COUNTY COUNCIL RESPONSE TO THE OCTOBER 2015 LGA BUDGET OPTIONS REVIEW

Introduction

The Council is grateful to Bill Roots for conducting this short review and making suggestions for areas of further consideration. This document sets out a response to each of the suggestions he makes, and proposes further action for the Council to consider.

Options for consideration 1: 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.'

Council response:

Since 2008, we have disposed of 108 assets giving rise to £62m of capital receipts which has been used to fund capital priorities such as basic need. We have also disposed of 26 leaseholds since 2010 reducing office costs by 25%. There are however still 190 properties that are identified for review. Of these, 18 properties are targeted for disposal over the next three years which could generate £7m of capital receipts, with a development programme for a further 17 properties in the longer term.

The Asset Management Plan is due to be refreshed in early 2016 and a Peer Challenge meeting sourced by the LGA has been arranged in January 2016 to support the review our proposed plans and whether there is anything further that can be done with regard to maximising the contribution the property makes to the councils financial challenges.

We are already working with many public sector partners on a joined up approach to asset utilisation but recognise that this has been focused on specific opportunities as they arise to date. As part of our devolution proposals we are actively considering with our district council colleagues the creation of an Oxfordshire Public Sector Land Board working to the Oxfordshire Growth Board. This will consider use of all public sector property assets in the county, and in particular potential use for housing development of any land holdings that exist. This in turn links to another devolution proposal to establish a Housing Development Company/s with a revolving investment fund and CPO powers to unlock housing delivery including on hard-to-deliver brownfield sites and sites with existing planning permission that are not being built out.

Options for consideration 2: Back Office service

'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.'

Council response:

The proposed Digitalisation Programme is the next step for the Council in the streamlining of back office services. The programme's vision is for a Council that has fully embraced the digital agenda to cut the cost of running services in order to protect the front line. The current delivery model (as a whole) is still largely based on telephone/e-mail/written contact with residents and direct support or intervention from Council staff. The proposal is to change the Council's delivery model to be on-line and self-service by default. Whilst cost reductions are achievable through the switch of customer delivery channel, the focus of this programme will be completing the automation of back office services and streamlining the entire end to end business process. Automation means elimination of paper transactions and adoption of electronic work flow. Streamlining means the application of "lean" principles to reduce the entire process, remove redundant steps and simplify access and the user experience. In essence, most cost reduction will result from the smaller number of staff required for back-office services. An initial set of pilot projects will commence in the New Year to enable a full evidence based business case to be presented in Spring 2016.

Options for consideration 3: 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.

Council response:

Each year as part of the Service & Resource Planning process, charges are reviewed by service managers with an expectation that they are increased by more than inflation as well as an expectation they consider how charges compare to other authorities. For 2016/17, a 2% increase is assumed as a minimum. The Income Generation Cabinet Advisory Group (CAG) has undertaken a review of the charges proposed by managers and challenged those where the proposed increases for 2016/17 appear to be too low. The approach of the CAG was to seek an increase in fees of broadly 10%. Service managers will be required to set out robust reasons why the increase proposed by the

CAG cannot be implemented. Recommendations on the charges will then form part of the Service & Resource Planning report to Cabinet in January 2016.

Options for consideration 4: 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.

Council response:

We have recognised that the council needs to be commercial in its approach to commissioning, procuring and managing contracts. The corporate values were amended last year to include commercial. However, a clear vision of what commercial means for the Council and how that can be translated into action needs to be set out, communicated and embedded across the organisation.

The creation of the Commercial Services Board in 2013 was primarily to provide an oversight of commercial activity across the Council including the visibility of new projects, to establish and embed a contract management framework and to share best practice.

In addition, an accreditation scheme for contract managers has been developed and rolled out across the organisation. The "Passport to practice" includes extensive training and guidance for contract managers tailed to different levels of contract (platinum, gold, silver & bronze) as set out in the contract management framework.

Options for consideration 5: 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.

Council response

The LGA are conducting a peer review of the council's approach to communications in December 2015 and these issues will be considered in the scope of that review.

Options for consideration 6: 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.*

Council response

We wait to see how government addresses this issue through the local government settlement expected in December 2015.

Options for consideration 7: 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.

Council response

Directorate reserves are forecast to be £10.7m at the end of 2015/16 but falling to £2.0m by the end of 2019/20. There are three significant reserves included in the directorate reserves that account for almost half of the 2015/16 year end forecast, which could legitimately be treated as corporate reserves. These are the on-street parking account, the Thriving Families grant programme and the reserves in adult services for pooled budgets with health. Directorate reserves are however the one of the first ports of call for directorates to manage any in-year overspend rather than an automatic call against corporate contingencies. As such, there is a clear policy for holding these reserves at directorate level.

Other options suggested:

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.*

Council response

The government has been clear that unitary government will only be a possible option for areas where are all parties are in agreement. This is not currently the position in Oxfordshire.

A short paper on the work already undertaken in relation to congestion charging is attached at Annex 1.

Lorna Baxter

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December 2015

Annex 1

CONGESTION CHARGING

The following is an excerpt from the Oxford Transport Strategy (OTS) which forms part of the County Council approved Local Transport Plan 2015 – 2031 (LTP). This highlights the positive role that a Workplace Parking Levy (WPL) could play in helping to provide transport solutions for Oxford which is predicted to suffer from significant increased traffic pressure and congestion during the LTP period. The OTS also studied the role road-user charging, or congestion charging, could play in helping to alleviate future congestion. While it remains a potential option, it is considered too expensive to implement a city-wide scheme and potentially only viable, subject to business case, if implemented for premium routes alongside the WPL. In any case, there is not likely to be a business case for either until at least 2020.

Workplace Parking

Whilst the package of OTS measures already examined will contribute to an increase in the share of trips made by non-car modes, the abundance of free workplace parking within the city is a significant threat to achieving the step-change required to avoid the considerable negative impacts of growth. The 2011 Census indicates that over 39,000 employees within the city use the private car as their main mode of travel to work, with a quarter being residents of the city. In common with most other towns and cities, parking charges levied by the local authorities in Oxford currently target public parking – i.e. on-street parking and parking in public car parks. This has been a useful tool in managing traffic, but given that a) there are many times more workplace parking spaces in the city than public parking spaces and b) car trips to workplace parking spaces are generally made at peak times, there would be clear benefits in being able to influence the use of these spaces.

An Oxford Workplace Parking Levy

In order to gain much needed control over the use of the private car as a means of travelling to work within Oxford it is proposed, subject to further work and consultation, that a city-wide Workplace parking levy (WPL) is introduced.
It is believed that a WPL would have three significant benefits for the city, which will be critical to ensure growth is not limited by the constraints of traffic related congestion:

- *shift to use sustainable modes – as those staff who have parking charges passed down by their employer will be incentivised to seek alternative methods of getting to work;*
- *funds generated through the application of a WPL would be ring-fenced solely for the reinvestment into the transport network (including operation of the WPL), improving alternatives to the private car and thus further influencing mode choice; and*
- *a charge on spaces - regardless of whether they are used - will encourage employers to reduce their supply of private parking; saving the employer money spent on maintenance but also presenting the opportunity to redevelop land previously used for parking for employment or housing.*

A similar overall approach to that used in Nottingham is proposed, but will need to be adapted for Oxford and its employers. With minimal exceptions, the levy would apply to all employers with a provision of employee parking over a certain threshold. Whilst the OTS proposes that the whole city is subject to a WPL, differential rates will be examined across the city – for example with a premium rate in the city centre and rates elsewhere which are dependent on the level of accessibility by sustainable modes.

Road User Charging

Road user charging could also be a potential option for reducing traffic levels on certain routes without a complete closure. This could be implemented in conjunction with a WPL (with some examples of where this could be applied listed above).

Despite the successful implementation of the London (2003) Congestion Charge schemes, no other UK city has since implemented a similar scheme, and there are relatively few examples in other European countries. This can be attributed to a lack of political will, but also as such schemes require large capital investment costs for the infrastructure, payment mechanisms and back-office equipment as well as significant operating costs - the 21km2 London CC zone cost over £200 million to implement and requires an operating budget of £120 million per year.

Charging only for use of very specific "premium" road links in the city centre and Eastern Arc, would enable start-up and operating costs to be minimised. Nevertheless, a road user charge is unlikely to raise significant revenue and is best seen as a network and traffic management tool rather than a means of generating funding for transport improvements.