

# Supplement for

## Cabinet

Wednesday 24 June 2020

4.00 pm

### Scrutiny Reports

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**To:** Cabinet  
**Date:** 24 June 2020  
**Report of:** Finance and Performance Panel (Panel of the Scrutiny Committee)  
**Title of Report:** Financial Monitoring Report April 2020

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To present Finance and Performance Panel recommendations Financial Monitoring Report April 2020
<b>Key decision:</b>	Yes
<b>Scrutiny Lead Member:</b>	Councillor James Fry, Chair of the Finance and Performance Panel
<b>Cabinet Member:</b>	Councillor Ed Turner, Cabinet Member for Finance and Asset Management
<b>Corporate Priority:</b>	All
<b>Policy Framework:</b>	Budget and Policy Framework document
<b>Recommendation: That Cabinet states whether it agrees or disagrees with the two recommendations in the body of this report.</b>	

<b>Appendices</b>
None

## Introduction and overview

1. At its meeting on 16 June 2020, the Finance and Performance Panel considered the financial monitoring report to Cabinet to April 2020, detailing the financial impacts of the coronavirus and recommended mitigative actions.
2. The Panel would like to thank Councillor Ed Turner, Cabinet Member for Finance and Asset Management, for attending the meeting and co-presenting the report and answering questions, Nigel Kennedy, Head of Financial Services, and Anna Winship, Management Accountancy Manager, for compiling the report, attending the meeting, presenting the report and answering questions.

## Summary

3. The Panel was introduced to the Cabinet report by Head of Financial Services, Nigel Kennedy. Facing what is reported to be the worst recession since the 18<sup>th</sup> century, deficits in the Council's budget were estimated to be approximately £9m over the current financial year, and with Covid-19 related measures having a continued impact, a further £14m for the remainder of the Medium Term Financial Plan. The majority of the deficit reflected income losses from a variety of sources, including commercial rents, Council company dividends, and car parking in particular. In addition, however, Council expenditure had increased: providing all rough sleepers with accommodation, establishing locality hubs, and equipping the Council to work remotely were all areas of expenditure for which budget provision had not been made. Government grants of £1.6m had been received, but were far short of the predicted deficit for the year. Decisions of further support, if any, by central government were not expected until the autumn.
4. The recommended response to the situation was put forward as advising that the Council make use of earmarked reserves, with the attendant associated impact on the projects for which they were earmarked, to close the current year's budget deficit and to accept the loss of interest or increased borrowing costs that will arise. In conjunction, newly agreed expenditure would be paused and existing spending likewise unless it sat within set criteria for the good-running of the Council. Some capital spending would also be delayed. The purpose of the strategy was explained to give the Council as many options and give it the maximum flexibility on when considering how to close the predicted deficits of future years.
5. Councillor Ed Turner, Cabinet Member for Finance and Asset Management, noted that the Council's position of relative privilege in having reserves to meet one-off costs meant an emergency budget was not necessary, and making future budget decisions when the uncertainty of the figures had reduced was desirable. Further, lower impact budget reductions would take time. The Panel was also assured that Cabinet members were particularly devoting energy to consideration of the Council's companies and supporting their contribution towards the Council's priorities, and that the Council was being proactive in lobbying central government for additional funding in light of assurances made earlier in the pandemic.
6. The Panel was broadly supportive of the strategy. In its scrutiny of the topic it recognised that the question of the Council's companies would be dealt with through an alternative forum (the Companies Scrutiny Panel). Questions were raised over the eligibility of rate relief for language schools under the government's scheme, and it was confirmed that it was currently thought that such schools were not eligible. Practical questions over how paused projects might be assessed for restart were raised, as well as discussion over whether maintaining the housing of all rough sleepers was a sustainable long term option. There was also general discussion over the anticipated level of unemployment.
7. The Panel makes two recommendations concerning i) the capitalisation of deficits, and ii) the proposals to delay capital investment in cycling infrastructure.

## **Capitalisation of deficits**

8. Highly significant as the projected current-year deficit of £9m is, and the additional £14m over the remainder of the Medium Term Financial Plan, the locus of these deficits is recognised to be more significant. Increased expenditure and reduced income are deficits to the Council's revenue account. The Council is under a legal duty to operate a balanced budget. Whilst the Cabinet is recommended in its substantive report to use reserves to reset the current budget, finding an additional £14m of savings over the course of the Medium Term Financial Plan to correct the projected deficit would require extremely challenging decisions to be made. The Panel feared that measures taken to close the budget deficit could create adverse outcomes, both financially and socially, with the potential to last beyond the deficit-reducing measures themselves.
9. The Council's General Fund revenue budget is approximately £24 million per annum. However, the Council also has an extensive capital budget of £450m over the next 4 years. Were the central government to permit Covid-induced deficits to be capitalised and funded by borrowing or other capital resources, to be repaid over time, the deficit could be tackled over a longer period, thus enabling a balanced, less disruptive approach to closing the deficit and avoiding the need to implement those budget reductions with the potential to cause lasting damage. The Panel acknowledged that extending the length of time over which the council can pay off the unanticipated deficit does not reduce the overall quantum of savings that will eventually need to be made but it will soften the blow and avoid the worst impacts.
10. It is recognised by the Panel that the Council has already begun making such enquiries to central government, and is working with councils whose situations are similar to Oxford's and who favour this solution. The Panel supports these activities. It stressed that it considers the capitalisation of deficits to be by some distance the best option available, and not only to the Council. Permitting the management of the MTFP deficits over a longer period would also be in the interests of central government, allowing the Council to manage its own deficits without requiring immediate and significant cash injections or requiring the Council to take steps with potentially damaging long-term effects. The Panel seeks that this point be made as strongly as possible to central government.

***Recommendation 1: That the Council continues to take all possible steps in lobbying government to allow the capitalisation of its deficits***

## **Pausing of Capital Investment on Cycling Infrastructure**

11. As part of its budget reset the Cabinet is recommended to pause capital investment in those areas where it is most feasible for the Council to do so. The Panel supports the general aim to make considered decisions on options and priorities when the Council has greater clarity over the financial impact of the pandemic. However, it does query the decision to pause £60k of investment in cycling infrastructure.

12. Over the last three months cycling has increased enormously. Whilst an outlier, Edinburgh for example, saw up to a 482% increase in cycling traffic at weekends, and 252% during weekdays in the first three weeks of April.<sup>1</sup> Fewer vehicles on the road during lockdown, reduced public transport capacity, the closure of gyms and the sunniest month on record are all likely to have been contributors. Sales at Halfords, Britain’s largest bike seller, in May were double normal levels, with entry-level bikes being most in demand. Likewise, cycle repair shops have reported huge spikes in demand for their services. This suggests that increased participation in cycling is due to keen existing cyclists simply riding more, but to new and returning cyclists and as such represents a groundswell of interest. The Panel welcomes this development.

13. Whilst the early stages of lockdown provided an environment in which cycling participation could grow, the easing of lockdown measures mean some of the contributory factors to the rise are reducing. In particular, road traffic is once again increasing. It is the Panel’s view that there is a window of opportunity to nurture the increased participation in cycling into a long-term modal shift. Cycling infrastructure is an important part of that mix, and if delayed, spending is likely to be less effective. In light of the modest sum involved, the pro-cycling message funding would make and the opportunity to complement the Tranche 1 spending on cycling, the Panel recommends that this particular project is not paused.

***Recommendation 2: That the Council does not pause its £60,000 planned capital spend on cycling infrastructure***

**Further Consideration**

14. Nigel Kennedy, Head of Financial Services, has agreed that further consideration of this topic will be taken to the 7 July 2020 Finance and Performance Panel. The meeting will be held in confidential session and will focus on discussion of pre-submitted questions by Panel members to the Head of Financial Services.

15. The Finance Panel does not anticipate needing to discuss the Council’s proposed mitigations beyond the meeting on 7 July 2020. However, the impacts detailed in the report have very significant ramifications for the Council’s future budget, and the Panel expects to be involved fully in scrutinising the draft budget proposals through the annual Budget Review Group.

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<sup>1</sup> <https://www.theguardian.com/lifeandstyle/2020/may/09/coronavirus-cycling-boom-makes-a-good-bike-hard-to-find>

**Cabinet response to recommendations of the Finance and Performance Panel made on 16/06/2020 concerning the Financial Monitoring Report April 2020**

**Provided by Cabinet Member for Finance and Asset Management, Councillor Ed Turner**

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<b><i>Recommendation</i></b>	<b><i>Agree?</i></b>	<b><i>Comment</i></b>
<b><i>1) That the Council continues to take all possible steps in lobbying government to allow the capitalisation of its deficits</i></b>	Y	The Council is like a number of authorities lobbying for the Government to issue a Directive to allow capitalisation of its losses, in the absence of further cash support. This would ease the pressure of the balancing of the MTFP since losses could be charged over a longer period of time. We have raised this with representative organisations of which we are a member and with neighbouring districts, as well as directly to the government.
<b><i>2) That the Council does not pause but proceeds with its £60,000 planned capital spend on cycling infrastructure</i></b>	Y	We agree that the crisis presents a unique opportunity to promote cycling and other sustainable forms of transport. Moreover, it is important to show Oxfordshire County Council that we are supportive of cycle infrastructure and would wish it, as the Highways Authority (and in receipt of substantial government funding for this purpose) to pursue the same approach. For this reason, we agree not to include the £60k expenditure this year in the pause, although future years' funding will depend on the review of the MTFP.

**Date of Cabinet meeting: 24.06.2020**

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**To:** Cabinet  
**Date:** 24 June 2020  
**Report of:** Scrutiny Committee  
**Title of Report:** City Council COVID Recovery Programme

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To present Scrutiny Committee recommendations concerning the City Council COVID Recovery Programme
<b>Key decision:</b>	Yes
<b>Scrutiny Lead Member:</b>	Councillor Andrew Gant, Chair of the Scrutiny Committee
<b>Cabinet Member:</b>	Councillor Susan Brown, Leader and Cabinet Member for Partnerships and Economic Development
<b>Corporate Priority:</b>	All
<b>Policy Framework:</b>	Council Strategy 2020-24
<b>Recommendation: That the Cabinet states whether it agrees or disagrees with the recommendations in the body of this report.</b>	

<b>Appendices</b>
None

### **Introduction and overview**

1. At its meeting on 17 June 2020, the Scrutiny Committee considered a report to Cabinet concerning the Council's response to the Covid-19 pandemic.
2. The Panel would like to thank Councillor Susan Brown, Leader and Cabinet Member for Partnerships and Economic Development, for presenting the report and answering questions. The Committee would also like to thank Caroline Green for compiling the report and supporting the meeting, and Tom Bridgman, Director of Development, and Nigel Kennedy, Head of Financial Services for their support to the meeting also.

## Summary and recommendation

3. Leader of the Council, Councillor Susan Brown introduced the report. In doing so Councillor Brown emphasised the absolute interconnection between the financial and recovery elements of the Council's response to Covid-19. The three elements around which the plan was built (restart, recover and renew) were important and distinct, each one of which would require their own actions.
4. A number of key elements were highlighted:

*“Embed and build on positive changes that have emerged to the way we work across the council, and with our communities, volunteers and other partners.”* The response of communities and volunteers across the city to recent challenges had been ‘amazing’ and it would be important to build on that way of working.

*“Seek to retain or enhance environmental benefits wherever we can”.* This was an important and crucial goal for the Council.

*“Target our resources to where they are most needed to support those most in need or most vulnerable.”* This had been done in recent weeks and it was important that it should continue. It was clear that many citizens would be facing significant and additional economic hardship over the coming months and the Council would do all it could to protect them.

*“Ensure Equality, Diversity and Inclusion are embedded in all areas of our work.”* This was an important message to communicate, particularly at the present time and in the light of the worldwide response to the Black Lives Matter movement.
5. Councillor Brown noted that increasing numbers of citizens were likely to face financial hardship or health difficulties and the Council needed to be ready to support them. The Council had had to deliver services very differently in recent weeks and it would be important to capitalise on the lessons learnt from this. The Council Strategy and financial sustainability were key and this had regrettably but inevitably, necessitated the pause of some projects, to give time to review everything in the round.
6. The Committee welcomed the report presented. In its Scrutiny the Committee took in discussion of the eligibility of language schools for rates relief, predicted levels of unemployment, lessons learnt from the ‘Everyone In’ policy towards rough sleepers, the suitability of home working for staff, and safe management of protest. It makes a total of five recommendations relating to the need for a digital strategy, specific economic responses relating to community wealth building principles, and measures to safeguard the health and wellbeing of local residents.

## Digital Strategy

7. One of the key disruptions caused by the pandemic has been the need for distancing to reduce the chance of infection. In many cases, digital provision has been made as an alternative in order to maintain provision of services. With the potential that the threat of Covid-19 may be at least latent in the medium term, until such time as a vaccine might be developed, digital services will be central. Indeed, it is likely that for a lot of services which been forced to digitise, a return to analogue provision may not be worthwhile. Due to this, the Committee suggests that a digital strategy, to look at the opportunities and requirements of an increasingly digital world, would be worthwhile as a means of ensuring joined up thinking. The Committee recognises that a full consideration of this topic crosses remits beyond the Council's own, and encourages the Council to take a lead in developing partnerships to ensure this central part of the recovery from Covid is developed to its maximum potential.

***Recommendation 1: That the Council coordinates and / or develops an overarching digital strategy for the City and considers in joined-up fashion the multiple areas in which digital will play an increasingly important role in the Covid recovery response. Areas to include but not limited to: working from home, service user modal-shift, infrastructure requirements, the impacts of increasing digital shopping and working on the city centre, and enabling shop-local within an increasingly digital retail environment.***

## Economic Responses – Community Wealth Building

8. Whilst Oxford may have entered the forthcoming recession in a strong position economically and with strong levels of employments, the expected scale of economic retrenchment will nevertheless be deeply damaging. As such, it was suggested by members of the Committee that community wealth building approaches, where capital is owned locally, local jobs are supported and the financial benefits are recycled within the community are ever more important. In what is predicted to be the worst recession since the 18<sup>th</sup> century, access to capital that support such activities will be increasingly necessary. Elsewhere in the country, mutual banks have been set up to provide access to capital for such schemes, Avon Mutual and South West Mutual bank, for example. It is suggested that community wealth building initiatives are needed, and that access to capital will be a big challenge in the forthcoming environment. As such, it recommends that the Council investigates the potential for setting up a regional mutual bank locally.

***Recommendation 2: That the Council investigates the potential of setting up a regional mutual bank***

9. A connected issue raised by members of the Committee was that assets in the community – pubs in particular were noted – may struggle to survive under their current structures, but that where they provide significant community benefit there may be opportunities for developing community ownership. This is, however, an area of technical specialism, one which members of the public

cannot automatically be expected to be aware of. It is the view of the Committee that OxLEP, as the group tasked by government to lead on the local economic recovery, are best placed to offer this sort of advice. The Committee considers it important that it recognise the applicability of community ownership models in the current climate, and be willing and able to advise on how to facilitate their use in appropriate circumstances.

***Recommendation 3: That the Council encourages OxLEP to provide advice on how to set up or convert to social enterprise or cooperative business models to those for whom it would be appropriate***

### **Health and Wellbeing**

10. As the immediate threat of Covid-19 to health has receded, awareness has grown of the negative consequences arising from steps taken to address that threat: deterioration of mental health, weight gain, increased alcohol intake and reduced opportunities for sporting activity. As a leisure provider, the Council faces the challenge of how to respond to these issues within a context that has been wholly reset. It is the view of the Committee that there is an opportunity for the Council to work with stakeholders – community and voluntary groups, and health professionals especially – to ensure that the recast services it provides are of optimal benefit, and in particular target the needs of those who are most in need. One particular change of focus suggested by the Committee is a greater emphasis on maximising the sporting and leisure utility of its outside spaces.

***Recommendation 4: That the Council develops options on how it mobilises its leisure services, officers, and assets, and how it can work in partnerships with communities, health and other partners to target higher-need groups to get people active and improve their health. The Council is especially encouraged to consider how it might increase the use of outdoor facilities and spaces more***

11. The Committee also recognised that the negative impacts of Covid-19 are felt unequally across different ethnicities. A recently published Public Health England report indicates that black women are almost two and a half times more likely to be infected with Covid-19 than white women, whilst black men are nearly three times as likely to be infected. Bangladeshi men and women are almost twice as likely to die of Covid-19 than white men and women.<sup>1</sup>
12. Whilst the Committee recognises that the Council has a high concern for public health, it also recognises that statutory responsibility for public health lies in Oxfordshire, with the County Council. In particular, the Health Overview Scrutiny Committee (HOSC) exists to review situations of such unequal health outcomes. The Scrutiny Committee has agreed to contact the Council's representatives on

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[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/892376/COVID\\_stakeholder\\_engagement\\_synthesis\\_beyond\\_the\\_data.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/892376/COVID_stakeholder_engagement_synthesis_beyond_the_data.pdf) p.4

the HOSC to request that it undertake a review of the equalities impacts of the Covid epidemic, and seeks that this request is also endorsed by the Cabinet.

***Recommendation 5: That the Council endorses the request of Scrutiny to the Council's Health Overview Scrutiny Committee representatives that the HOSC undertake a review concerning the equalities impacts of the Covid epidemic.***

### Further Consideration

13. The report presented to Cabinet is an overview document outlining the Council's proposed response to the Covid-19 pandemic and its impacts. Scrutiny is likely to consider individual elements of this strategy in greater detail as they begin to be implemented, but further consideration of the Council's overall strategy is unlikely.

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**Cabinet response to recommendations of the Scrutiny Committee made on 17/06/2020 concerning the City Council COVID Recovery Programme report**

**Response provided by Leader of the Council and Cabinet Member for Partnerships and Economic Development, Susan Brown**

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<b>Recommendation</b>	<b>Agree?</b>	<b>Comment</b>
<b>1) That the Council coordinates and / or develops an overarching digital strategy for the City and considers in joined-up fashion the multiple areas in which digital will play an increasingly important role in the Covid recovery response. Areas to include but not limited to: working from home, service user modal-shift, infrastructure requirements, the impacts of increasing digital shopping and working on the city centre, and enabling shop-local within an increasingly digital retail environment.</b>	Y	The response to COVID has meant a significant shift towards digitalisation across our services as people accessing and staff delivering our services have been doing so from home. The “delivering services differently” workstrand of our recovery programme will be looking to sustain and maximise opportunities to digitise many of our services. In terms of the impact of changes in the way that people are using and travelling within the city, the City Economic Strategy will provide the framework for understanding these trends and informing Countywide work to secure investment in digital infrastructure.
<b>2) That the Council investigates the potential of setting up a regional mutual bank</b>	Part	We will explore the practice and experience from elsewhere, particularly to see what impact (positive or negative) the COVID-19 pandemic has had on other regional mutuals. We will then need to assess whether to progress this further.
<b>3) That the Council encourages OxLEP to provide advice on how to set up or convert to social enterprise or cooperative business models to those for whom it would be appropriate</b>	Y	We will discuss with OxLEP how this might be done, building on their eScalate programme which supports social entrepreneurs, enterprising charities and other purposeful businesses committed to enabling positive social and environmental impact
<b>4) That the Council develops options on how it mobilises its leisure services, officers, and assets, and how it can work in partnerships with communities , health and other partners to target higher-need groups to get people active and</b>	Y	This will be taken forward as part of the work on future options for community services and development of the hubs and as part of the discussions with health partners in tackling Health Inequalities highlighted as part of the Health and Social Care workstrand we are aiming to take

<p><b>improve their health. The Council is especially encouraged to consider how it might increase the use of outdoor facilities and spaces more</b></p>		<p>forward with partners. We are also launching a new programme called Go Active Outdoors that includes a range of activities in our parks and on the waterways.</p>
<p><b>5) That the Council endorses the request of Scrutiny to the Council's Health Overview Scrutiny Committee representatives that the HOSC undertake a review concerning the equalities impacts of the Covid epidemic.</b></p>	<p>Y</p>	<p>Agreed</p>

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