

Oxfordshire County Council

Budget Options Review

Report- October 2015 by W Roots

A. Introduction

1. I was commissioned at the beginning of October 2015 by Alan Finch of the Local Government Association (LGA), following discussions with the Council's Chief Finance Officer –Lorna Baxter, to undertake a rapid review of the Council's budget savings options. The review was to be focused on whether there were additional options open to the Council to achieve savings and avoid some of the more publically sensitive options likely to be needed to be considered to balance future plans.
2. The Leader of the Council was keen to obtain an independent view on this prospect following questions raised locally regarding a potential option on Children's Centres in particular.
3. For the sake of completeness I set out an outline CV in Appendix 1.
4. I have looked at a range of Council documents in undertaking this review geared in the main to the Council's Medium Term Plans and its budget and monitoring processes. I have also interviewed a number of people as summarised in Appendix 2. I have curtailed both the documents sought and those interviewed compared to the approach that I would adopt were I undertaking a full financial diagnostic review.
5. Since the Council is seeking my independent views, whilst recognising my Terms of Reference (TOR), I have limited the span of my enquiries to those issues that I consider to be most relevant given the timescales involved. Further, I have adopted a reporting style of setting out my findings and recommendations rather than setting out the pros and cons of each issue. I am of course more than willing to explain my analysis and thinking if so required.

B. Findings

6. The Council has made substantial savings in recent years. They amount to £204m in the period 2010/11 to 2014/15 followed by an additional £43m in 2015/16 with a further £95m due to be found in the period 2016/17 to 2019/20. The total saving therefore amounts to £342m **per annum**. Staff numbers alone have reduced some 37% (2800 people) in the period from April 2010 to June 15. This number will increase given the scale of savings needed this financial year and in the future.

7. These are a few general points that I wish to make before dealing with the specific issues arising from my TOR. The Council has a well informed and managed financial planning and budget setting process. It involves presenting clear information on the financial challenges ahead in the Medium Term Financial Plan; guidelines on identifying options and a “challenge regime” on options identified involving joint sessions between the Corporate Management Team and Cabinet Members. In addition the Council adopts a transparent approach with those Members who are not part of the ruling coalition. In particular the Performance Scrutiny Committee, who exercise a full interest in budget options, is chaired by the Leader of the Labour Group.
8. The challenges that the Council faces are common to all local authorities given the very significant reduction in spending required to compensate for reduced Government grant support. I am personally aware from a number of reviews that I have undertaken that a number of local authorities will find it extremely challenging to find the reductions needed for 2017/18 onwards.
9. It has not been possible nor necessary for me to go through in detail every past and planned budget change but I have seen and reviewed summarised information. A more detailed summary analysis with the individual saving values is currently being prepared by the Council’s Chief Finance Officer. This analysis will assist the Council in explaining where savings have been made to date when dealing with questions arising on the options being put forward for the future.
10. Unsurprisingly, the council has looked across the full range of services in considering economies.” I have however identified a number of issues below which represent areas for the Council to think about as it seeks to refine its plans and I hope that they are helpful. The areas identified are based upon what I have read, seen or heard as part of this review.
11. Further options for consideration:-
 - a. Property Assets--The Council has an extensive range of property holdings and has identified that it has the potential to do something with almost 200 properties. This number excludes school sites (294 sites). Further the Council has recognised that it is revenue that it needs rather than capital receipts. There are some options appearing in respect of future savings whereby capital receipts are being sought to enable income generation or revenue cost savings to be achieved by re-investment in alternative capital assets. I am also aware that consideration is being given to the potential for the rationalisation of assets across the public sector. However I do not think that this subject is receiving the amount of timely attention that it merits. I consider that there would be benefit in undertaking a more strategic review to see what could be achieved by a more dynamic approach. The aim would be to pursue opportunities that will enable the Council to cut costs or generate income. I

believe that the Local Government Association (LGA) may be able to assist to this end. I also think that school sites should be included wherever possible.

- b. Back Office services—The Council has taken action here with Finance and HR services being provided by Hampshire County Council. There is scope to widen the services covered by such an arrangement (or a separate contract) and consideration needs to be given to a broader definition of back office covering for example legal, ICT, customer and policy, etc. services. In addition the Council does have a Facilities Management (FM) contract. My concern here relates to the scale and commerciality of the approach adopted. A number of those that I interviewed expressed concern to this end. Therefore I suggest that the scope and approach on this contract would benefit from review as would an assessment of the Council’s commercial and procurement skills and approach.
- c. Fees and charges—The Council does set out in its plans its options for income generation and I recognise that many fees and charges are set nationally. However I ask whether the Council adopts an approach based upon “what the market will stand” rather than moving from the level of historic charges.
- d. Contract Management—Local authority skills in maximising the benefit of contracted services can be found wanting. Clearly a substantial amount of the Council’s budget is based upon contracts and the nature of these varies across service areas. The point I have made under b above regarding skills applies here too.
- e. Communication—I am aware that the Council is seeking an assessment from LGA peers. I also believe that the timescale originally planned for public consultation on future savings options has been put back. I think that the Council needs to adopt a more corporate approach to its communications activity and indeed its internal briefing notes, based on those that I have seen (which I concede may not be representative). They and the style of reporting create the impression of a silo based organisation rather than one that has developed and operates on a common corporate framework. To this end the Council really needs to be clearer about what the savings options are that it intends to pursue and adopt an overall analysis across its services rather than Directorate based contributions.
- f. New Homes Bonus—a number of those that I interviewed expressed a frustration in that approximately 80% of the benefit goes to District Councils whereas the bulk of effort to achieve development falls on the County Council. This is a general lobbying point for County Councils and one that will no doubt be opposed by District Councils.

- g. Reserves—Both General and Earmarked Reserves are forecast to reduce as they are used to balance budgets. Nevertheless I was struck by the number of Earmarked Reserves and their being attributed to Directorates. Another look at these on a corporate and risk assessed basis could enable some further savings to be achieved especially if they are combined for the Council as a whole.
12. There are in addition some more radical options and by way of example those shown below appear particularly pertinent to the County Council. No doubt there are others especially with the opportunities provided by technology and the Council could seek more information from the LGA on what other local authorities are pursuing.
- a. A Unitary Authority structure for the County. A report from Ernst & Young in November 2014 forecast annual savings of £26.5m -£32.5m per annum if there were one Unitary Authority. The saving for two and three Unitary Authorities were £10m-£15m and £1.9m -£6.8m per annum respectively. While clearly a beneficial financial option such structural changes are seldom supported by all constituent bodies nor are they implemented quickly.
 - b. Congestion charge—a general or a work based scheme. I had not realised the effect of traffic congestion in Oxford itself and the impact felt by those seeking to get into and out of the city. While again not a short term option or one without contention this could be an area where consideration by the County Council may be worthwhile for both environmental and financial reasons.
13. I also believe that while options have been identified to meet the currently forecast shortfall in the Council’s resources for the future; any increase in the target set or change in timescale will prove problematical in terms of the Council’s ability to achieve a balanced budget.
14. The Council will wish to give careful attention to the intention, outlined this month by the Chancellor of the Exchequer, at the Conservative Party conference in Manchester, regarding the return of the management and control of Business Rates to local authorities. The Council has a strong business base and it will need to carefully monitor the Government’s intentions, as some equalisation of resources is bound to occur.

C. Conclusions

15. The council has looked across the full range of services in considering economies. As one might expect the acceptability of options identified has increasingly been an issue

reflecting the scale of continuing reductions needed to meet the remit of Central Government and given the reductions already implemented.

16. There are a number of areas where I consider that the Council could reconsider its approach or look again at what might be achieved as set out above. Had I had more time I could have included more factual information to support the points that I have made but this would not have changed the thrust of the points themselves.
17. The issues that I have identified if successfully pursued will assist the Council when considering future options to balance its plans and budget but in the main are not short term or so fundamental as to hold back consideration of options identified at present.

D. Recommendations

18. That the Council assesses the benefit of pursuing the issues set out in paragraphs 11 and 12 above.

Appendix 1

Outline CV

Bill Roots was Chief Executive and Director of Finance of Westminster City Council 1994-2000. He was previously Director of Finance and Deputy Managing Director of the Council from November 1990 to February 1994. Prior to that he was Director of Finance of the London Borough of Bexley for 8 years and prior to that he worked for Southwark and the GLC. Bill is a CIPFA member, a former examiner and has sat on numerous national working parties representing the local authority associations. He was Chairman of the London Financial Advisory Committee for 10 years until 2000 and a former President of the Society of London Treasurers. He was President of the Association of Local Authority Treasurers Societies in 1999/2000. He is now an independent consultant operating in central government, local government and the wider public sector where he mainly undertakes trouble shooting roles. He served as a Board member of the London Pensions Fund Authority for 10 years. He is currently the Chairman of Bexley Heritage Trust and Building Schools for the Future in both Lewisham and Bradford.

Appendix 2

List of Interviewees

Councillors

Cllr Lawrie Stratford—Cabinet member for Finance

Cllr Liz Brighthouse—Leader Labour Group

Cllr Richard Webber—Leader Liberal Democrats

Officers

Lorna Baxter –Chief Financial Officer

John Jackson—Director Adult Social Care

Ian Dyson—Chief Internal Auditor

Katy Jurczynszyn—Senior Financial Advisor

External Audit

Alan Witty—Senior Manager Ernst & Young