

## VALUE AND PERFORMANCE SCRUTINY COMMITTEE

**Monday 21 November 2011**

**COUNCILLORS PRESENT:** Councillors Brown (Chair), Seamons (Vice-Chair), Gotch, Humberstone, Keen, Royce, Van Nooijen and Fooks.

**OFFICERS PRESENT:** Pat Jones (Principal Scrutiny Officer), Steve Sprason (Head of Corporate Assets), Lois Stock (Democratic Services Officer), Helen Bishop (Head of Customer Services), Lucy Cherry (City Leisure), Tim Sadler (Executive Director for City Services) and Richard Hawkes (Corporate Asset Manager)

### **22. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were received from Councillor Mc Cready – Councillor Jean Fooks substituted.

### **23. DECLARATIONS OF INTEREST**

Councillor Gotch declared a personal interest in the item concerning the review of the Benefits Service (minute 25 refers) on the grounds that he had tenants who were in receipt of housing benefit.

### **24. STANDING ITEM: REPORT BACK ON THE COMMITTEE'S RECOMMENDATIONS TO THE CITY EXECUTIVE BOARD AND ON MATTERS OF INTEREST TO THE COMMITTEE**

The Committee received and noted the report to City Executive Board concerning the Trading Strategy.

### **25. BENEFITS FUNDAMENTAL SERVICE REVIEW**

The Head of Customer Services submitted a report (previously circulated, now appended) concerning the Benefits Fundamental Service Review. Helen Bishop (Head of Customer Services) attended the meeting and presented this report to the Committee. She highlighted the fact that new claims were now processed within 17 days, which is within the top quartile for performance, and that the average telephone response rate is now over 90%, with an abandonment rate of under 10%. Consultation with stakeholders had shown that they would be willing to have self-service terminals within their own premises.

Councillor Val Smith (Board Member for Regeneration and Customer Services) added that Members had made an important contribution to the review through a Member Advisory Group. Whilst there was a desire to reduce costs, there was also a need to remember that the service dealt with some very vulnerable people; and that there was no desire to see them disadvantaged by any changes. Councillor Smith had personally tested the telephone service and felt that it had improved a great deal.

## Introduction

The following additional information was then provided in response to questions posed by members of the Committee:-

- (1) It was expected that a “resilience contract” would help with services over the Christmas period. This was a contract which allowed a provider to assist the Council when its workload reached a peak in order to help maintain Council performance;
- (2) Sick leave had been reduced for a variety of reasons. Many long term sick members of staff were now back at work, or had moved to work elsewhere. The Attendance management Policy was being applied in order to keep levels of sickness down;
- (3) It was hoped that excess paperwork issued to landlords would be reduced or even eliminated in future. Landlords would be able to choose whether or not to receive hard copies of documentation, and they would be able to check their status on line;

## Costs

Councillor Brown expressed the view that there was a lot of good work going on, that it was possible to see results, and that the Committee both noted this and was pleased with the progress made. The Committee wanted to be kept informed of costs and value for money.

Neil Lawrence (Performance Improvement Manager) indicated that there had been a real reduction in costs occasioned by the bringing together of services in one place. Helen Bishop added that there was still a need to reduce the costs of the service, with savings of £115,000 made this year and a further £75,000 saving needed next year. The customer service recharge has also been reduced with £85,000 of savings required in the current year and £92,000 to be found over the next 2 years.

Tim Sadler (Director, City Services) clarified that the cost of customer services had fallen for various reasons, one being the reduction in accommodation costs, leading to a new reduction of £565,000, some of which was a redistribution of costs. Councillor Fooks asked for an itemised list of those elements that contributed towards savings. Councillor Van Nooijen wanted to be assured that customer services were becoming cheaper and more efficient as a result of changes being made. The Committee also expressed general concern that any savings made as a result of recharged should not cause the inflation of another service area’s budget. Tim Sadler assured that the Committee that this would not happen, provided that other areas made commensurate savings as well.

## Other costs

In answer to a question, it was explained that the sum of £8.84 quoted was the cost of Mouchel processing change of circumstance applications. This was a small part of the overall process. Neil Lawrence added that the benchmark figure of £111 was based on the cost of processing new claims, and did not take into account changes in circumstances. The sum of £59 was given as the benchmark average.

## Recommendations

It was RESOLVED to make the following recommendations to City Executive Board:-

**(1) To express to the City Executive Board support for the design principles outlined in the report and to congratulate all those involved in bringing the service to this point**

- (a) Scrutiny Councillors were still unclear on the “economy principles” used within the Fundamental Service Review which they wish to highlight to the City Executive Board. One of the significant issues for the Council and highlighted in the Audit Commission Review was the very high cost of the service in gross terms which includes that funded by the administration grant and that funded by local tax payers. Within its scope the scrutiny committee was eager to see “real” reductions in cost to the benefit of the local tax payer.
- (b) In response to questions the committee was told that the total reductions made within the service between 10/11 and 11/12 is estimated as £925k. Of this amount:-
- £377k represents a real reduction in the councils budget through reduced staff, consultants, external processing and IT
  - £565K represents a shift of recharges from Customer Services. These cost are to be charged to other Council Services who are now served by this service
- (c) The Committee is concerned that the movement of this substantial amount does not give cost increases for receiving services. The Directors view was that this should not be the case providing the service takes advantage of the efficiencies proved. The scrutiny committee has asked to see details of where the charges will go and the effects of these on the total costs of those services

**(2) For the City Executive Board to be satisfied that the re-allocation of support service charges from Customer Services does not increase the total cost of Services.**

- (a) The committee heard that the Fundamental Service Review was not working towards the delivery of the service to any particular benchmark. There is an acceptance by all that the Council wishes to provide a high quality service that responds well to its client group. So the profile ultimately would be higher than average costs accompanied by higher than average outcomes.
- (b) A target of between £70 and £80 per claim has been chosen as a working consideration on the basis that this feels about right but effectively the real target in monetary reduction terms is to deliver the budget reductions agreed within the budget. The committee asked to see comparative benchmarks for urban authorities with the same ambitions as ours and it was clear that there is room for further downward movement beyond the £70 - £80 articulated. In

fact it is clear that the Fundamental Service Review is likely to overshoot this.

- (3) For the City Executive Board to be more ambitious in their setting of economic targets for this Fundamental Service Review and work towards a benchmark that reflects the best of those authorities with similar ambitions to us**

## **Part II: Exempt Information**

Resolved that under Section 100(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the remaining items of business on the grounds that their presence would involve the likely disclosure of information as described in paragraph 3 of Part I of Schedule 12A to the Act.

Summary of business transacted under Part II of the agenda as required by Section 100C (2) of the Local Government Act 1972

### **Part II**

#### **EXEMPT BUSINESS**

The Committee considered matters related to the Leisure Management Contract and Asset Management Plan in closed session

## **26. LEISURE MANAGEMENT CONTRACT**

The Head of City Leisure submitted a report (previously circulated, now appended) concerning the Leisure Management Contract. Lucy Cherry (Leisure Manager) and Councillor Van Coulter (Board Member for Leisure Services) attended the meeting to present the report to the Committee.

### Introduction.

Councillor Coulter, introducing the report, explained that there was a 22% reduction in the subsidy paid per user. There was increased participation at the Council's leisure centres, but participation from minority communities had dropped. Lucy Cherry added that Blackbird Leys, Barton and Ferry Leisure Centres, and Hinksey Swimming Pool, had all achieved QUEST (a UK quality award scheme for leisure facility management) accreditation, and it was hoped that the Ice Rink would shortly be joining them.

### Carbon management

There has been a 20% overall increase of carbon tonnes across leisure facilities, although at some specific sites it has decreased. The reasons for the change include increased usage of the facilities and aging plant and equipment at some sites. Councillor Coulter informed the Committee that he has made it clear to FUSION that he wishes to see some real improvements in carbon management in the future.

The Committee felt it would be helpful to know the figure for carbon emissions per user.

### Participation rates

The Committee was keen to know where services users originated from. FUSION has been asked to map where users live and which facilities they are using.

The Committee was pleased to see increased participation rates by older people and disabled people, and asked if these matched the Council's ambitions for participation. In reply, the Committee was informed that there were targets in the contract for a 5% increase per year in participation by each group

Costs were projected to decrease each year during the final 2 years of the contract. The Council had generous subsidies and concessions for users, and some 30% of users benefited from these. The Committee felt it would be useful to examine costs both with and without concessions at some point in the future.

Resolved:

- (1) To thank Lucy Cherry and Councillor Coulter for their attendance and useful input;
- (2) To note all points made;
- (3) To ask that a report showing costs with and without concessions, and carbon rates per user, be prepared for a future meeting (date to be agreed).

## **27. COMMITTEE INQUIRY - ASSET MANAGEMENT**

The Head of Law and Governance submitted a report (previously circulated, now appended) concerning the progress made to date on the Asset Management Plan. Lead Members on this item, Councillor Van Nooijen and Councillor Gotch, introduced this item to the Committee. Councillor Van Nooijen welcomed Steve Sprason (Head of Corporate Assets) and Richard Hawkes (Corporate Asset Manager) to the meeting. They would answer questions put to them by members of the Committee.

The following questions were then put, and answers given:-

Question 1: Was Steve Sprason pleased with the Asset Management Plan?

Answer: It has progressed well over the last 3 years. He did not believe that the organisation fully appreciated what was the state of its property portfolio three years ago, but it should now have more trust and confidence in the process and in the way in which property was managed. The Council had maintained and improved its investments and income, had a good level of capital receipts, and employed high quality people within the Asset management team. He would, however, like more progress to be made with the investment portfolio.

Question 2: What is the current situation regarding maintenance backlogs?

Answer: Some progress has been made with this. There is a structured programme for investment in leisure facilities and there have been measurable improvements. The backlog has partly been reduced by the disposal of some assets, for example the office buildings at blue Boar Street, and by investment to improve such as that carried out on St Aldate's Chambers. The Council had the sum of £7 million to spend over the next 5-6 years in order to reduce the maintenance backlog. There are example were some investment could result in an increase in rental income – for example, the Council owns an office block which would recoup an investment of £150,000 to carry out improvements quite quickly.

Question 3: What is the current strategy for the best use of car parks?

Answer: There was a desire to retain parking facilities (and thus parking income) but to try to develop around the site, for example at the St Clement's Car Park. This would add value to an asset. There were other opportunities at Diamond Place and Worcester Street car parks, but the aim was to deal with the St Clement's Car park first.

Question 4: What is the current position regarding maintenance on the Covered Market?

Answer: There is a maintenance backlog here, but last year the sum of £100,000 was invested in the Covered Market in order to improve decoration, lighting and other services here. Oxfordshire County Council provided half of this funding. A further amount out of the £7 million referred to above has been earmarked for the Covered Market.

Question 5 on specific corporate targets CA004 and CA006

Answer: Steve Sprason explained that tenants had not been asked about their level of satisfaction with the Council, but he wanted to carry this work out this year with City Centre tenants in order to establish a baseline figure. Similar consultation would take place with tenants from the Covered Market next year. Tenants would be asked what they thought of the Council as a landlord.

There had been a situation, in the past, where properties could be left without rent reviews for a long period, but this situation has now changed. The Council holds properties in order to maximise its income and therefore seeks market rents. If occupiers fulfil a social need, they can obtain a grant towards their costs, but other than this the Council does not pay heed to any social need that the tenant may fulfil. The "tenant mix strategy" is part of this. Tenants are expected to pay a market rent, but at the same time the Council does not wish to see them bankrupted!

There are a number of renewals that fall due each year. Some leases are for a 5 year period and some for 7; all have their own renewal pattern. Rent review is a quasi-judicial process, and there is a need to serve proper notice in good time in order to protect the Council's position.

Question 6: On risk: Is Ramsay House going to raise sufficient funds? Has the work on St Aldate's Chambers and the Town Hall been carried out within budget?

Answer: Blue Boar Street was sold for £3.2million, which was more than expected. Negotiations about Ramsay House are still ongoing, but it is anticipated that the required sale price will be achieved. The aim is to vacate Ramsay House by late February/early March 2012.

St Aldate's Chambers are currently on target, despite the fact that the first contractor went broke. Even so, there have been no increases in costs because of this, and it looks as if the project will come in under the budget of £4.3million. The outturn is expected to be approximately £3.8million.

Question 7: Swimming Pool and Westgate Development – does this still present a major risk to the Council? Has the potential loss because of delay to or stoppage of the project been estimated within the risks?

Answer: Unable to give details of any potential loss on the Westgate scheme at this time. However, the rental income from Westgate fell by £100,000 over the last 2 to 3 years. The figure for the last 12 months is awaited. It is felt that uncertainty over the future of the project has led to a modest drop in income.

It is more likely than not that the Westgate scheme will proceed as planned. The current developers (Crown Estates and Land Securities) are premier developers who have carried out some significant work over the past few years. The Council would be in a position to instruct solicitors to prepare formal documents in a few weeks' time. It was in discussions with Oxfordshire County Council about bus and transportation issues as well.

Steve Sprason indicated he would send details on the above to Councillors.

Regarding the swimming pool project, some work on service diversions had started here. The Council was seeking to resolve issues around the application for Town Green status on the land designated for the new pool in Blackbird Leys. Once that is resolved, work could begin quite quickly.

Question 8: Does the corporate risk register adequately reflect the risks associated with the management of our assets? How big a risk is commercial property income to achieving a balanced budget? What is the situation concerning vacant properties?

Answer: Assets don't normally merit an individual mention because the risk is bound in with the financial risk to the Council as a whole.

There are quite a few vacant properties around the City centre. Christmas 2009 was an especially bleak period as a few companies went into receivership then, losing up to £400,000 rental income. There are still a few void properties, but they are slowly being filled (for example 20 /24 St Michael Street has a conditional agreement for a new hotel there). Some properties have reverted to the Council in poor condition.

Although the Council does own some City centre property, it is not a major landlord. Some premises need considerable work on them, or require planning

consent, or are politically complicated. The capital receipts that the Council hoped for might be more difficult to achieve now.

Regarding rates of return on property, this all depends on what rate the Council wishes to achieve. Richard Hawkes indicated that he had put the sum of 5% in the Asset Plan as a placeholder.

Question 9: What are the implications of restrictive covenants?

Answer: The Council will enforce covenants. The Council does have the discretion to release or not, it can negotiate a release and can negotiate a payment for this

**Resolved to:**

- (1) Thank Steve Sprason and Richard Hawkes for their attendance at the meeting and useful input into the discussion;
- (2) Welcome the advance sight of the Asset Management Plan;
- (3) Establish a small group that will examine the Asset Management Plan in more detail. This group will comprise Councillor Fooks and Councillor Van Nooijen, with an invitation extended to Councillor Campbell. Other Councillors may wish to join as well and can be invited to do so;
- (4) Make the following recommendations to City Executive Board:-

Recommendation 1

That City Executive Board to agree to affirm their commitment to providing good and sustainable budgets to tackle the maintenance backlog and investment to provide for the most effective use of our assets. To encourage all political parties on the Council to support this within their budget proposals.

Recommendation 2

To welcome the discussion in concrete terms of rates of returns for our asset portfolio and to ask the City Executive Board to set a target for this in the re-refresh of the Asset Framework of 5%.

**28. STANDING ITEM: WORK PROGRAMME**

The Head of Law and Governance submitted a report (previously circulated and now appended) updating the Committee on the work programme for the current year.

Resolved to note the report.



## **29. MINUTES**

Resolved to approve, as a correct record, the minutes of the meeting held on 12<sup>th</sup> September 2012.

It was noted that the work on equalities (minute 15 – Work Programme) had not commenced yet, but was expected to do so shortly.

## **30. DATES OF FUTURE MEETINGS**

Resolved to note the following dates:

30<sup>th</sup> January 2012

26<sup>th</sup> March 2012

**The meeting started at 6.00 pm and ended at 8.50 pm**

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