating the tenant engagement new posts within Tenant Involvement investigated.

Recommendation 16: In view of the greater tenant engagement needed arising from the Social Housing white paper, that decisions over how best to respond to that include the work of existing teams, particularly the Tenant Involvement Team.

<u>General Fund</u>

96. In broad terms over the 4 year period the budget decreases from the current base for 2021-22 of £5.524 m to £4.228m by the end of the 4 year MTFS period, a reduction of £1.296m. In addition full time equivalent (FTE) staff numbers reduce from 97 FTE to 95.5 FTE a reduction of 1.5 FTE over the same period.

97. The overwhelming bulk of the Housing budget lies within the HRA, but there are some areas which fall outside. These include Community Housing, Housing Needs, and Welfare Reform. Of these, Housing Needs, relating to the Council's homelessness duty, makes up almost 90% of the gross budget. The financial pressures of energy and other costs on residents make any reduction in the demands on the Council's housing duty in the near future unlikely. However, a number of steps have been taken to tackle this pressure, including entering into a joint commissioning arrangement with the County Council and neighbouring district councils relating to rough sleeping provision to raise efficiency and service levels, whilst also spreading risk for specialist services, such as the Council's Floyds Row facility. It should be noted that this arrangement is predicated on receiving significant sums of government grants, which is a risk. Over the period of the pandemic, surprises from central government in respect of both rough sleeping and general homelessness grant funding have been positive ones, allowing the Council not to use homeless reserves and even to build up additional reserves from surpluses. One further positive has been that the government has committed to longer-term funding, rather than year-on-year funding, which provides greater certainty throughout the duration of the MTFS. Finally, the Council has been undertaking a review to improve the efficiency of its service through a Housing Needs system change, including the reconfiguration of the size and quantity of temporary accommodation.

98. One issue of particular interest to the Review Group was the status of the Council's dedicated assessment, accommodation and support centre for rough sleepers, Floyds Row in light of Covid, and the financial implications arising from that. The building is currently being used as an area for triage, but the ability for it to house rough sleepers whilst undertaking rapid assessment has been rendered impossible owing to the

communal nature of the accommodation. Investigations were made as to whether investing in internal changes to convert what were designed as shared rooms into individual rooms was a viable option. Initial assessments indicated that the idea was not viable. Ultimately, until Covid restrictions are lifted this function (and the income it would bring in) will continue to be impaired.

Recommendation 17: That the Council provides an estimate of the implications for the City Council of both the capital costs of a reconfiguration of Floyd's Row away from its current triage service back towards something closer to the original design and the associated operating costs as part of the transition to life after Covid.

Regulatory Services and Community Safety

99. 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.

100. The area is heavily income-reliant, with approximately 65% of its costs covered by income at present, with plans to increase that figure to approximately 75% by the end of the MTFS. As a consequence, over the 4 year period the budget decreases from the current base for 2021-22 of £1.358 m to £0.692m by the end of the 4 year MTFS period, a reduction of £0.666m. Full time equivalent (FTE) staff numbers reduce significantly less, from 80.1 FTE to 78.1 FTE, a reduction of 2.0 FTE over the same period.

101. The impact of Covid resulted in fewer inspections and in particular the ability of the HMO enforcement team to gain sufficient evidence to issue financial penalties on landlords of unlicensed or non-compliant HMOs. The reduction in income of £51k for 21/22 will be reversed for 22/23 as it is anticipated that enforcement activity will have returned to normal levels. The Covid impact on the night time economy was felt acutely by the Street Trading consent holders who provide hot food vans, many of whom did not apply for their consent in 2020/21. Whilst the night time economy is returning to normal, particularly after the removal of restrictions in July, there are a number of street traders who have struggled and so the income budget for 21/22 was reduced by £30k with an anticipation that this will be reversed in 22/23.

Selective Licensing

102. Selective Licensing refers to the power by a local authority to require all, bar some very narrow exceptions, privately rented homes to be licensed, meaning that a number of minimum standards around safety are met. The power to do so is granted by the Secretary of State after an application by the local authority. Although its primary purpose is to raise standards of accommodation within the private rented sector, its implementation is the biggest single contributor to the reductions in the Regulatory Services and Community Safety base budget. The Council is barred from making a profit from its licensing scheme, but the costs of administering the scheme can be legitimately covered by licence fees. As such, all staffing costs which can be attributed to this work, be it direct roles such as issuing licences or enforcement, or central support such as HR,

finance or legal, can be covered by the fees collected, thereby enabling a significant drop in the base budget of £369k per annum.

103. There are a number of issues which make this a high risk saving. It was noted that if the application was unsuccessful then there would be a significant impact on the Council's budget which would need addressing. The first is that the decision is a judgement made by the Secretary of State for the Department for Levelling Up, Housing and Communities. In the period since the Council began investigating the possibility of applying for a scheme there have been multiple Secretaries of State and changes of name to the department. Continuity has been deeply lacking, and though the Council is confident in the case it can make in favour of the powers being granted, fine-tuning of the application is more difficult. The second issue is one of timing: applications are made to the Secretary of State without a set time scale for responses. The saving is scheduled for the 2022/23 financial year, and the Council is on the brink of submitting its application. However, the most recent bids by Liverpool City Council and Hastings Borough Council took 9 and 13 months, respectively, to be decided. Beyond the application itself, if the power is subsequently granted there is a statutory requirement for 12 weeks of publicity before it can be implemented. Were even the shorter of these time frames (9 months) to be realised, rather than the hoped-for six months, this would prove problematic. With a new scheme, a lot of income would be anticipated to be collected at the start in the form of licence fees. Nevertheless, income equal to the reduction in base budget provision would need to be collected by the end of the 2022/23 financial year to prevent a shortfall, and a number of the key influences over whether that can be achieved are beyond the purview of the Council, hence the high risk.

<u>Other Efficiencies</u>

104. Two other proposed efficiencies discussed by the Review Group concerned suggested reducing a currently contractor-filled Commercial Noise Environmental Health Officer (EHO) role to part time, for a saving of £22k per year, and the cessation of the out of hours service, delivering an annual saving of £16k. These savings were specifically queried given the apparent outsized impacts on residents relative to the size of savings delivered.

105. Reducing the EHO post to part time would mean a reduction on the service's capacity; it would not be possible for all the work undertaken in the hours to be removed to be absorbed by the remainder of the team. On the other hand, discussions had taken place to plan and understand the breakdown of activities undertaken within the role to ensure that priority activities could still be delivered. The loss in capacity, therefore, would be felt more in lower priory areas of work. Complaints, unfortunately, do fall within that category as the role also includes non-discretionary responsibilities such as environmental permitting and contributions to planning applications. As such, the diminished capacity would require careful and targeted management to maximise its effectiveness.

106. The out of hours service was in the previous Council budget reduced to a weekend-only service because of the lack of use during the week. Even at weekends, however, the typical usage was two to four calls per night, although with good weather the number could be higher. These numbers did not, however, justify the continuance of the service, particularly when there was contact centre cover. The service is not one required by statute, and the Council is in the minority in still providing a regular out of hours noise

service. Technological solutions, such as the Noise app to record noise levels, could be explained over the phone by contact centre operatives and negated the need to send out an officer to intervene, further reducing the value for money justification for a dedicated out of hours service.

107. These proposals, which reduce service provision to address behaviour which is not criminal but can nevertheless be deeply anti-social, are uncomfortable for the Review Group. However, it does recognise that the Council has for a long time been one of very few councils providing a service above and beyond its duties in this area, and that there is a financial imperative to find savings. It is also gladdened to hear that technology, such as the Noise app, is capable of mitigating the need for in-person interventions. As such, it reluctantly supports this proposal. However, the mitigation provided by this technology is contingent on public awareness and use of it. As such, the Review Group suggests that it would be beneficial that there is more publicity about the availability of the Noise app to address problem noise issues, particularly in areas of the City where anti-social noise is a known problem.

Recommendation 18: That the Council makes a priority to publicise the Noise app, particularly in areas with known noise problems.

Community Services

108. The Community Services consists of Active Communities, Cultural Services, Community Hubs, the Town Hall and Facilities Management. Responsibility for the Council's leisure provision, the Town Hall and Museum, and the Council's community centres fall within this service area and all have been hit hard by Covid. However, it is anticipated that income generation will rebound over the course of the MTFS. This underpins a budget decrease over the four year period the budget from the current base for 2021-22 of £5.821 m to £3.768m by the end of the four year MTFS, a reduction of £2.053m. Nevertheless, a number of significant savings also support this reduction, including the removal of half a million pounds of reserves relating to leisure contingency, the integration of Community Services with Housing, targeting a £345k saving, and reducing the grants budget by £200k.

Income Recovery

109. As referenced above, Community Services includes a number of areas which generate income on which the Council relies, and which saw significant impairment from lockdowns and the overall loss of confidence in the pandemic. As the situation with Covid improves, albeit unpredictably and with steps backwards as well as forwards, this income is expected to recover. The Council's current forecasts compared to pre-pandemic levels of income are as follows:

	2021/22 (Covid)	2022/23	2023/24
Town Hall	-85%[2]	-51%	Above pre-covid levels

[2] This figure is the gross figure; efficiency measures were taken in light of the significant reduction in bookings, meaning the net impact was closer to 54%.

Community Centres	-60%	-40%	Pre-covid levels
Events	-50%	Pre-covid levels	

110. The Review Group gave consideration to these assumptions. On top of Covid-related impairments to income, the redevelopment of East Oxford, Blackbird Leys Community Centres in the 2022/23 would lead to receipt of no income from them in that financial year, creating a drag on income into 2022/23. It is a challenge to be able to forecast how many displaced groups in those community centres would decant to alternative Council-owned centres, but Covid-reluctance means there is spare space and offers scope for some losses in redeveloped community centres to be recouped by other centres instead.

111. Given that many are held outside, events income was hit less hard during lockdowns than other areas of Communities income. With public confidence in this area being higher it is anticipated that income will return to its pre-Covid baseline in the first year of the MTFS.

112. Many of the Town Hall bookings are large events, some with an international reach. These events tend to be booked a long time in advance. This contributes to a lag in recovery in income by the Town Hall on two fronts; the global pandemic situation must be sufficiently stable to engender confidence that attendees will be able to travel freely, and then the lead-in time for a large event must be factored in also. The result is that Town Hall income is anticipated to remain heavily subdued relative to its pre-Covid levels until 2023/24, when those larger events are expected to return.

<u>Leisure Contingency</u>

113. The purpose of the leisure contingency was to manage uncertainties over usage and the overall leisure contract, a situation which was realised three times over the pandemic with the need for leisure centres to close. However, as a counterbalance to this, the Council has managed to attract central government leisure recovery grant funding of £300k, which supported the reopening of the leisure centres. Furthermore, the Council and its leisure centre provider, Fusion, are in the process of agreeing a contract variation, which is expected to provide the Council with greater assurance over revenues. Taking these factors into consideration, and following review of recovery rates of usage levels, the contingency is proposed to be withdrawn incrementally over a three year period, retaining a degree of surety during that time.

114. The position of the Review Group is that this is a significant sum. Clearly, it is not advantageous to the Council or its residents to remove that sum from other budgets just for it to be sat unneeded as a contingency. On the other hand, the quantum of that contingency does indicate that (under the old contract arrangements at least) leisure income can be subject to significant volatility, warranting a significant financial buffer. The Review Group is uncertain whether this reduction is prudent or whether it exposes the Council to undue levels of risk. What is certain is that such a proposal requires a strong case to be justified. At present, the Review Group, members of the public, and the Council members who will ultimate decide whether to agree the budget do not have sufficient information on which to make this judgment. The Review Group would wish to

see a fuller explanation of how proposed the proposed changes to mitigate the effect of removing the contingency will not lead to a substantial increase in risk.

Recommendation 19: That a fuller justification of for phasing out of the £500,000 leisure contingency is provided in the post-consultation budget proposals.

Fusion Leisure Contract Expiry

115. Discussion of this topic focused on commercially sensitive discussions and is not publicly available. Members may find it and recommendation 20 in confidential Appendix 1.

Community Grants

116. The proposals to remove £200k per year from the Council's grant pot were actually agreed as part of the last year's budget, but implementation delayed to 2022/23 to allow for significant engagement and consultation on proposals. In December 2021 the Scrutiny Committee considered the proposed terms of how those reductions would be implemented. However, it was suggested that the Budget Review Group would more equipped to judge the granular detail. In particular, the Scrutiny Committee was addressed by a coalition of advice centres, from whom the proposals suggest the removal of £70k of funding. A letter, very similar in content to the presentation made to Scrutiny, detailing the impacts of this reduction and the returns to the Council of investing money in advice centres was included for consideration as part of the Review Group's papers.

117. The proposed reductions of Council grant funding to advice centres comprise removal of the £45k per annum advice centre development fund, and a reduction in core funding of £25k. Whilst unwelcome, the advice centres suggested that the £45k advice centre development grant could be forgone. Having seen core funding not keep with inflation since 2010, meaning a real-terms reduction of £30k, the impact of an additional £25k of cuts to core funding would, however, be more serious. An estimated 300 fewer clients from the most financially disadvantaged areas in the City would be unable to be seen, causing an estimated net loss to these financially challenged individuals of £300k in total.

118. On reflection, the Review Group is of the view that this proposed reduction is wrong for a number of reasons. First, in the context of the overall General Fund budget the sum is small, £25k. To the immense credit of council officers and the Cabinet member it is clear from discussion that a huge amount of work is being put in to mitigate the effect of this proposal, but this resource is being expended for very little financial benefit. Rather than assuming they are being inefficient with their time, it is clear that those who are closest to these groups know their true value and that devoting significant resources to mitigating a £25k funding cut is worthwhile. The Review Group shares this view. Taking the Advice Centres at their word, the Council's investment generates financial gains of 19 times as much for their service users. Clearly, the return dwarfs those the Council deems viable for its own capital schemes. However, this is not a truly fair comparison. Much closer would be estimates of the Council's social return on investment from activities such as the Youth Ambition programme. It is estimated that there is a total social return of 15 times the Council's investment for Youth Ambition. Advice Centres exceed this.

Furthermore, with the deteriorating economic situation in the country, combined with the fact that these financial benefits accrue to the most financially disadvantaged in the City, these returns are liable to increase. Getting someone at risk of eviction access to the right benefits, for example, can mean the Council avoids significant housing or homelessness-related costs. Although difficult to quantify, this cost-avoidance is likely significantly to mitigate the investment made, at a time when there is greater need for such support than ever. The Review Group recognises that the Council is under great financial strain, that its current level of draw on reserves is unsustainable, and that the primary financial objective in the event of any upside surprises must be to reduce that draw on reserves. However, because the sum involved is modest, the Review Group's view is that an exception can be made in this instance with virtually no disruption to the Council's overall financial strategy, and the positive impacts are so large that an exception should be made. It is the strong representation of the Review Group that this projected efficiency be reversed.

Recommendation 21: That the Council reverses its proposals to make £25k cuts to advice centre base budgets.

Green Flag Scheme

119. The Green Flag Scheme is an external accreditation scheme for parks and open spaces in the UK to promote high standards and best practice. The budget proposals involves the Council no longer seeking this accreditation, which costs £18k per annum. This saving breaks down into the cost of the application for accreditation itself, and the greater, remaining proportion to cover the additional necessary work to pursue and achieve the accreditation. The Review Group's view on this is that with biodiversity being such a key element in the response to the Climate Emergency, the Council would suffer a reputational risk by forfeiting this external accreditation. Equally, ensuring a positive environment which encourages outdoor activity is an important contributor to the Council's strategic objective to support thriving communities. Furthermore, the cost of application itself is low, and although it does entail additional work, the accreditation is a source of pride for staff, raising morale and thereby hopefully contributing to a reduced turnover, acting as a partial offset to the additional work required. The Review Group hopes that greater clarity of the actual cash costs can be ascertained, and that the cost benefit of this cut is reviewed in light of the real cash cost. The Review Group would also wish that the Council investigate whether CIL monies can be used to support this cost if necessary.

Recommendation 22: That the Council provides clarity over the actual cash cost of Green Flag accreditation, that it reviews the cost-benefit of making this efficiency against this figure, and that it investigates (and includes in its deliberations if appropriate) the possibility of accessing CIL monies to cover these costs.

Chapter 5: Conclusions

120. The lockdowns instituted to limit the spread of Covid precipitated the biggest contraction in British national output for over 400 years. Despite making prudent moves, such as availing itself of the government's furlough scheme and multiple other sources of grants, this historic contraction in economic activity has had severe financial consequences on the Council, particularly for a Council which models itself on enterprise to support its core services to residents. Its incomes are subdued, with fewer people needing parking, reduced demand for the Town Hall, and some shop-keepers being less able to pay previous levels of rent. Meanwhile, much of the support from government, such as its partial reimbursement for lost income, fees and charges, is ceasing before there has been full recovery. Further, a number of other policy changes, such as reforms to business rates will disadvantage the Council further. This places the Council in a situation where, in order to deliver the legally-required balanced budget, it must fund its activities by drawing on £11m of its reserves, over half the available total, in the next four years. The context of the budget is therefore one of clear financial stress, and an imperative to attain sustainability. That is the core challenge the Council has faced in setting its budget.

121. The Council cannot control these extraneous factors, but it can control how it responds to them. Setting aside efficiencies, which all councils ought to pursue, there is broadly a choice between cutting services to balance the budget, and increasing income to retain services. The Council has made a choice to pursue a course whereby services to residents are maintained so far as possible through the generation of income, the 'Oxford Model'. The consequence of prioritising services to residents is that the Council must find ways both to finance those services and close its deficits at the same time. Although the Council is taking steps to operate more cost-efficiently, these measures occur after over a decade of decreasing support from central government and insufficient opportunities exist to bear this burden alone. The Council must therefore generate income, and in general, the greater the return sought the higher the associated risk is. The Council's risk profile is higher than it has been previously, and there are areas of activity – the reliance of company dividends, the reliance on central government to agree to selective licensing in a timely manner, the returns required from the Council's regeneration activity, and the relatively thin debt to income ratio cover within the HRA – which are uncomfortable. This discomfort, however, is a natural function of the political decision it has made to tolerate risk in favour of not reducing services at the point they are most needed.

122. It would be wrong to conclude that if assuming risk is a natural function of political choices then hard decisions need not be made. There is a balancing exercise to be upheld between the risks and the benefits of different spending options, and it is clear that hard decisions with unwelcome negative impacts have been made, such as making reductions to the Council's voluntary sector grants scheme, or the cutting of the out of hours noise service.

123. The Review Group understands very well the challenge of the Council's financial situation and has typically not lobbied for additional spending or the reversal of service reductions. Instead, it has sought to clarify issues for both the Council and the general public on spending issues so that the risks being undertaken are more fully understood.

There are, however, a number of relatively small areas of spend where the overall budget impact was small but the overall impact disproportionately large, for instance the removal of £25k from advice centre core budgets and ceasing to get Green Flag status, which the Review Group has suggested be reversed. There is the possibility that a number of assumptions made at the start of the budget consultation, such as the minimum revenue provision figure, or the increase in national insurance, may be allayed and provide a welcome increase to the budget. In this circumstance, however, the Budget Review Group would not wish to see further service reductions reversed but priority be given to increasing the Council's resilience to the risk it has assumed by bolstering reserves.

124. It is clear that the Council has had to work inordinately hard to develop income streams, manage risk, increase efficiency, continue delivering on its core objectives and position itself for future changes. It is also true that despite this the Council has taken on more risk. However, it is the overall conclusion of the Review Group that its proposals, though increasingly risky, are not imprudent, and that they reflect the mandate provided by the electorate in choosing the composition of its Council that service levels should be upheld where possible, and not removed at the point they are most needed by residents.

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