Minutes of a meeting of the FINANCE PANEL (PANEL OF THE SCRUTINY COMMITTEE) on Thursday 5 September 2019

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OXFORD CITY COUNCIL

Committee members:

Councillor Fry (Chair)
Councillor Munkonge
Councillor Simmons
Councillor Roz Smith

Officers:

Nigel Kennedy, Head of Financial Services
Tom Hudson, Scrutiny Officer
James Pickering, Welfare Reform Manager

Apologies:

None

24. Declarations of interest

None

25. Work plan

The Panel considered the work plan and discussed whether to give future consideration to the impact of the Council's incorporation of a social value weighting within its procurement and also to carbon accounting. It was agreed that an update paper on the impacts of the Council's previous adoption of social value measures in procurement would be brought by the Head of Financial Services to the March 2020 meeting. In light of the Scrutiny Committee's consideration of which topics would be considered at Review Groups it was agreed to defer consideration of other topics to be brought to the Panel until the Review Group topics had been agreed.

26. Notes of previous meeting

The Panel considered and noted the record of the meeting held on 01 July 2019.

In response to questions the Panel noted that:

- The slippage of £510k on the purchase of homeless properties as referred to on page 11 of the agenda pack was money that had been brought forward from the previous year, that it formed part of a £10 million programme and that the slippage would not be caught up. Instead, the intention would be to vire the underspend to alternative budgets.
- The creation of separate accounts for the Covered Market was possible, but that the Council had recently submitted a bid for approximately £2.5 million which, if successful, would significantly alter the financial position of the Covered Market, rendering any report made beforehand out of date. It was agreed that

the Head of Financial Services would feed back to the Panel when the outcome of the bid was known.

27. Council Tax Reduction Scheme 2020/21

With the agreement of the Panel the order of the agenda was changed to consider item 6, the Council Tax Reduction Scheme 2020/21 before item 5, the Treasury Management Strategy: Annual Report and Performance 2018/19.

The Panel considered a report presented by the Cabinet Member for Supporting Local Communities, Councillor Marie Tidball, and supported by the Welfare Reform Manager on the proposals to go out for consultation regarding changes to the Council's Council Tax Reduction Scheme for 2020/21. In introducing the report Councillor Tidball drew out a number of key issues around the Council's scheme to support those unable to cover the cost of Council Tax:

- That the previous Central Government provided funding towards the Council Tax Reduction Scheme, the Revenue Support Grant, had been phased out meaning the Council no longer received financial support from Central Government towards the scheme
- The cost to the Council of the scheme for the financial year 2020/21 was anticipated to be £1.7 million, but would be dependent on external factors such as the level of Council Tax
- Monitoring of previous changes to the Council Tax Reduction Scheme around instituting a minimum income floor for self-employed claimants had not shown an increase in costs, but the change had been positive for those impacted and basing discounts on actual rather than assumed earnings was an equitable policy position

The changes proposed for consultation were in relation to:

- Changes that to enable the Council Tax Reduction to be applied from the date of the claim, rather than the Monday after the change.
- Leaving a Council Tax Reduction claim open for six months whilst there is a Universal Credit application in place.
- Whether or not to introduce a banded income approach for working age claimants, in the same way as UC claimants are treated, from 2021/22.

Councillors raised a number of questions as the practicalities of the Council Tax Reduction Scheme and how it operated alongside other Council Tax discounts, such as the Single Person's Discount. It was suggested by the Panel that the subject could be usefully addressed at a forthcoming Member Briefing.

Further discussion focused on the size of the Council's discretionary support, whereby the Council had the right to waive Council Tax in certain circumstances outside the Council Tax Reduction Scheme. It was noted by Councillors that the discretionary support liability would fall exclusively on the Council rather than being apportioned pro rata amongst the preceptors as under the Council Tax Reduction Scheme, meaning write-offs would form 100% of the Council Tax expected, rather than 15.7%. Whilst known to be relatively small it was not possible at the Panel to

confirm the budget for discretionary support, but the Head of Finance agreed to find out and circulate to Panel members. It was also encouraged that access of discretionary Council Tax support be monitored.

Responses to other questions confirmed that the Council had confidence that those eligible for the Council Tax Reduction Scheme were indeed claiming the reduction, and that the Council was aware that Universal Credit meant that a separate claim was required and had been taking active steps to raise awareness. It was also confirmed that the County Council would be unlikely to have strong views on the Council's proposals despite financial implications of the choices made being passed on.

Significant discussion took place with regards to the questions being consulted on and whether they reflected the variety of options open to the Council, particularly in light of more radical options that could be considered in the future due to anticipated medium term financial pressures. In particular, the Panel discussed the merits and demerits of gauging opinion on having a minimum Council Tax payment for all. It was noted that opinion from other authorities was mixed on the cost-effectiveness of implementing such a policy, with some finding the administrative costs of securing low-level payments to outweigh the income, whilst others finding the policy was income generative. In relation to whether the questions of the consultation should be amended the benefit of using the same questions as previously for benchmarking purposes was noted, as was the importance of giving the impression the Council was intending to make radical changes to the scheme when the recommendation was for three fairly small ones. Likewise, it was suggested that the challenges, consequences and viability (or otherwise) of alternative suggestions, such as cutting services and increasing fees and charges were unclear in the consultation questions. It was agreed that no changes should be recommended to the consultation questions but that the points made would be borne in mind for the next year.

28. Treasury Management Strategy: Annual Report and Performance 2018/19

The Panel considered the Treasury Management Strategy: Annual Report and Performance 2018/19.

The Head of Financial Services introduced the report, drawing specific attention to the £96.2 million of investments held by the Council, the fact that interest income from loans of £3.12 million had exceeded targets of £2.91 million, the full impairment of £1.17 million of land values at Barton Park, the size of the Council's debts to the Public Works Loan Board of £198.5 million and the source of that debt as the buy-out of the Housing Revenue Account in March 2012. The other measures referenced in the report were stated as showing that the Council had no major variances and that the report was in compliance with its legal requirements around reporting.

Noting the significant preference for fixed interest investments the Panel discussed the optimal balance of the Council's investment portfolio. It was noted that a significant majority of funds were invested in fixed term investments, yielding over 3% less per annum than the Council's property fund investments. The Head of Financial Services

underlined that the order of priority when assessing investment strategy and allocation was security, followed by liquidity, followed by yield. Nevertheless, it would be possible within those guidelines to invest more in non-fixed term investments and that he was exploring with other local Councils in Oxfordshire and Gloucestershire the potential for investing in social impact bonds, which fund projects such as solar farms, and which pay a regular coupon as well as the return of capital at the end of a specified period. The level of the Council's reserves would allow the loss of liquidity arising. Alternatives to social impact bonds were also being explored, including additional investment in new or existing property funds on that basis that these were more, if not totally, liquid than social impact bonds. Use of investment to enhance the local environment was also explored but it was confirmed that the Council would be looking at making investments in property (primarily offices and industrial units) locally within the Budget and that funding to do so would be made through borrowing. This was welcomed on the basis that it would dilute the Council's retail focus thereby reducing risk.

Councillor Simmons left the meeting at this point.

Regarding borrowing, the Panel sought clarification as to the nature of the external loans referred to on p.19, item 24. It was explained that the loans repaid included loans to the Public Works Loans Board, short-term loans and financing. Further clarifications were sought regarding the nature and working of the Operational Boundary Limit referred to on p.18 item 23. The Boundary Limit was explained to be a self-imposed borrowing limit designed to be a control mechanism to prevent excessive borrowing by requiring Council approval to breach. In light of the changes to the Housing Revenue Account which enables Councils to borrow prudently for housing, the Panel sought information on the theoretical borrowing limit. The Head of Financial Services confirmed that work was already being undertaken to determine the figure, but that by virtue of the need for borrowing to be prudent assessments of the income generation capacity of schemes were necessary, making it a complex process. The current estimate of additional borrowing available to the Council through the Housing Revenue Account would be around a further £200 million.

The Panel spent significant time discussing the £1.17 million impairment of land value at Barton Park as referenced on page 14. Councillors questioned how land valued at over a million pounds at one point could be judged to be valueless later, and whether the Council had therefore incurred a significant loss. It was explained that due to changes to the specification of the Barton Park joint venture the land in question had been independently valued by the valuer to have zero value, and that the write down in value was necessary in accounting terms to reflect this. However, it was explained that the Council had not lost out as the changes made at Barton Park which lay behind the impairment had formed part of a wider deal under which the Council purchased houses built at a preferential rate. This trade-off had been net positive for the Council.

Following on from discussions on impairment at Barton Park, the Panel also sought clarification on the level of risk of something similar occurring with the Council's contribution of land to the OxWED development. It was confirmed that the value of the land had recently been adjudged to be the same as its purchase price and that there had been no impairment.

On a more general note, the Panel sought an explanation of actions being taken following the circumstances leading to the late filing of the Council's accounts. The Head of Financial Services confirmed that the auditors of Oxford Direct Services, Mazars, and the Council, Ernst & Young, were currently blaming one another but that he was holding both to account for the delay.

The Panel also requested an update on the progress of the Project Management Office function launched by the Council in relation to its capital expenditure. The Head of Financial Services confirmed that new projects were being subjected to a far higher amount of rigour, and that legacy projects were being retrofitted in terms of business cases and feasibility studies rather than being cancelled, even though this was a more challenging approach to take. It was requested by the Panel that a distinction in reporting be made between those projects that had been commenced under the auspices of the Project Management Office and legacy projects which had been taken over.

29. Future Meeting Dates

The Panel noted the dates of future meetings as 5 December 2019, 29 January 2020 and a March date TBC.

The meeting started at 6.00 pm and ended at 7.15 pm

Chair …….. **Date: Thursday 5 December 2019**