

Draft Minutes of the meeting of the Economic and Social Overview & Scrutiny Committee held in Committee Room 1, Council Offices, Woodgreen, Witney, at 6.30pm on Thursday 21 November 2019

44. BUDGET 2020/2021

The Committee received and considered the report of the Chief Finance Officer, which sought consideration of the initial draft base budgets for 2020/2021, draft fees and charges for 2020/2021, and the latest Capital Programme for 2019/2020 revised and future years. The views of each of the Overview and Scrutiny Committees of the Council would be submitted to Cabinet for consideration.

The Chief Finance Officer introduced the report and stressed that the complete budget position was yet to be finalised. Details of the Local Government Settlement would not become clear until early in the New Year and work was ongoing to finalise a forecast of Business Rates income for 2020/2021.

In terms of the National funding position, the Chief Finance Officer advised that the Business Rates Retention Scheme and New Homes Bonus Funding would continue for one year as the proposed changes to local government funding had been delayed until April 2021. In the longer term it was anticipated that a hard re-set of Business Rates would result in the Council losing the benefit of Business rates growth and that there would be a significant reduction in New Homes Bonus funding.

The Chief Finance Officer went on to discuss the key cost pressures facing the authority, the foremost of which was the need to increase its contributions to the Local Government Pension Scheme. Councillor Doughty asked whether the additional contributions were a reflection of the fact that there were a considerable number of long serving employees within the Authority. The Chief Finance Officer explained that this was not a direct influence as contributions were defined by actuarial assumptions based upon the value of the payroll. The real issue was that sufficient contributions had not been made in the past. Historically, contributions made by the Gloucestershire authorities had exceeded those made by those in Oxfordshire and the new actuary engaged by the Oxfordshire fund had identified a shortfall. It was proposed that the Council make a one-off contribution of £4 Million in 2020/2021 with ongoing additional contributions of £120,000 for each of the next five years. In response to a question from Councillor Leverton, the Chief Finance Officer confirmed that the Council's liability related solely to its own current and former staff and that there was no cross subsidy to other partner authorities. Councillor Owen asked whether staff would be expected to pay additional contributions and the Chief Finance Officer explained that this was a national scheme with employee contributions agreed nationally.

The Chief Finance Officer then outlined the budget pressures and aspirations for growth set out at paragraph 2.10 of the report. With regard to capital financing she advised that, whilst the Council had achieved debt free status in the past it would now have to borrow to fund its capital programme and make provision for repayment in future years. She drew attention to the provision of funding to the Oxfordshire Health and Wellbeing Board, the Publica Transformation Programme and recycling campaign and explained that, whilst there had been an increase in the Ubico contract sum, operational savings were now beginning to be realised. Growth and budget pressures were explained in more detail in paragraphs 2.12 to 2.19 and the Chief Finance Officer advised that some

fees and charges were still subject to review. Councillor Leverton asked whether savings on the GLL leisure management contract were predicated on an increase in fees and the Chief Finance Officer undertook to investigate further.

In response to a question from Councillor Owen regarding climate change, the Chief Finance Officer made reference to the funding provided for the new climate change manager post and in support of an ongoing action plan. With regard to proposals to upgrade CCTV equipment, Councillor Leverton noted that there was an under-provision in Carterton in comparison to Witney. The Chief Finance Officer advised that a report was in the course of preparation. Whilst accepting the need for additional provision in Carterton, Councillor Ashbourne indicated that there was scope for further improvement in Witney.

The Chief Finance Officer advised that it was proposed to increase Council Tax by the anticipated referendum limit of £5.00. She pointed out that this was a balanced budget, making a small contribution of £4,000 to the General Fund in contrast to the previous year's expectation which envisaged a £700,000 contribution from the General Fund balance. In response to a question from Councillor Cooper, the Chief Finance Officer advised that the £261,000 accounting adjustment in relation to the leisure management contract would be applied as a contribution back to earmarked reserves.

Councillor Ashbourne noted that, at 1.25%, the projected return on cash investments was below the rate of inflation and questioned whether this presented a problem for the Authority. In response, the Chief Finance Officer advised that Officers would look again at how to make the best use of available cash but explained that these were short term investments utilising cash held for operational purposes. Long term investments secured higher interest rates but the Council had to retain an element of liquidity; it was a question of balancing investment and capital and liquidity against risk. Councillor Cooper reminded Members that the initial cost of installing CCTV had been shared with Thames Valley Police. He sought and received clarification of the provision for development referred to at paragraph 2.28 of the report and questioned whether there were opportunities to invest further with social housing providers. The Chief Finance Officer advised that a review of the Council's Medium Term Financial Strategy was to be presented to the next meeting of the Finance and Management Overview and Scrutiny Committee. This would take account of the scale of the challenges facing the Council and the development of a commercialisation strategy including the possibility of investing further with social housing providers.

Councillor Ted Fenton noted that investment in the Ubico refuse collection fleet was constantly more than expected, particularly as a whole new fleet had been purchased at the start of the Contract. Since then it had been necessary to purchase a number of smaller vehicles and now further investment was required to reduce hire costs. In response, the Chief Finance Officer advised that she had met with Officers from Ubico earlier in the week to discuss how the vehicle fleet could be employed more efficiently. This included ways in which to make best use of the vehicle fleet across other councils to take account of wear and tear in different operating environments. Ubico's schedule of vehicles and replacement plan was being checked by the Commissioning Team. Councillor Fenton suggested that advertising to encourage recycling could be displayed on the vehicle fleet and the Chief Finance Officer undertook to discuss this further with colleagues. Councillor Leverton asked whether consideration had been given to procuring electric vehicles and

the Chief Finance Officer confirmed that this had formed part of the discussions. Councillor Leverton also suggested that a more rapid cycle of vehicle replacement could prove more cost effective as younger vehicles would retain a greater residual value. The Chief Finance Officer advised that Ubico was looking at ways in which to extend the life of the vehicle fleet and also to carry out vehicle maintenance in-house.

(Councillor Leffman joined the meeting at this juncture)

Councillor Leverton sought clarification of the variation in expenditure in Environmental and Regulatory Services from 2018/2019 to 2019/2020. The Chief Finance Officer advised that this was a result of re-basing of cost centres to give a more accurate reflection of expenditure that did not represent employment of additional resources. In response to a question from Councillor Beaney, the Chief Finance Officer confirmed that the increase in employee costs shown on page 2 of Appendix A to the report related to the one-off pension contribution. In response to a further question, she advised that the income from New Homes Bonus funding shown at page 3 was a forecast that would be confirmed once the Local Government Finance Settlement was finalised. Councillor Doughty sought clarification of the discrepancy in relation to income from markets and was advised that this reflected a re-alignment of Ubico costs. The Chief Finance Officer undertook to check whether the 2020/2021 estimate was accurate and to make any corrections necessary when the budget came before the Cabinet. In response to a further question, she also agreed to check the figures relating to homelessness at page 5.1. Councillor Leverton suggested that more explanation was required with regard to entries under homelessness at page 5.1 and Chief Executive at page 6.1. Councillor Doughty suggested that similar clarification was necessary in relation to the heading of 2020 Vision and Transformation. Councillor Leffman identified a similar requirement in relation to third party payments at page 6.2 and Councillor Ted Fenton was impressed by the accuracy of the elections budget at page 7.1. In response to a question from Councillor Ashbourne, the Chief Finance Officer advised that the entry on page 8.1 under Housing Loans related to treasury management loans to housing associations and indicated that she would check if these were still live. In response to a further question from Councillor Leffman, the Chief Finance officer undertook to check the accuracy of the projected increase in income. In response to a question from Councillor Owen, the Chief Finance Officer advised that she would confirm that the change in costs for Animal Control at page 9.1 reflected a realignment of Ubico costs and, at the request of Councillor Leverton, she undertook to check the extent of savings in relation to the Leisure Management Contract as shown at page 10.1. Councillor Ashbourne noted that costs relating to the refugee programme were not shown separately and the Chief Finance Officer undertook to investigate further. Turning to Fees and Charges, Councillor Doughty questioned why the hourly rate for preapplication advice for developments of 15 – 100 units differed from all others, including larger developments, and the Chief Finance Officer undertook to clarify the position. In relation to the Capital Programme at Appendix C, Councillor Doughty questioned the cost of £21,000 for a printer and it was explained that this was a specialist piece of equipment required by the Planning Service capable of producing and copying large plans and drawings. Councillor Beaney welcomed the inclusion of £250,000 to provide additional short term accommodation for the homeless.

RESOLVED: That the initial draft base budget for 2020/21 totalling £15,724,621 as summarised in Annex A to the report, draft fees and charges for 2020/21 at Annex B; and the latest Capital Programme for 2019/20 revised and future years at Annex C be endorsed.

Extract from the draft Minutes of the meeting of the Environment Overview & Scrutiny Committee held in Committee Room 1, Woodgreen, Witney, Oxon at 2.00pm on Thursday 5 December 2019

38. BUDGET 2020/2021

The Committee received and considered the report of the Chief Finance Officer, which sought consideration of the initial draft base budgets for 2020/2021, draft fees and charges for 2020/2021, and the latest Capital Programme for 2019/2020 revised and future years. The views of each of the Overview and Scrutiny Committees of the Council would be submitted to Cabinet for consideration. The Chief Finance Officer apologised that she would have to leave the meeting shortly to attend another appointment. She advised that a number of variances had been identified by other committees and acknowledged that further clarification would be required to clarify these prior to consideration of the revised budget report by the Cabinet in January 2020.

Philip Alway, the Business Manager, Finance, introduced the report and explained that this invited comments upon the first draft of the budget to be fed back to the Cabinet in January. He drew attention to the cost pressures identified at paragraph 2.10 of the report and, in particular, to the pension fund contribution of £4 Million and the £36,000 for a recycling campaign.

In response to a question from Councillor Al-Yousuf, the Chief Finance Officer advised that detailed discussions had been taking place with Ubico over the past few months regarding proposals to secure savings by changes in staffing levels and operational processes. As a result, the contract sum was within the reduced budget and Officers were now content that the savings could be delivered.

Councillor Postan asked whether the pension fund lump sum contribution could be phased over the next three years and whether, should interest rates rise in the interim, there could be a surplus at the end of that period. The Chief Finance Officer expressed doubt that the pension fund actuary would support phased contributions as the fund was currently paying out more than the Council was putting in, eroding the fund's assets. The lump sum contribution was required now and, in addition, further increases to contributions of £120,000 each year would be required over the next three years. It was uncertain whether the next revaluation of the fund would be in three or five years' time and, whilst the Council's liability to the fund would reduce in the long term, it was unlikely that a rise in interest rates would generate a surplus. Councillor Postan suggested that an explanatory note should be added to the text.

Councillor Al-Yousuf asked how the proposed provision for investment in the climate change action plan had been calculated and questioned whether, at £600,000 (over the next three years), it was adequate. The Group Manager, Commissioning, advised that this sum had been included within the financial strategy to support the climate change and carbon reduction agenda. Whilst it had yet to be determined exactly how this provision was to be applied, the report of the Climate Action Working Group to be submitted to Council in January would set out the proposed way forward for the Council's climate action work and how it was intended to deliver on the Council's climate change commitment. As this work developed, specific projects would be identified and reports setting out a business case would be submitted through the usual democratic forum with recommendations being made to the Cabinet and/or Council to draw down funding from that budget provision. It may be that more or less funding would be required but this would be addressed as things moved forward.

Councillor Ted Fenton made reference to the funding set aside for a recycling campaign and suggested that advertisements could be placed on the refuse collection fleet. The Group Manager, Commissioning, undertook to look at options for advertising on the waste and recycling fleet. Councillor Postan noted that similar advertisements could be seen on buses and commercial vehicles and Councillor Fenton indicated that adverts were frequently changed on London taxis. The Group Manager, Commissioning, indicated that any methods used would have to be shown to be durable on these hard working vehicles.

Councillor Al-Yousuf expressed concern at the variances in revenue expenditure in relation to Environmental Health and Food Safety, Pollution and Markets as set out at page 1.1 of the report and sought further information as to the underlying reasons. It was explained that such variances were the result of the transfer of financial responsibilities between the Council and Publica. Councillor Al-Yousuf stated that this meant that the figures provided were not comparable year on year and the Business Manager, Finance, indicated that, whilst large variances were highlighted, minor items such as inflationary increases were not. Councillor Poskitt questioned the significant variation in the operation of the Council's markets where an apparent £86,771 surplus in 2018/2019 was now forecast to give rise to an £80,700 cost to the Council. It was explained that this was a result of the cost of refuse collection being applied to the budget heading. Councillor Al-Yousuf expressed his concern over the accuracy of the budget figures, indicating that the Committee could not carry out its role in scrutinising the budget unless it could have confidence in the figures provided. In response to a further question from Councillor Poskitt, it was confirmed that the savings shown on the Ubico contract sum remained accurate. Councillor Fenton drew attention to a similar variation in respect of the Council's Licensing Service and sought an explanation. Councillor Postan indicated that the objective of the Licensing Service was not the sale of permits but the maintenance of standards. Councillor Leverton asked whether the figures for Markets included the revenue income and the Group Manager, Commissioning, confirmed that this was the case. Councillor Leverton stressed the need to explain such variances. Councillor Postan stressed that the Council's Markets were a boon to the local community and the vitality and viability of the market towns; their continued operation supported the community as a whole. Members also drew attention to the variation under the heading of 'Chief Executive' at page 6.1 of the report which resulted from some unexplained change in accounting arrangements. Councillor Al-Yousuf indicated that, once again, this meant that the figures provided were not comparable.

RESOLVED: That the Cabinet be advised that the Committee expressed its concern at the significant, unexplained variances in the draft budget and stressed the importance of ensuring the accuracy of the figures provided prior to further consideration of the Budget for 2020/2021.

