

# Agenda

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## Finance Panel (Panel of the Scrutiny Committee)

Date: **Wednesday 7 September 2016**

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Time: **6.00 pm**

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Place: **Plowman Room - Town Hall**

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For any further information please contact:

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# Finance Panel (Panel of the Scrutiny Committee)

## Membership

### **Chair**

Councillor Craig Simmons

Councillor James Fry

Councillor Jean Fooks

Councillor Sian Taylor – apologies received

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# AGENDA

## Pages

### 1 **APOLOGIES**

Substitutes are not allowed.

### 2 **DECLARATIONS OF INTEREST**

### 3 **COUNCIL TAX SUPPORT SCHEME**

9 - 16

#### Background Information

The Council Tax Reduction Scheme is funded by the City Council and provides support to people on low incomes who are liable to pay Council Tax. This scheme replaced the old Council Tax Benefit Scheme in April 2013.

This item was suggested by the Housing Panel for inclusion in the Scrutiny Work Plan. The Scrutiny Committee has referred it to the Finance Panel for consideration.

#### Why is it on the agenda?

For the Panel to consider spend and impacts of the Council's discretionary Council Tax Reduction Scheme. The Chair has suggested that the Panel could consider:

- Spend against budget;
- Numbers of applications received and outcomes;
- Numbers of awards granted by period and discount amount;
- Which groups are typically in receipt of reductions (e.g. Job seekers, pensioners on low incomes etc.)
- Benchmarking with other similar Councils
- How frequently data is checked for accuracy and changes of status and the results of any checking that takes place.

#### Who has been invited to comment?

- Councillor Susan Brown, Board Member for Customer and Corporate Services;
- Tanya Bandekar, Revenue and Benefits Service Manager;
- Paul Wilding, Revenue and Benefits Programme Manager.

## 4 THE IMPLICATIONS OF BREXIT FOR LOCAL GOVERNMENT

17 - 30

Background Information
The Panel requested a briefing on the expected impacts of Brexit following the public referendum held on 23 June 2016 and the resulting decision for the UK to leave the European Union.
Why is it on the agenda?
For the Panel to note and comment on the report. The Panel may also wish to submit one or more recommendations to the City Executive Board via the Scrutiny Committee in October.
Who has been invited to comment?
<ul style="list-style-type: none"><li>Nigel Kennedy, Head of Financial Services.</li></ul>

## 5 BUDGET MONITORING - QUARTER 1

31 - 46

Background Information
<p>The Finance Panel is responsible for scrutinising the Council's financial performance and monitoring spend against budgets.</p> <p>The Integrated Performance Report for quarter 1 2016/17 sets out the Council's financial position at 30 June 2016.</p>
Why is it on the agenda?
<p>For the Panel to note and comment on the Council's financial performance. The Panel may also wish to make recommendations to the City Executive Board.</p> <p>The City Executive Board on 15 September will be asked to:</p> <ol style="list-style-type: none"><li>Note the projected financial outturn, the current position on risk and performance as at the 30 June 2016;</li><li>Recommend to Council that additional budget of £0.118 million and £0.399 million is approved for Super Connected Cities and Disabled Facilities Grant expenditure to be financed from external grant funding in accordance with paragraph 11.</li></ol>
Who has been invited to comment?
<ul style="list-style-type: none"><li>Nigel Kennedy, Head of Financial Services.</li></ul>

## 6 TREASURY MANAGEMENT STRATEGY: ANNUAL REPORT AND PERFORMANCE 2015/16

47 - 58

Background Information
<p>The Finance Panel is responsible for scrutinising the Council's treasury management functions.</p> <p>The Treasury Management Annual Report 2015/2016 sets out the Council's treasury management activity and performance for the financial year 2015/2016.</p>
Why is it on the agenda?
<p>For the Panel to note and comment on the Treasury Management Annual Report 2015/2016. This is also an opportunity for the Panel to make recommendations to the City Executive Board.</p> <p>The City Executive Board on 15 September will be asked to:</p> <ol style="list-style-type: none"><li>1. Note the report;</li><li>2. Recommend that Council approve the amendment to the Specified Investments list attached at Appendix 1 (paragraphs 35 – 37).</li></ol>
Who has been invited to comment?
<ul style="list-style-type: none"><li>• Nigel Kennedy, Head of Financial Services;</li><li>• Bill Lewis, Financial Accounting Manager.</li></ul>

## 7 BUDGET REVIEW 2017/18 - SCOPE

59 - 62

Background Information
<p>The Finance Panel has been tasked with scrutinising the Budget 2017/18 decision, which will be taken by the City Executive Board</p>
Why is it on the agenda?
<p>The Finance Panel is asked to:</p> <ol style="list-style-type: none"><li>1. Agree the scope of the budget review,</li><li>2. Note the budget review meeting dates,</li><li>3. Agree to invite members of the Housing Panel to the Housing &amp; Regeneration budget review session,</li><li>4. Consider whether the meeting on 16 January 2017 should be a public meeting of the Finance Panel or a private meeting of the Budget Review Group.</li></ol>

The Panel may wish to defer points 1 and/or 4 to the December meeting.
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Who has been invited to comment?
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| <ul style="list-style-type: none"><li>• Nigel Kennedy, Head of Financial Services;</li><li>• Andrew Brown, Scrutiny Officer.</li></ul> |
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## **8 WORK PLAN**

63 - 74

For the Panel to note and agree its work plan, which can be adjusted to reflect the wishes of the Panel.

The Panel currently has no items scheduled for the meeting in March 2017.

## **9 NOTES OF PREVIOUS MEETING**

75 - 78

For the Panel to note the record of the meeting held on 30 June 2016.

## **10 FUTURE MEETING DATES**

Finance Panel meetings are scheduled as follows:

8 December 2016  
16 January 2017  
1 February 2017  
29 March 2017

All meetings start at 5.30pm.

## **DECLARING INTERESTS**

### **General duty**

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

### **What is a disclosable pecuniary interest?**

Disclosable pecuniary interests relate to your\* employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licences for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

### **Declaring an interest**

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest.

If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

### **Members' Code of Conduct and public perception**

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". What this means is that the matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

\*Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those of the member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

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**To: Finance Panel (Panel of the Scrutiny Committee)**

**Date: 8 September 2016**

**Report of: Head of Financial Services**

**Title of Report: Council Tax Reduction Scheme (CTRS) update**

## **Summary**

**Purpose of report:** To brief Finance Panel on the Council Tax Reduction Scheme

**Key decision** No

**Executive lead members:**

Councillor Ed Turner, Board Member for Finance, Asset Management & Public Health;

Councillor Susan Brown, Board Member for Customer and Corporate Services.

**Report authors:** Tanya Bandekar, Revenue and Benefits Service Manager;  
Paul Wilding, Revenue and Benefits Programme Manager.

## **Background**

1. The Scrutiny Committee has requested a report to update them on the cost of the Council Tax Reduction Scheme (CTRS).
2. Council Tax Benefit (CTB) was abolished in 2013 and replaced with local schemes of support to help people on low incomes pay their Council Tax. This support is known as Council Tax Reduction Scheme. Every Local Authority was required to adopt their own scheme and received funding from the Department for Communities and Local Government (DCLG) to help pay for these schemes through Revenue Support Grant.
3. There are two schemes in place currently. A working age scheme (18-63 [women] or 65 [men] years old) and a pensioner scheme (aged 64 [women or 66 men] years old and over). Under the pensioner scheme the Council is required to ensure that a pensioner receives the same amount of CTRS as if CTB was still being claimed.

4. Since the introduction of the changes in 2013 Oxford City Council has agreed to apply the national Default Scheme for Working Age claims, as this closely matches that of CTB (only 41 councils continue to take this approach in 2016/17). Both working age and pensioner claims sits within Section 13A of Local Government Finance Act 1992, which allows a Local Authority the discretion to reduce the Council Tax charge by the amount of Council Tax Reduction.
5. CTRS is administered by the Benefits Team either alongside a claim for Housing Benefit, or as a single claim for CTRS. Each application is based upon a detailed calculation of the weekly household income and available capital and whether the applicant can afford to pay the weekly Council Tax charge (after any disregards have been applied).

### Local cost of scheme

6. The cost of the Council Tax Reduction Scheme to the Council has increased significantly since it was introduced in 2013/14. Prior to 2013/14 Government support for expenditure was given in the form of a Council Tax Benefit Subsidy. In 2013/14 the funding was based on a forecast of anticipated expenditure, and reduced by 10%. From 2014, funding has been incorporated into Revenue Support Grant provided by DCLG and cannot be separately identified. Revenue Support Grant over the last few years has reduced considerably under the Government's austerity programme. Assuming the Council Tax Support Grant in line with reductions of Revenue Support Grant the cost of the scheme over the last three years to the Council can be summarised in the table below.

**Table 1: Cost of the scheme to the Council:**

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
City Council share of CTR	£1,712,631.22	£1,626,666.96	£1,575,328.94	£1,637,120.67
DCLG funding for CTR	-£1,546,457.00	-£1,346,964.05	-£947,993.30	-£593,443.81
DCLG Transitional Grant	-£42,148.00	£0.00	£0.00	£0.00
Income raised by CT exemptions and discounts on empty property	-£135,810.86	-£86,306.93	-£103,358.68	-£74,456.06
<b>Total</b>	<b>-£11,784.64</b>	<b>£193,395.98</b>	<b>£523,976.96</b>	<b>£969,220.80</b>

7. From 2013 DCLG provided flexibility within the Council Tax Exemption and Discount scheme to vary the charges made to different categories of empty property. The City Council made use of these powers to raise additional revenue from Council Tax which was intended to offset the cost of the CTRS scheme. It is envisaged that this discount regime will not change in 2017/18
8. Additionally in 2013/14 DCLG made transitional funding available to Local Authorities who restricted bills in their local schemes to 8.5% or less of Council Tax liability. This funding was only available in the first year of the scheme.
9. 35.3% of CTRS recipients in Oxford are of pension age and the cost of the pension age scheme is £578,363.65. This means the government grant now only covers slightly more than the cost of this scheme, which the council is not permitted to change. With the Revenue Support Grant reducing to zero from 1<sup>st</sup>

April 2019 the Council will be funding the whole cost of the CTRS scheme an estimated £1.6 million per annum

## Caseload Details

10. In the financial year 2013-2014 if you were already in receipt of CTB you did not have to apply for CTRS. Details were automatically transferred to the new scheme to reduce the administrative burden for the Benefit Service and the customer.

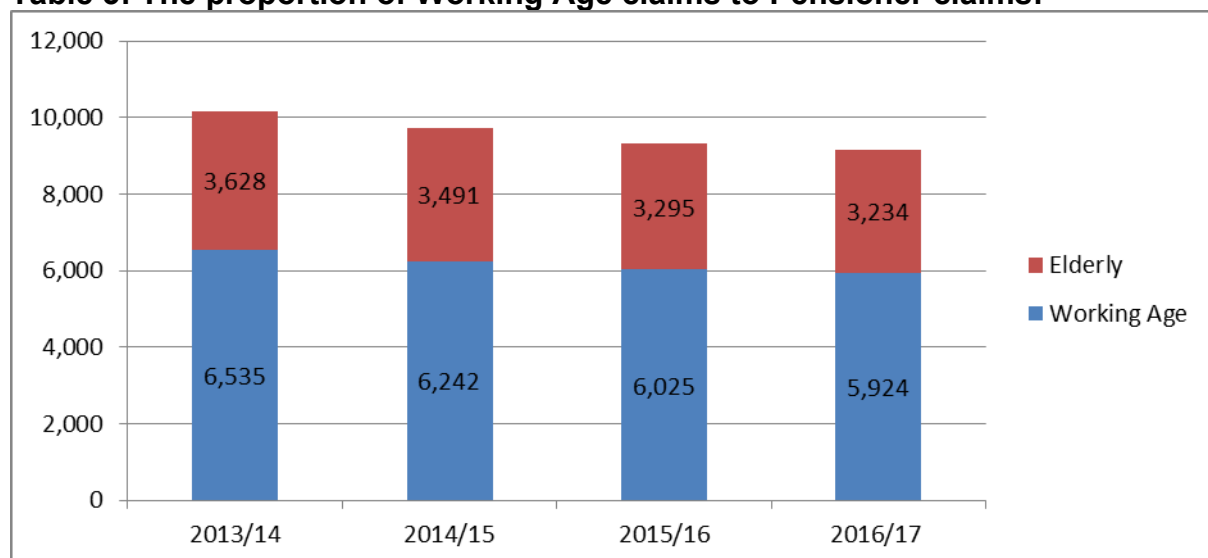
11. Table 2 shows the caseload since 2013-2014. It has been slightly decreasing each year in line with other benefits and the improving economy, but is still above the pre-financial crisis level.

**Table 2: Caseload Information from 2013 to date:**

Year	Average monthly CTRS caseload	Working Age		Pensionable Age	
		Numbers	%	Numbers	%
2013/14	10,163	6,535	64.30%	3,628	35.70%
2014/15	9,733	6,242	64.13%	3,491	35.87%
2015/16	9,320	6,025	64.65%	3,295	35.35%
2016/17(Apr-July)	9,158	5,924	64.69%	3,234	35.31%

12. The proportion of Working Age claims to Pensioner claims also remains similar in comparison to overall entitlement.

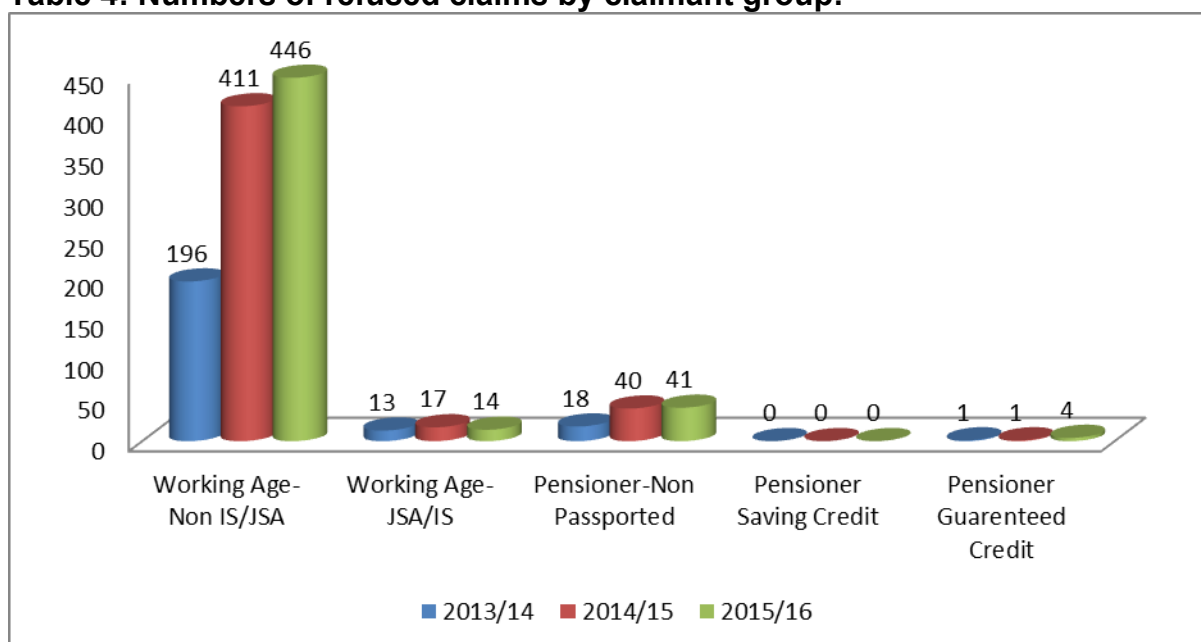
**Table 3: The proportion of Working Age claims to Pensioner claims:**



13. Table 4 shows where claims for CTRS have been refused. The highest group of refused claims are in the Working Age-Non Income Support (IS) /Job Seekers Allowance (JSA) category. This is because a greater amount of detailed information is required as these people will have paid employment. Recipients of welfare benefits are automatically entitled to CTRS (because the Department for

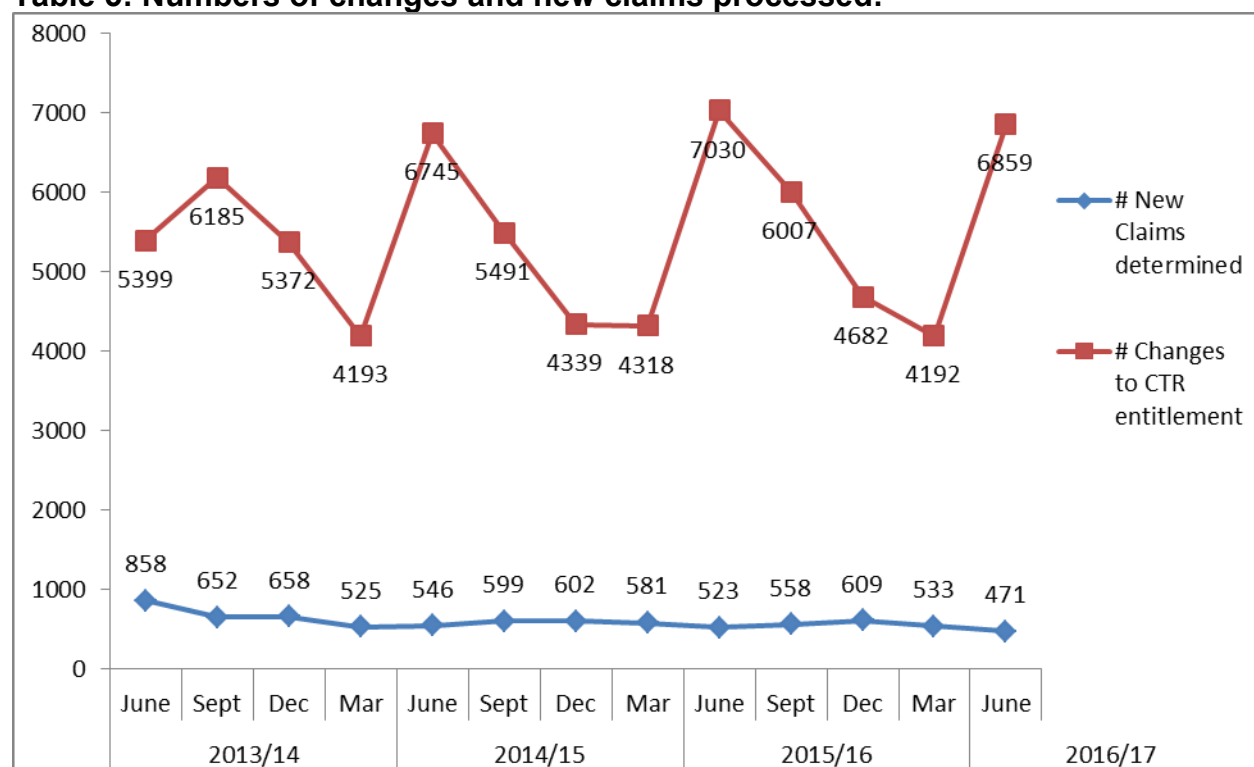
Work and Pensions or the Pension Service have verified the income and capital) and as such very few of these have been refused.

**Table 4: Numbers of refused claims by claimant group:**



14. Table 5 shows each quarter from 2013-2014 and the number of changes and new claims that have been processed by the Benefit Service

**Table 5: Numbers of changes and new claims processed:**



15. The number of new claims throughout the 13 periods has remained even throughout, which differs considerably to the number of changes that have been

processed. As with Housing Benefit, the Service see large increases in workload from April to June each year, as the team applies an annual 'up-rating' where the Government increase state benefit incomes by inflation rates or lower. As many reported and automatic changes occur in the first 2 quarters of each year, the level of charges significantly increases and then plateaus for the last 2 quarters. (Please note that due to ICT issues experienced during April 2016, this quarter reporting will only reflect 2 months processing for new claims).

## **Case Studies**

16. A small review of CTRS claims was conducted this year where non-dependants in the household are in receipt of a disability income. These claims attract a low non-dependant deduction (this is where other adults over 18 are expected to contribute to the household costs) to the CTRS entitlement.

17. During the review, 3 claims benefited from large underpayments in CTRS;

- Mrs J's Council Tax account received a further £1372.79 in CTRS. Mrs J (born 1929) lives with her 3 daughters as her husband died in 2006. Mrs J has been in receipt of a disability benefit from 2008, which was undeclared to the Benefit Service. The claim no longer has multiple non-dependant deductions for her 3 daughters applied to the claim. Mrs J is now in receipt of full CTRS and does not pay any money towards her council tax giving her a further £26.13 per week into her household.
- Mrs I's Council Tax Account received a further £634.21 in CTRS. Mrs I's claim was paid on the basis of a disability benefit in payment, however due to a data exchange error with the DWP; this income was incorrectly removed in 2014 for 1 year. The Benefit department has re-applied this income and awarded the back award to the account. This has removed any charge that was applied and Mrs I is now in receipt of full CTRS.
- Mr M's Council Tax Account received a further £7556.02 in CTRS. Mr M's (born in 1932) lives with his wife and 2 sons and daughter-in-law. Mr M receives a disability benefit from 2009, which was undeclared to the Benefit Service. This removes the non-dependant charge applied to the CTR entitlement. Mr M now receives full CTRS giving a further £29.59 in the household per week.

## **Quality Checking**

18. A checking regime is in place within the team to ensure that accuracy of claim assessment is of a high standard. All staff have 4% of claims reviewed weekly. In cases where a mistake is found, then this is rectified and the Claimant is notified of the amended entitlement.

19. For each claim that is checked, the findings are fed back to the staff and performance is reviewed through a 1-2-1 process bi-monthly. Where there are training needs identified, this is recorded and support is arranged. The Benefits

Management Team discuss the accuracy figures each month to see if there are any trends occurring and to find any resolution.

## **Changing the Scheme**

20. For each financial year the Council is required to review its CTRS scheme for the following year. Modelling which is carried out each year has shown that trying to recoup the full costs of the CTRS scheme from recipients of support is not financially viable due to the potential for reduced collection rates and increased collection costs. If the scheme were to be changed then the most common method used for reducing support by other Councils is to introduce a minimum payment. This could be set according to the amount of saving the Council wished to achieve.
21. As an example, applying a minimum payment of 30% of the Council Tax liability for all Working Age recipients of CTRS would reduce total expenditure this year from £1,637,121 to £1,251,103, a saving of £386,108. However the City Council is only responsible for 16.85% of the cost of CTRS, with the remainder being borne by the County Council and Police & Crime Commissioner. As such, to generate this saving for the Council, an additional £2,290,910 in Council Tax would be levied on low income households. For someone living in Blackbird Leys in a Band D property, 30% of their liability is £519.34 for the current year.
22. It is estimated that the government's welfare reforms saw the cost of paying benefit in Oxford reduce by £29.7m from 2010 to 2015. As such, any reductions in council tax support would need to be considered alongside further and often significant reductions in income which have already been experienced by many households in Oxford.

## **Administering the Scheme**

23. The budgeted cost to the Council of administering the scheme is £548,010 net of Housing Benefit Administration Subsidy of £705,860. The Benefits team consists of 30.7 fte staff. It must be remembered that the team also administers Housing Benefit claims as well as CTRS claims and so this cost covers both areas of benefits administration
24. Reducing the cost of administering the scheme has been considered. Whilst Housing Benefit is being administered by the Council, there is little scope for significant savings in administration. CTRS mirrors Housing Benefit rules and the majority of customers are entitled to both. Having similar HB and CTRS schemes minimises costs as one set of data is entered in order to calculate entitlement to both benefits. Simplifying the CTRS scheme could actually increase administration costs because staff would have to conduct two processes for each customer, instead of one, to assess benefit entitlement.
25. This situation will change with the full rollout of Universal Credit (UC). By 2018, almost all new CTRS claims for people of working age will be from people receiving UC. As UC replaces HB it makes more sense to align the CTRS scheme with UC from 2018, and to simplify the scheme so that it costs less to

administer. To this end, a working group has been established to develop a scheme for this different environment. Members would still have an option in this new scheme to amend the level of support provided to people on low incomes.

## **Benchmarking**

26. Unfortunately there is no formal reporting of the collection of the CTRS element of Council Tax. However some analysis of the impact of CTRS on Council Tax collection has been conducted. The Child Poverty Action Group (CPAG) analysed the first year of the CTRS scheme in London which shows London authorities are facing lower collection rates. The collection rate for council tax owed by council tax support claimants with an increased liability in 2013/14 was, on average, 81 percent, compared with average collection rates of 97.4 per cent in 2012/13. In addition 92,648 customers in this group were charged £10m in court costs with 15,944 referred to enforcement agents (bailiffs). The collection rate of 81% is in line with that reported by other LA's through informal benchmarking.

## **Summary**

27. It would be possible to reduce the costs of providing CTRS support, however changing the CTRS scheme for any of the reasons outlined in 20. above is likely to increase the Council's costs due to the potential for reduced collection rates and increased collection costs. Whilst the current projected local cost of the current scheme is currently £969,220, once Revenue Support Grant ceases the projected cost of the scheme will be in the region of £1,600,000. Payment of the full amount of CTRS is considered to be a priority for the council to support the residents of Oxford.

28. Furthermore, changing the scheme to reduce the cost of providing support does not fit with the Council's response to the government's welfare reform programme. The Council's response to this challenge has been carefully considered, with financial help given alongside practical support to those affected, in order to help them become financially sustainable. Just as Discretionary Housing Payments are not awarded indiscriminately to anyone who asks for them, introducing arbitrary reductions in financial support would be equally unhelpful.

29. By 2018 however, the situation will have changed. The DWP had informally advised that Universal Credit (UC) full service would be rolled out in Oxford in early 2017/18 although the change in personnel at the DWP has already meant a further delay in migrating all HB customers across to UC to 2022 so we expect to be migrated later in 2017/18 than originally planned. This will mean that by 2018, almost all new CTRS claims for people of working age will be from people receiving UC. As UC replaces HB it makes more sense to align the CTRS scheme with UC from 2018, and to simplify the scheme so that it costs less to administer.

30. To this end, a working group has been established to develop a scheme for this different environment.

The working group will present options to members on reviewing and renewing the scheme. The administration has not included any savings in this area in the MTFS, but has identified making sure funds are spent as effectively as possible is a priority. The input of Scrutiny in this process will be welcome.

**Name and contact details of author:-**

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Service Area / Department: Financial Services

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**List of background papers: None**

**Version number: 1.0**



**To: Finance Panel (Panel of the Scrutiny Committee)**

**Date: 8 September 2016**

**Report of: Head of Financial Services**

**Title of Report: The Implications of Brexit for Local Government**

## **Summary**

**Purpose of report:** To update the Finance Panel on the expected implications of Brexit (British exit from the European Union) for local government.

**Key decision** No

**Executive lead member:** Councillor Ed Turner, Board Member for Finance, Asset Management and Public Health

**Report author:** Nigel Kennedy, Head of Financial Services

## **Background**

1. The Finance Panel requested a briefing from the Head of Financial Services on the expected financial impacts of Brexit on local government.

## **Investments and Borrowing**

### **Credit Rating of UK**

2. The UK's Sovereign credit rating has been downgraded by both Standard & Poor's and Fitch from AAA to AA and put on negative outlook. Standard and Poor's warned that further downgrades could follow in the coming months and that uncertainty following the Brexit vote would hurt growth, push up borrowing and could trigger a constitutional crisis if it led to a second Scottish referendum.
3. Moodys which use a slightly different rating system have also placed the UK's rating on negative outlook.

4. The UK is now deemed less credit worthy than the US and EU
5. Moodys have suggested they may put UK banks on negative watch but no changes yet; changes in the financial regulation of the banking sector have led to a separation of bank credit ratings from sovereign credit ratings.
6. Yields on 10-year Government bonds have fallen to historic low levels as investors seek safety from Bank of England base rate cuts.
7. The shareholders of the European Investment Bank (EIB) are the 28 Member States of the European Union and the UK has a 16.11% shareholding in the EIB. At present the UK shareholding in the EIB remains and the EIB's engagement in the UK is unchanged, however it is likely that the EIB's engagement in the UK will form part of the broader discussions to define the future relationship of the UK with Europe and European bodies.

### Interest rates

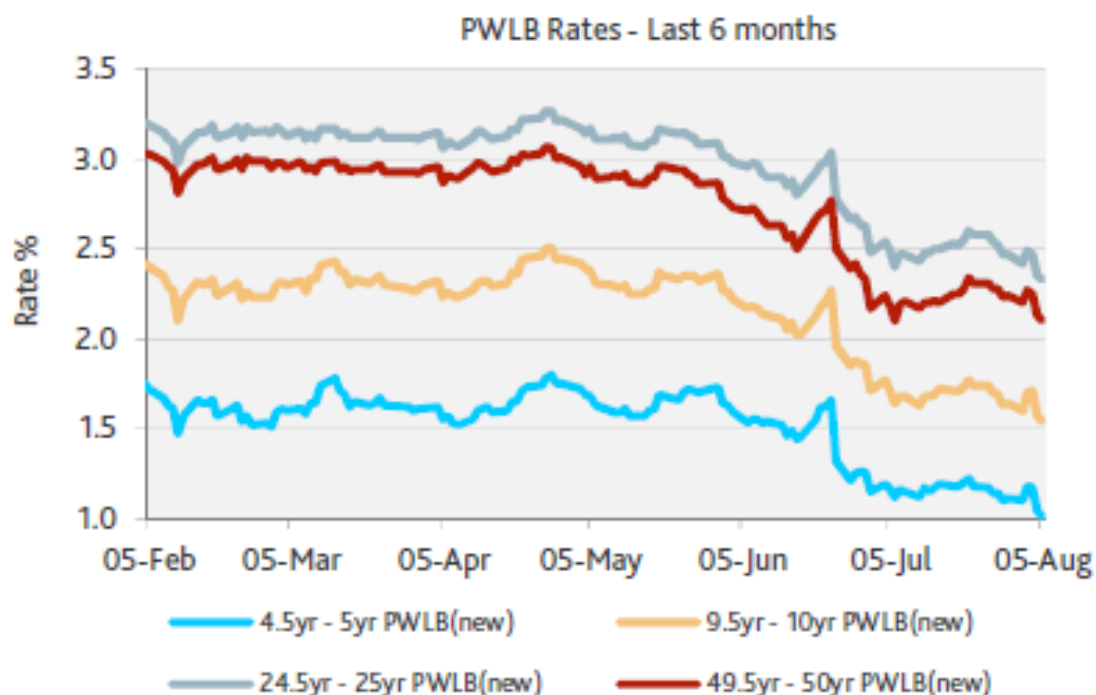
8. The Bank of England's Monetary Policy Committee did not adjust the Base Rate when it met in July. However, the release of economic data showing that the Brexit implications were more significant than at first thought meant that the MPC Committee cut bank base rate by 0.25% to a record low of 0.25% at its meeting on the 4<sup>th</sup> August.
9. The Bank of England could also enact fresh policy measures in the near term, such as expanding the Quantitative Easing programme, in order to support the British economy. These measures including the cutting of interest rates means that banks will not be short of cheap funds, which means they don't need to offer competitive investment rates.
10. Capita; the Council's Treasury advisors have revised their interest rate forecasts and expect base rate to be cut further to 0.10% in December 2016. The forecast goes on to suggest no rise in base rate until quarter 2 of 2018. This is shown in Figure 1 below.

**Figure 1: Capita interest rates forecast**

	NOW	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
BANK RATE	0.25	0.25	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.50
3 month LIBID	0.50	0.30	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.30	0.40	0.50	0.60
6 month LIBID	0.55	0.40	0.30	0.30	0.30	0.40	0.40	0.50	0.50	0.50	0.60	0.60	0.70
12 month LIBID	0.75	0.60	0.50	0.50	0.60	0.60	0.70	0.70	0.70	0.80	0.80	0.80	0.90
5 yr PWLB	1.00	1.00	1.00	1.00	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.30
10 yr PWLB	1.60	1.50	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80
25 yr PWLB	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60
50 yr PWLB	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.40

11. Reaction to the Bank of England's comments around quantitative easing caused an immediate fall in gilt rates between 10 and 50 years of about 25-37 basis points. Capita have subsequently revised PWLB borrowing rate forecasts down to historically low levels. See Figure 2 below.

**Figure 2: Public Works Loan Board Rates – Last 6 months**



### City Council Investments

12. As at the 31<sup>st</sup> July the Council held £77.8 million of Investments in the following institutions:

**Figure 3: City Council investments**

	Maturity Period			
	0-3 months	3-6 months	6-12 months	>12 months
	£millions	£millions	£millions	£millions
Banks	7.5	16.5	7.0	
Building Societies	7.0	10.0		
Money Market Funds	14.8			
Local Authorities	5.0			
Property Funds				10.0
Certificate of Deposits				
<b>Total</b>	<b>34.3</b>	<b>26.5</b>	<b>7.0</b>	<b>10.0</b>

13. Average investment returns in July was 0.68% for banks and building societies excluding property funds and 1.11% including property funds. For investments redeeming in August, the Council has been quoted in the range of 0.16% to 0.65% for new 6 months deals as opposed to the 0.62 to 0.80% achieved in the last month. The 6 month rates quoted now are often lower than current money

market funds (MMFs), which is a reverse of the pre-Brexit position despite MMF rates falling to a range of 0.37% to 0.45% from 0.45% to 0.52%.

14. Another impact of the UK credit rating downgrade is a reduction in investment duration limits.
15. Within the medium term financial plan an amount of £746k has been included for investment interest based on an average interest rate of 0.7% excluding property and 1.3% including property funds. A reduction in the average rate of investments to 0.44% would reduce investment interest by around £100k. With the base rate decrease and the potential for a further decrease it is likely that this financial pressure will increase.
16. The reduction in returns will also impact on the Council's Pension Fund although the impact will not be clear until the next actuarial review which is due this financial year; an early indication of the results will be needed to enable forward planning for pension costs.

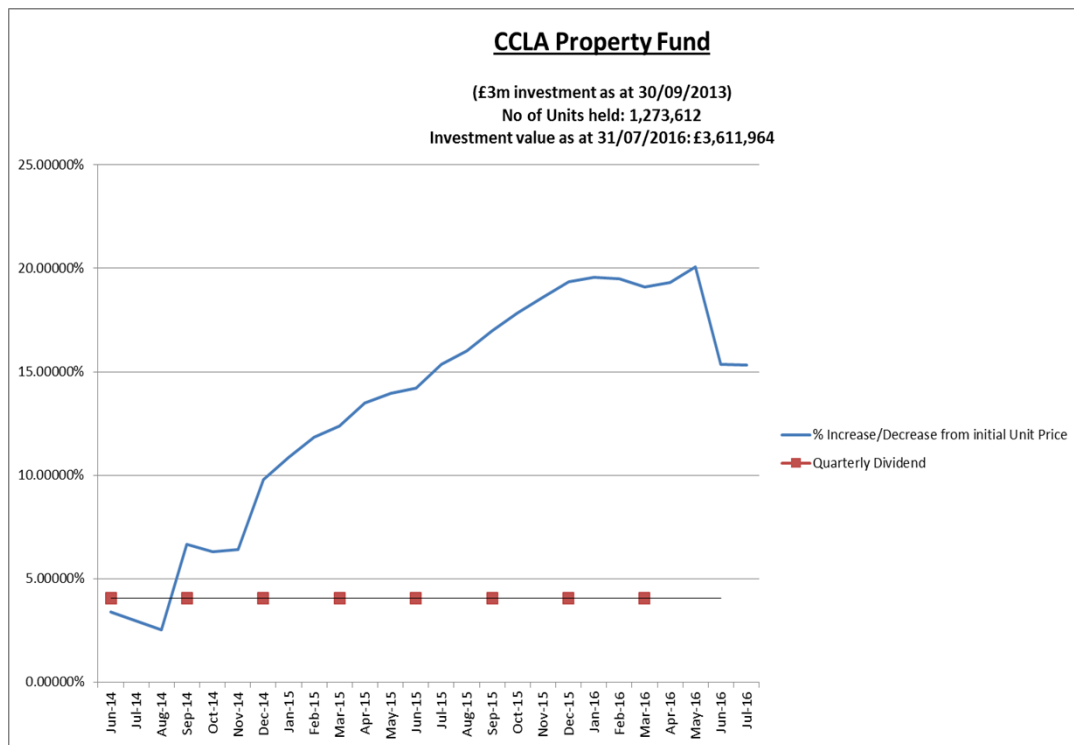
### **Property Funds**

17. The Council has invested in three property funds. The primary reason for the Council investing in the CCLA and Lothbury property funds was to achieve a revenue return. Since the vote for Brexit, the capital value of these funds has reduced; however it is still significantly above the purchase value. Investments in property funds are long term and it is expected that there will be fluctuations of the capital value over the period that the property fund investments are held. More detail on the property funds the Council holds are as follows:

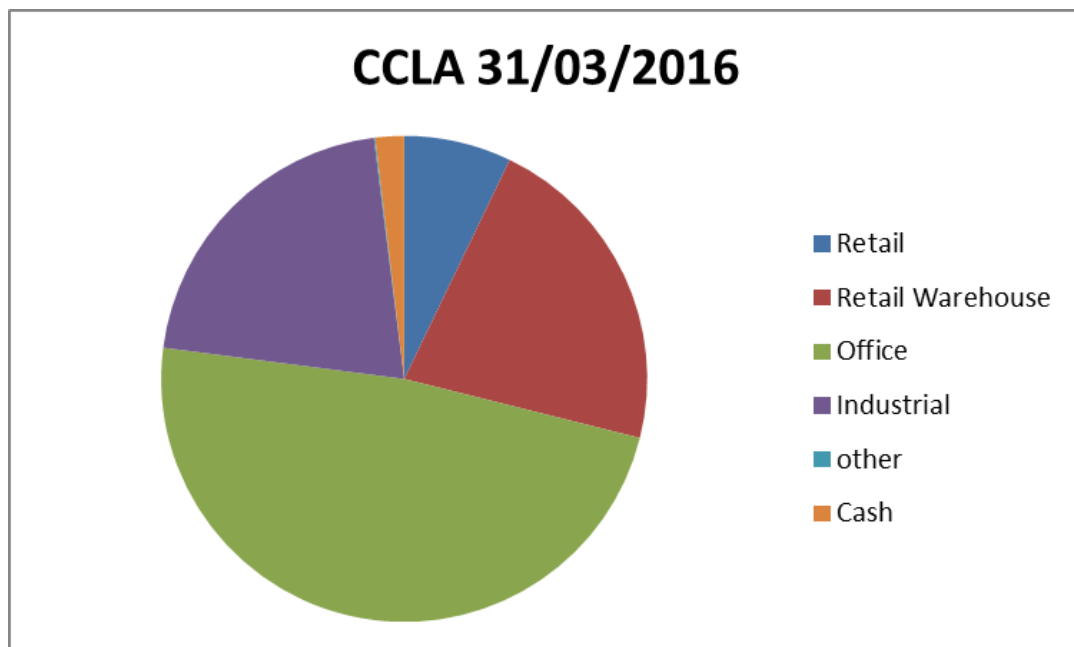
#### **CCLA**

- a) £3 million investment in the Local Authorities Property Fund held in two tranches. The total capital value as at the end of July 2016 was £3,611,964.
- b) The Council has enjoyed growth since joining the Fund, however the recent Brexit result has had a considerable effect on the Fund as shown on the chart below. The fund has effectively fallen back to July 2015 net asset values. The CCLA fund managers took the decision to down value the fund by 3% from £636 million to £617 million as a result of uncertainty in the market due to the Brexit vote. Other property funds in the market have down valued further.
- c) The Fund managers believe the portfolio of properties remain attractive with strong and robust long-term tenants, low void rates of 4.8%, no gearing and relatively low exposure to City of London and Central London properties.
- d) The Fund still allows redemptions.

**Figure 4: Growth in value of CCLA Property Fund**



**Figure 5: CCLA Property Fund asset allocation by type**

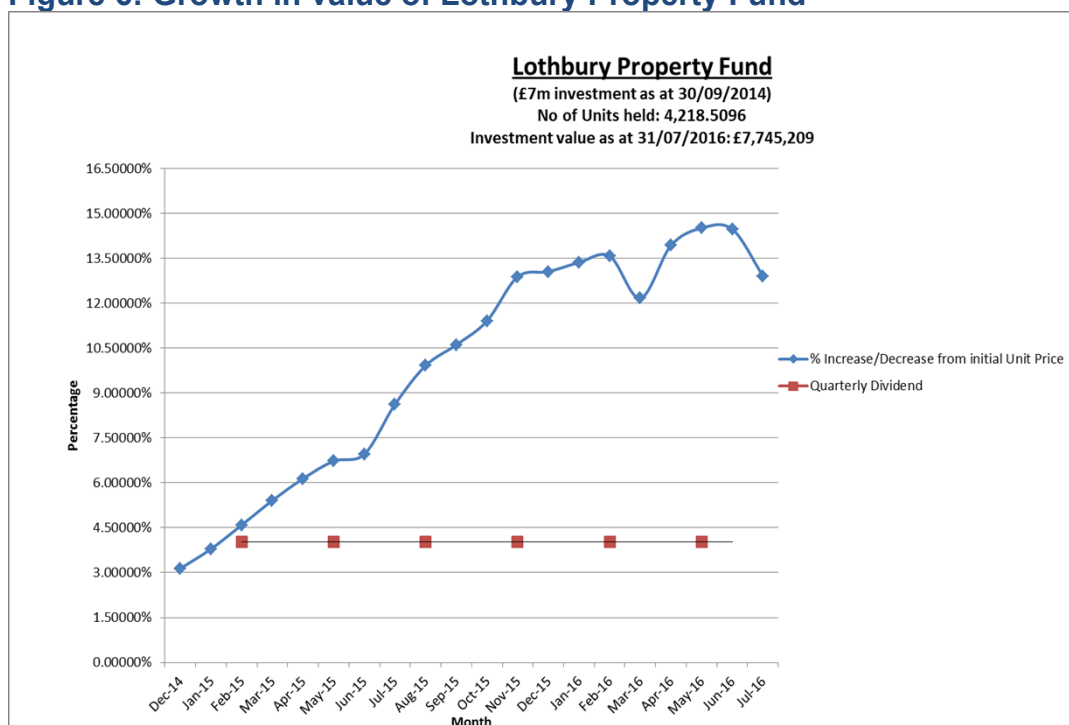


### Lothbury

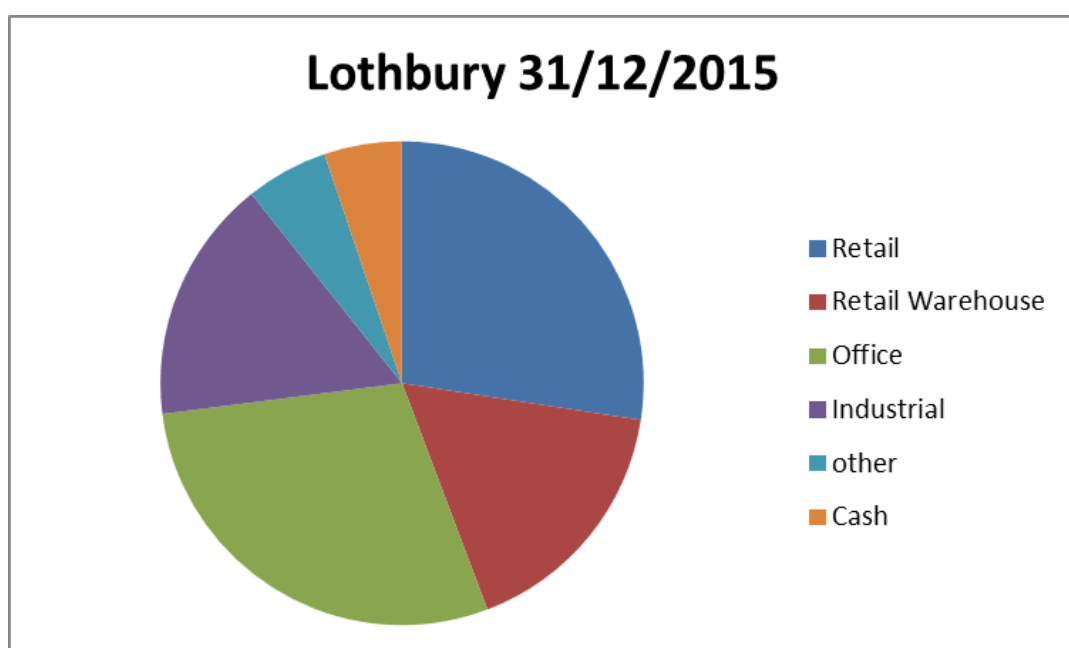
- e) £7 million is currently invested in the Lothbury Property Fund held in two tranches. The capital value as at the end of July 2016 was £7,745,209.

- f) The Council has enjoyed growth since joining the Fund. The Council's investment has fallen since May 2016 as shown in the chart below.
- g) The Fund still allows redemptions.

**Figure 6: Growth in value of Lothbury Property Fund**



**Figure 7: Lothbury Property Fund asset allocation by type**



### **Real Assets Lettings**

- h) The Council has recently invested an amount of £5million with match funding from the Big Society to purchase houses for homeless families. Although essentially this is a service requirement the Council does expect to make around 3% rate of return commencing next financial year plus a share in the uplift in the value of the 50 properties purchased.

### **Borrowing**

18. Within the Council's Medium Term Financial Plan provision has been made for the following prudential borrowing:

**Figure 8: Borrowing provision in the Council's Medium Term Financial Plan**

	<b>HRA</b>	<b>General Fund</b>	<b>Housing Company</b>	<b>Total</b>
<b>Year</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
2016/17	-			
2017/18	6,512	5,588	12,250	24,350
2018/19	6,254	3,260		9,514
2019/20	7,419	5,039		12,458
Total	20,185	13,887	12,250	46,322

19. The Council currently has around £20 million of internal borrowing and reserves and balances of around £60 million which potentially provide additional headroom dependant on the Council's expenditure profile. However, as highlighted earlier; borrowing rates are at historically low levels so officers are monitoring the situation carefully.

### **Britain's Contribution to the EU**

20. From 2010 to 2015, the UK's average annual gross contribution to the EU amounted to around £16.8 billion. However the UK also receives a rebate and funding from various EU initiatives. This means that the UK's average annual net contribution to the EU budget over these same years is estimated to be around £8.8 billion, or around 0.5% of GDP.
21. Although in the near term budgetary contributions to the EU must still be made, and funding flows into the UK will continue, the longer term position is uncertain and is dependent on the exit negotiations between the UK and the EU. In addition it remains to be seen whether the new UK Government will redirect the money it may save from leaving the EU to similar areas as those benefiting from European funding, including local government.

### **Pound versus Euro**

22. The pound has fallen against the euro since the Brexit vote to a low of 1.16 euros as opposed to a 52 week high of 1.44 euros and a level of 1.3 euros before the Brexit vote.

**Figure 9: The value of the Pound against the Euro**



## EU Funding

23. The City Council has actively pursued European Funding for relevant projects in recent years. Additionally, the Local Enterprise Partnership (LEP) has secured funding from the European Structural Investment Funds (ESIF) (c£20million). The proposals can be most easily understood as being organised around two headline programmes:

- £14.77m (+ match) Business Support Programme
- £4.73million Labour Market and Community Development Programme

### Oxfutures Programme

24. The Oxfutures Programme is run by the Low Carbon Hub on behalf of the City Council and County Council. The partnership received £1.2 million of EU grant on the basis that it leveraged 15 times this amount in schemes with local businesses. The target is 23 million euros or £19.658 million, an increase £1.8 million since the BREXIT decision on 23<sup>rd</sup> June and the fall in the exchange rate. In the event that the target is not achieved a proportion of grant is repayable to the EU.

25. Going forward access to EU funds may not be possible.

## EU Obligations

26. There are a range of EU obligations affecting local authorities. Procurement, local economic development, waste and employment are all determined by EU regulations. It is probable that some of these regulations will remain enshrined within UK law, while others may be repealed or overturned in the fullness of time.

## State Aid Rules

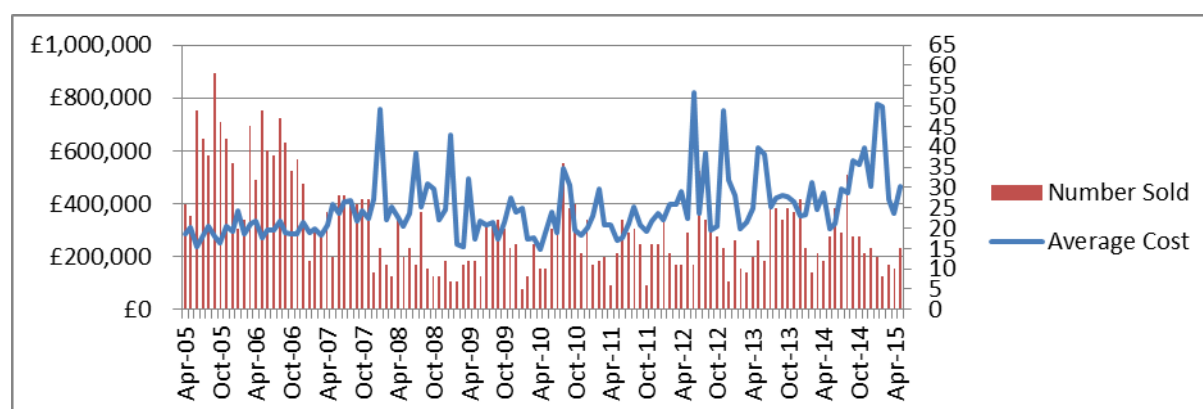
27. Potentially some EU state aid rules would be relaxed, which could mean it is easier in some circumstances to support companies with public funding when warranted, although we would still have to comply with restrictions that may be imposed as part of a negotiated European Free Trade Agreement.



## House Prices

28. Many economists believe that house prices could go down because of a potential fall in inward investment which would not help those councils who are setting up development companies and building more properties to sell as part of the plan to find alternative sources of income, helped significantly by the present buoyant housing market. It is fair to say however that even with the recent financial markets fluctuations the average cost of dwellings in Oxford has been upwards.

**Figure 10: Average cost of dwellings in Oxford**



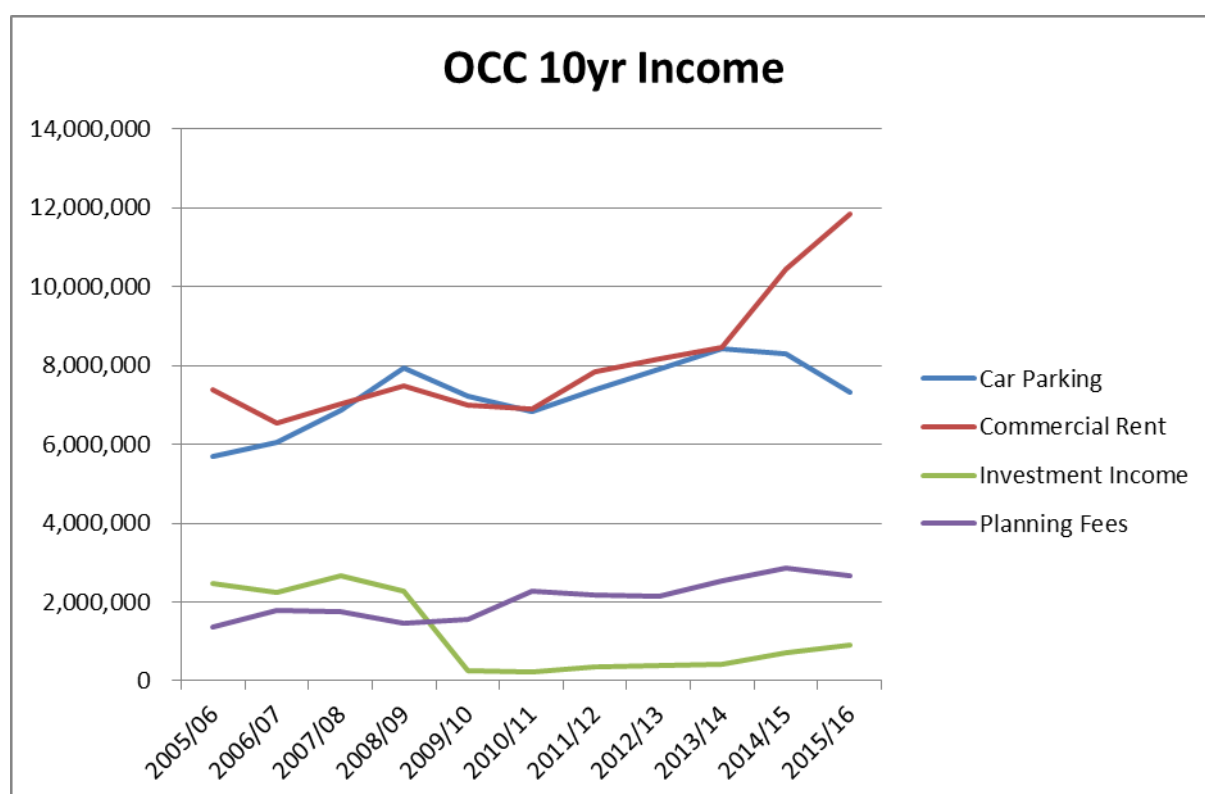
## Petrol prices

29. The Petrol Retailers Association and the AA motoring organisation have warned drivers that a 2p to 3p increase in the cost of a litre of fuel should be expected. The Council uses around £800k of fuel per annum, so this represents a £20k increase

## The Council's Key Income Streams

30. For an indication of what the effect of BREXIT may have on the Councils own income streams it is worth looking at what happened in the last recession and the effect on some of the Council's main income streams, i.e. car parking, planning fees, investment income, commercial property income and Business Rates. It will be appreciated that past history may not be reflective of the future.
31. Following 6 successive quarters of negative growth the UK finally moved out of recession in the final quarter of 2009. The graph below shows the Councils' main income streams between 2005/06 and 2015/16 which shows the trend before, during and after the recession.

**Figure 11: The impact of the 2008/9 recession on Council income streams**



32. The main observations include:

- Investment income dropped significantly as base rates were cut to 0.5% and will drop further following the cut to 0.25%.
- Some dip in car parking income in 2010/11 but equally this could be explained by the transfer of 2 park and ride sites to the County Council.
- Planning fees show some plateauing in 2008/2009 but with steady growth thereafter.
- Commercial rents have continued to climb over the period, more significantly in 2014/15 which arises due to the switch of car parking income from the Westgate in favour of a fixed rental from the Westgate Development Partnership.

### **Focus on Investment Property**

33. The Council has a commercial portfolio that currently is estimated to deliver a rental stream of £11.5m in 2016/17. The table below identifies the potential lease renewals and annual uplifts expected over the next few years as per the approved MTFP.

**Figure 12: Expected additional income from the Council's commercial portfolio**

2016/17	£ 123,000	Will be achieved once rent review completed
2017/18	£ 50,000	
2018/19	£ 9,000	
2019/20	£ 150,000	
<b>Total</b>	<b>£ 332,000</b>	

**Figure 13: Analysis of Commercial Property Rental Income by Type of Holding**

<b>Property Category</b>	<b>Annual Rent</b>	<b>% Income</b>
Agricultural	£ 14,350	0.1%
Café/ Snack bar	£ 232,550	2.0%
Easement	£ 10,276	0.1%
Hotel/Guest House	£ 168,500	1.5%
Licence	£ 333,178	2.9%
Mooring	£ 47,643	0.4%
Residential	£ 1,148,843	10.0%
Restaurant	£ 1,496,079	13.0%
Retail	£ 5,636,660	48.8%
Offices	£ 1,806,336	15.6%
Light Industrial	£ 226,296	2.0%
Community Facility	£ 101,390	0.9%
Museum/Theatre	£ 320,000	2.8%
<b>Total Budget</b>	<b>£ 11,542,100</b>	

Retail Category includes Covered Market and all income expected from Westgate Development

34. In the short term (1-5 years) any negative impact on rental income is expected to be limited given the current profile of lease renewals. However, it could be impacted in the longer term dependant on the capital appreciation of the portfolio as leases come up for renewal. More concerning would be any loss of the anticipated rental streams from the Westgate Shopping Centre.

### **Business Rates**

35. The business rates net collectable debit in Oxford City is shown as follows:

**Figure 14: The business rates net collectable debit in Oxford City**

<b>Business Rates Net Collectable Debit</b>		
<b>£000s</b>		
2005/06		62,244
2006/07		68,937
2007/08		72,460
2008/09		77,628
2009/10		80,422
2010/11		78,654
2011/12		81,537
2012/13		83,445
2013/14		85,581
2014/15		86,669
2015/16		88,488

36. Although some reduction in the business rates between 2009/10 and 2010/11, which could be attributed to a change in the rating list valuation, changes in exemption thresholds and a reduction in the multiplier, overall the net collectable debit and hence the number of businesses in the cities has remained buoyant over the period from 2005/06 to 2015/16.
37. Currently there are 19 properties with rateable values of over £1 million totalling £50 million (22% of total rateable value) out a total of 4,000 properties with a total rateable value of £230 million. Since the introduction of Business Rates retention in 2013/14 some of the risk in the volatility of business rates income is shouldered by the local authority. The authority could lose around £500k in income before a safety net payment from the Government is initiated. The loss of one of these top 19 properties alone could bring about this situation. There is a further review of the Business Rates system underway which may lead to the Council bearing even more of the risk in this area.

## **Conclusions**

38. The Brexit event has produced some unrest in the financial markets. The Council's property investments especially with CCLA have been devalued downwards, although it must be remembered that capital fluctuations are to be expected within the property market; property funds are a long term investment with the aim of achieving a revenue return. CCLA advise that void rates are still low, current income yields are still good in comparison to benchmarks and exposure to leases of less than 5 years unexpired has fallen to 48% of the portfolio compared to 65% in 2014. As long as the fund continues to give a good yield then we should continue to hold as there will be difficulties in placing the funds should we withdraw.
39. Investment income in other areas is likely to decline due to cuts in the base rate and confidence in the market following the reduction in the UK sovereignty rating.

It is still early days to see the effect on the Councils income streams but past history, if deemed representative, would indicate limited effect in Oxford.

40. On the plus side borrowing rates are at an all-time low and with a base rate reduction a likelihood these will only go one way which bodes well for further borrowing which the Council are forecast to do in the future.
41. Further financial pressures are likely in other areas such as pensions and fuel.
42. Funding for large projects including infrastructure may reduce with the loss of European funding and this may have an effect on the Local Enterprise Partnership.
43. Overall there is a sense that Oxford City can in the short term weather any subsequent adverse Brexit impact. However, if the Brexit situation results in a national recession then we will not necessarily be able to continue to be immune from such an event and the impact of national chains going insolvent and closing stores would increase potentially affecting our property funds, direct property investments and our income streams and business rates. How much this would impact on Oxford is not known for sure but it is hoped, given our unique tourist pull factor and subsequent high demand, that any adverse aspects would be limited or certainly less than the national picture.

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**List of background papers:** None  
**Version number:** 1.0

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**To:** City Executive Board  
**Date:** 15 September 2016  
**Report of:** Head of Financial Services  
 Head of Business Improvement  
**Title of Report:** Integrated Performance Report for Quarter 1 2016/17

Summary and recommendations	
<b>Purpose of report:</b>	To update Members on Finance, Risk and Performance as at 30 June 2016.
<b>Key decision:</b>	No
<b>Executive Board Member:</b>	Councillor Ed Turner, Finance, Asset Management and Public Health
<b>Corporate Priority:</b>	Efficient and Effective Council.
<b>Policy Framework:</b>	Corporate Plan
<b>Recommendation(s):</b> That the City Executive Board resolves to:	
1.	Note the projected financial outturn, the current position on risk and performance as at the 30 June 2016;
2.	Recommend to Council that additional budget of £0.118 million and £0.399 million is approved for Super Connected Cities and Disabled Facilities Grant expenditure to be financed from external grant funding in accordance with paragraph 11.

Appendices	
Appendix A	Corporate Integrated Dials
Appendix B	General Fund - June 2016 Forecast Outturn
Appendix C	Capital Programme - June 2016 Forecast Outturn
Appendix D	HRA - June 2016 Forecast Outturn

## Introduction and background

1. This report updates the Board on the financial, corporate performance and corporate risk positions of the Council as at 30 June 2016. A brief summary is as follows:
  1. **Financial Position**
    - **General Fund** – the outturn position is forecast to be an adverse variance of £0.389 million against the budget of £22.918 million;
    - **Housing Revenue Account** – the outturn position is forecasting a favourable variance of £0.144 million;
    - **Capital Programme** – the outturn forecast is forecasting a £0.165 million adverse variance (0.38% of budget);
  2. **Performance** – 80% (12) of the Council's corporate performance targets are being delivered as planned, 13% (2) are below target but within acceptable tolerance limits and 7% (1) is currently at risk.
  3. **Corporate Risk Management** – There are no red corporate risks, but four amber risks at the end of Quarter one. These are detailed below.

## Financial Position

### General Fund Revenue

2. The overall Net Budget agreed at Council in February 2016 was £19.853 million. Since setting of the budget the Net Budget has been increased by £1.312 million to £21.165 million funded by transfers from earmarked reserves. This transfer largely represents unspent budgets in 2015/16 agreed to be carried forward into 2016-17. The Net Budget Requirement of £19.853 million remains unchanged.
3. At 30 June 2016 the General Fund is projecting an adverse variance of £0.389 against the latest net budget of £21.165 million. The details of these variances are explained below.
4. In **Planning and Regulatory** there is a projected adverse year end variance of (£0.281) million, this is due to the recent restructure creating a pressure in the current year of (£0.126) million in part due to additional staffing costs to support a significant improvement in the quality of service. The ongoing pressure of the restructure is approx. £0.070 million and will be proposed for incorporation into the Medium Term Financial Plan as part of the annual refresh. Income targets across the service also show some shortfalls, in the areas of: housing enforcement (£0.020 million); Building control fees (£0.070 million); Street Trading licences (£0.025 million) and Food Hygiene Courses (£0.040 million).
5. **Housing and Property** there is a budget pressure of (£0.100) million which is for the cost of external advice required for the review of the Covered Market leases.

## Housing Revenue Account



6. The Housing Revenue Account is currently forecasting a favourable outturn of £0.144 million. It is anticipated that this surplus will be transferred to reserves for future expenditure. The key variations are as follows:
- **Dwelling Rent** has a year to date favourable variance of £0.382 million, this is due to fewer Right To Buy sales in the first quarter of the year than originally projected. Additional rental income is also being received from the 75 units that are being used as Temporary Accommodation properties and 36 void properties being moved to higher formulae rent during the first two months of the year.
  - **Management and Services (Stock Related)** has a projected adverse variance of £0.113 million which is due to additional expenditure associated with the tribunal case on the Tower Blocks project.
  - **Misc Expenditure (Non Stock Related)** has a projected adverse outturn of £0.116 million, this is associated with the properties that are being used as Temporary Accommodation and the utilities running costs for these properties.

### Capital

7. The projected outturn on the Capital Programme is currently a total of £44.041 million an adverse variance of £0.165 million from the latest budget. This variance is made up of :
- Slippage of around £0.388 million the most notable of which (£0.328 million ) relates to Research and Development Feasibility Fund slipped into future years as no further funds are expected to be used this year;
  - Additional expenditure of £0.553 million the most notable of which relates to :
    - a. Super Connected Cities (£118k) – Additional monies have been received from the Local Enterprise Partnership (OxLEP) for Oxfordshire County Council's Better Broadband Programme for enabling Superfast Broadband in Oxford City cabinets.
    - b Disabled Facilities Grants capital schemes (£399k) – For 2016/17 the Council have been notified of an increase in grant funding from Government of £399k in respect of grants given by the Council to fund disabled facilities. This takes the total amount of grant to £999k.
- 11 Approval will be required from Council for additional budget approval of £0.517 million for the items referred to above.

### Performance Management

- 12 There are fifteen corporate performance measures that are monitored during the year. Twelve (80%) are being delivered as planned, two (13%) are below target but within acceptable tolerance limits, and one (7%) is at risk of not meeting its target.
- 13 Of the twelve that are being delivered as planned, three relate to Vibrant and Sustainable Economy, two relate to Meeting Housing Need, three to Cleaner Greener Oxford, three to an Efficient and Effective Council and one to Strong and Active Communities
- 14 The one measure that is not meeting its target is as follows:

- **Number of people using leisure centres** – Target of 362,000 and an actual of 333,282 for the first quarter. . There has been a downward trend in the number of visits year on year and this is reflective of the temporary facility closure for planned maintenance and investment work at the Ice Rink and Ferry Leisure Centre. Hinksey Outdoor Pool visits were also lower year on year due the inclement weather conditions during June.

## Corporate Risk

15 There are no Red risks being reported in the first quarter of 2016/17 and there are four amber Risks as listed below:

- **Resilience of the ICT function** – managing ICT Work Plan as agreed and overseen by service heads alongside business as usual. Mitigations to manage this risk have included additional temporary staffing to address initial migration issues post April; training all staff on ITIL and starting to embed ITIL processes; migration to ICT strategic partner and embedding ongoing relationship; working towards PSN accreditation; and implementation of ICT helpdesk.
- **Partnership Risk** - Potential reduction in funding to our partners – The Council has worked with partners to mitigate where it can the impacts that this may have.
- **Recruitment and Retention** – the risk of losing and not being able to recruit key staff across the organisation – mitigations to manage this risk have included agreeing retention measures, identifying key posts and agreeing action to recruit/retain these posts and review of the recruitment process, which has included several recruitment open evenings at Direct Service depots and our community centres.
- **HRA Business Plan Delivery Failure** due to changes in Government legislation and the impact this will have on the Council's finances – This risk was introduced in Q2 following the summer budget and was reported as a red risk in both Q2 and Q3 but the Council has been in discussion with DCLG to help shape the proposals and implementation of these changes to assist in mitigating this risk down to an Amber.

## Financial implications

16 All financial implications are covered in the body of this report and the Appendices.

## Legal issues

17 There are no legal implications directly relevant to this report.

## Level of risk

18 All risk implications are covered in the body of this report and the Appendices.

## Equalities impact

19 There are no equalities impacts arising directly from this report.

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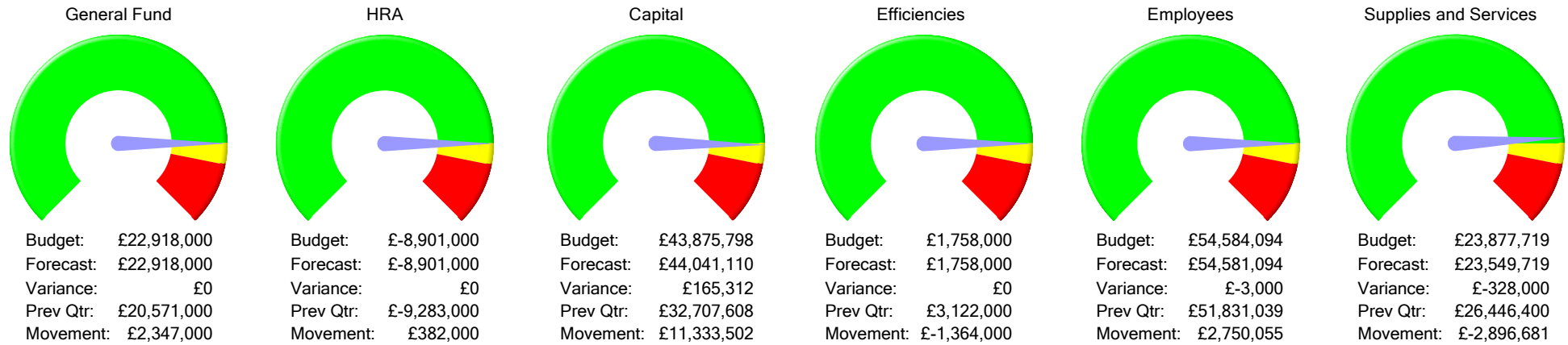
**Background Papers:** None

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# Appendix A

## Corporate Integrated Report Q1 2016/17

### Financial Performance



#### Performance Summary

Priority	No Data	Red	Amber	Green
Vibrant and Sustainable Economy	0 (0%)	0 (0%)	0 (0%)	3 (100%)
Meeting Housing Need	0 (0%)	0 (0%)	1 (33%)	2 (67%)
Strong and Active Communities	0 (0%)	1 (33%)	1 (33%)	1 (33%)
Cleaner Greener Oxford	0 (0%)	0 (0%)	0 (0%)	3 (100%)
An Efficient and Effective Council	0 (0%)	0 (0%)	0 (0%)	3 (100%)
<b>Total</b>	<b>0 (0%)</b>	<b>1 (7%)</b>	<b>2 (13%)</b>	<b>12 (80%)</b>

	No Data	Red	Amber	Green
Previous Quarter	0 (0%)	1 (13%)	0 (0%)	7 (88%)

#### Direction of Travel

Priority	No Data	Declining	No Change	Improving
Vibrant and Sustainable Economy	0 (%)	0 (%)	0 (%)	0 (%)
Meeting Housing Need	0 (0%)	1 (50%)	1 (50%)	0 (0%)
Strong and Active Communities	0 (0%)	1 (50%)	1 (50%)	0 (0%)
Cleaner Greener Oxford	0 (0%)	2 (67%)	0 (0%)	1 (33%)
An Efficient and Effective Council	0 (0%)	0 (0%)	0 (0%)	1 (100%)
<b>Total</b>	<b>0 (0%)</b>	<b>4 (50%)</b>	<b>2 (25%)</b>	<b>2 (25%)</b>

#### Risk Management

Service	No Data	Red	Amber	Green
Strong and Active Communities	0 (0%)	0 (0%)	1 (50%)	1 (50%)
Cleaner Greener Oxford	0 (0%)	0 (0%)	0 (0%)	1 (100%)
An Efficient and Effective Council	0 (0%)	0 (0%)	3 (75%)	1 (25%)
<b>Total</b>	<b>0 (0%)</b>	<b>0 (0%)</b>	<b>4 (57%)</b>	<b>3 (43%)</b>

	No Data	Red	Amber	Green
Previous Quarter	0 (0%)	0 (0%)	4 (57%)	3 (43%)

#### Direction of Travel

Service	No Data	Declining	No change	Improving
<b>Total</b>				

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## Appendix B

GF Outturn Report 16/17 Q1 30th June, 2016 @	Approved Budget (per Budget book)	Latest Budget	Actual YTD	Budget YTD	Variance YTD	% Budget Spent to 30th June, 2016	Projected Outturn against Latest Budget @ 30th June, 2016	PO Variance
	£000's	£000's	£000's	£000's	£000's	%	£000's	£000's
<b>Directorates</b>								
Assistant Chief Executive	609	722	150	177	(27)	21%	722	
<b>Assistant Chief Executive</b>	<b>609</b>	<b>722</b>	<b>150</b>	<b>177</b>	<b>(27)</b>	<b>21%</b>	<b>722</b>	
Partnerships Team	485	613	108	108		18%	621	8
Planning and Regulatory	1,301	1,477	348	242	106	24%	1,758	281
Housing and Property	(5,023)	(5,067)	(3,490)	(3,513)	23	69%	(4,967)	100
<b>Regeneration &amp; Housing</b>	<b>(3,237)</b>	<b>(2,977)</b>	<b>(3,033)</b>	<b>(3,163)</b>	<b>130</b>	<b>110%</b>	<b>(2,588)</b>	<b>389</b>
Environmental Sustainability	634	623	130	109	21	21%	623	
Community Services	4,919	5,649	1,996	2,073	(76)	35%	5,649	
Direct Services	2,674	4,189	220	514	(295)	5%	4,189	
<b>Community Services</b>	<b>8,227</b>	<b>10,462</b>	<b>2,346</b>	<b>2,696</b>	<b>(350)</b>	<b>61%</b>	<b>10,462</b>	
Transformation	377	216	38	50	(12)	18%	216	
Business Improvement	7,596	7,819	2,061	1,964	97	26%	7,819	
Organisational Development	969	660	186	165	21	28%	660	
Welfare Reform Team	141	358	105	108	(4)	29%	358	
Financial Services	2,634	3,017	898	935	(37)	30%	3,017	
Law & Governance	2,450	2,641	692	659	33	26%	2,641	
<b>Organisational Development &amp; Corporate Services</b>	<b>14,167</b>	<b>14,711</b>	<b>3,980</b>	<b>3,882</b>	<b>98</b>	<b>157%</b>	<b>14,711</b>	
<b>Directorate Total Excl SLA's &amp; Capital Charges</b>	<b>19,766</b>	<b>22,918</b>	<b>3,443</b>	<b>3,592</b>	<b>(149)</b>	<b>15%</b>	<b>23,307</b>	<b>389</b>
<b>SLA's &amp; Capital Charges</b>	<b>(136)</b>	<b>(136)</b>			<b>( )</b>	<b>0%</b>	<b>(136)</b>	
<b>Corporate Accounts</b>	<b>(3,576)</b>	<b>(3,416)</b>	<b>(2,853)</b>	<b>4,627</b>	<b>(7,480)</b>		<b>(3,416)</b>	
<b>Contingencies</b>	<b>3,799</b>	<b>1,798</b>					<b>1,798</b>	
<b>Total Corporate Accounts &amp; Contingencies</b>	<b>223</b>	<b>(1,617)</b>	<b>(2,853)</b>	<b>4,627</b>	<b>(7,480)</b>	<b>176%</b>	<b>(1,617)</b>	
<b>Net Expenditure Budget</b>	<b>19,853</b>	<b>21,165</b>	<b>590</b>	<b>8,220</b>	<b>(7,630)</b>	<b>3%</b>	<b>21,554</b>	<b>389</b>
Transfer to / (from) Ear Marked Reserves		(1,312)	(1,312)	(1,312)	( )	100%	(1,312)	
<b>Net Budget Requirement</b>	<b>19,853</b>	<b>19,853</b>	<b>(722)</b>	<b>6,908</b>	<b>(7,630)</b>		<b>20,242</b>	<b>389</b>
<b>Funding</b>								
External Funding (RSG)	2,849	2,849	768	(475)	1,243	27%	2,849	
External Funding (NNDR Retention)	6,382	6,382		(1,063)	1,063	0%	6,382	
Council tax	12,596	12,596		(2,098)	2,098	0%	12,596	
Less Parish Precepts	(172)	(172)	(108)	172	(280)	63%	(172)	
Collection Fund Surplus	(1,802)	(1,802)		300	(300)	0%	(1,802)	
Section 31 Grants								
<b>Total Funding Available</b>	<b>19,853</b>	<b>19,853</b>	<b>660</b>	<b>(3,164)</b>	<b>3,824</b>		<b>19,853</b>	
<b>(Surplus) / Deficit for year</b>			<b>(1,382)</b>	<b>10,072</b>	<b>(11,454)</b>		<b>389</b>	<b>389</b>

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	Capital Budget and Spend as at 30th June 2016								Appendix C
Cost Centre	Capital Scheme	Latest Budget 2016/17	Profiled Budget	Spend to 30th June 2016	Variance to Profile Budget	Forecast 16/17 Outturn	Forecast Variance	Variance due to Slippage	Variance due to Over/ Under spend
		£	£	£			£	£	£
C3044	ICT Software / Infrastructure and Licences	773,858	201,681	146,736	(54,944)	773,858	-	-	-
C3039	ICT Infrastructure	-	-	10,400	10,400	0	-	-	
C3053	New Council website	-	-	(24,860)	(24,860)	0	-	-	
G6013	G6013 Superconnected Cities	125,000	47,000	78,449	31,449	243,000	118,000	-	118,000
	<b>S03 Business Improvement</b>	<b>898,858</b>	<b>248,681</b>	<b>210,726</b>	<b>(37,955)</b>	<b>1,016,858</b>	<b>118,000</b>	<b>-</b>	<b>118,000</b>
M5014	West End Partnership	335,000	-	-	-	335,000	-	-	
M5023	Oxpens Regeneration	-	-	-	-	0	-	-	
	<b>S10 Partnerships Team</b>	<b>335,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>335,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b><u>CIL and S106 Funded Schemes</u></b>								
F1323	Bridge Over Fiddlers Stream	-	-	-	-	0	-	-	
F7007	Woodfarm / Headington Community Centre	20,000	-	-	-	20,000	-	-	
F7009	CCTV Gipsy Lane Campus	60,000	-	-	-	0	(60,000)	(60,000)	
F7011	Headington Environmental Improvements	59,004	-	-	-	59,004	-	-	
F7020	Work of Art Shotover View	14,635	-	-	-	14,635	-	-	
F7024	St Clements Environmental Improvements	50,000	-	-	-	50,000	-	-	
F0025	Westgate area public realm improvements	567,000	-	-	-	567,000	-	-	
						0	-		
	<b><u>Grants</u></b>					0	-		
E3511	Renovation Grants	33,083	5,514	1,709	(3,805)	33,083	-	-	
E3521	Disabled Facilities Grants	501,000	68,086	56,106	(11,980)	900,000	399,000	-	399,000
	<b>S11 Planning &amp; Regulatory</b>	<b>1,304,722</b>	<b>73,600</b>	<b>57,814</b>	<b>(15,785)</b>	<b>1,643,722</b>	<b>339,000</b>	<b>(60,000)</b>	<b>399,000</b>
	<b><u>Covered Market</u></b>								
B0027	Covered Market - Improvements & Upgrade to Roof	122,900	-	540	540	122,900	-	-	-
B0028	Covered Market - New Roof Structures to High St	80,000	-	120	120	80,000	-	-	-
B0036	Investment ~ Covered Market	151,529	-	1,347	1,347	151,529	-	-	-
	<b><u>Investment Properties</u></b>								
B0040	Investment ~ Broad Street	54,071	-	180	180	54,071	-	-	-
B0041	Investment - Misc. City Centre Properties	30,000	-	-	-	30,000	-	-	-
B0043	Investment George Street	113,000	-	-	-	113,000	-	-	-
B0046	Investment - Ship Street	45,325	-	180	180	45,325	-	-	-
B0092	Acquisition of Investment Properties	596,257	596,257	120	(596,137)	596,257	-	-	
	<b><u>Miscellaneous Council Properties</u></b>								
B0032	Bury Knowle House	18,000	18,000	18,670	670	18,700	700	-	700

Cost Centre	Capital Scheme	Latest Budget 2016/17	Profiled Budget	Spend to 30th June 2016	Variance to Profile Budget	Forecast 16/17 Outturn	Forecast Variance	Variance due to Slippage	Variance due to Over/ Under spend
		£	£	£			£	£	£
B0052	Miscellaneous Properties	-	-	-	-	0	-	-	-
B0077	Direct Services Depots	26,964	26,964	22,424	(4,540)	26,964	-	-	
B0078	Allotments	61,000	-	-	-	61,000	-	-	
B0082	Garages	98,293	-	-	-	98,293	-	-	-
	<b><u>Parks &amp; Cemeteries</u></b>								
B0048	Leisure - Cemeteries	26,370	26,370	11,756	(14,614)	26,370	-	-	
B0050	Leisure ~ Depots	19,000	-	-	-	19,000	-	-	
B0065	Parks & Cemetery - Masonry Walls & Path Improvements	150,000	-	-	-	150,000	-	-	
							-		
	<b><u>Town Hall &amp; St Aldates Chambers</u></b>						-		
B0054	Town Hall	-	-	-	-	0	-		-
B0068	Town Hall - Conference System Refurbishment	-	-	-	-	0	-	-	-
B0091	Town Hall Boiler Replacement	25,000	5,000	5,978	978	25,000	-	-	-
B0093	Health & Safety Works to SAC	370,000	123,333	122,285	(1,048)	370,000	-	-	
B0094	Donnington Community Centre Roof	-	-	-	-	0	-	-	
							-		
	<b><u>General Fund Housing Projects</u></b>						-		
M5019	Homelessness Property Acquisitions	-	-	(0)	(0)	0	-	-	
M5020	Empty Homes CPO Revolving Fund	750,000	750,000	-	(750,000)	750,000	-	-	
M5021	Equity Loan Scheme for Teachers	150,000	40,000	39,900	(100)	150,000	-	-	
M5024	National Homelessness Property Fund	4,500,000	700,000	700,000	-	4,500,000	-	-	
M5025	Phase 1 Affordable Housing at Barton Park	-	-	-	-	0	-	-	
<b>S13 Housing and Property Total</b>		<b>7,387,709</b>	<b>2,285,924</b>	<b>923,500</b>	<b>(1,362,424)</b>	<b>7,388,409</b>	<b>700</b>	<b>-</b>	<b>700</b>
E3554	Additional SALIX Plus funding	57,585	-	-	-	57,585	-	-	
E3555	Flood Alleviation at Northway & Marston	1,572,134	-	86,602	86,602	1,572,134	(0)	(0)	
E3557	Oxford and Abingdon Flood Alleviation Scheme	500,000	356,200	350,000	(6,200)	500,000	-	-	
E3558	Go Ultra Low	250,000	-	7,474	7,474	250,000	-	-	
F0015	Cycle Oxford	-	-	(0)	(0)	0	-		-
<b>S20 Environmental Sustainability</b>		<b>2,379,719</b>	<b>356,200</b>	<b>444,076</b>	<b>87,876</b>	<b>2,379,719</b>	<b>(0)</b>	<b>(0)</b>	<b>-</b>
G3015	NE Marston Croft Road Recreation Ground	-	-	-	-	0	-		-
G6014	CCTV Project	25,000	-	-	-	25,000	-	-	
B0075	Stage 2 Museum of Oxford Development	54,500	28,250	11,850	(16,400)	54,500	-	-	
B0033	Community Centres	-	-	-	-	0	-	-	
G3017	South Oxford Community Centre Cafe	-	-	-	-	0	-	-	
B0084	Jericho Community Centre	-	-	-	-	0	-	-	
A4808	Blackbird Leys Leisure Centre Improvements	354,236	-	4,148	4,148	354,236	-	-	
A4810	New Build Completion Pool	61,032	61,032	89,242	28,210	89,242	28,210	-	28,210
A4816	Pavilions General	-	-	7,368	7,368	7,368	7,368		7,368
A4837	Quarry Pavillion	1,198,460	-	34,290	34,290	1,198,460	-	-	

Cost Centre	Capital Scheme	Latest Budget 2016/17	Profiled Budget	Spend to 30th June 2016	Variance to Profile Budget	Forecast 16/17 Outturn	Forecast Variance	Variance due to Slippage	Variance due to Over/ Under spend
		£	£	£			£	£	£
A4840	Cuttleslowe Lower Pavilion	488,789	331,252	360,234	28,982	488,789	0	-	0
A4820	Upgrade Existing Tennis Courts	92,992	-	-	-	92,992	-	-	
A4821	Upgrade Existing Multi-Use Games Area	49,973	-	805	805	49,973	-		-
A4826	Parks Works	56,069	30,000	50,370	20,370	56,069	-	-	
A4833	Horspath Sports Park	122,886	122,886	40,463	(82,423)	122,886	-	-	
A4834	Cuttleslowe Park Splash Feature	200,000	7,000	6,837	(163)	200,000	-	-	
A4838	Invest to Save in Leisure Service	500,000	-	-	-	500,000	-	-	
A4839	Hinksey Splash Park parts replacement	40,000	7,000	-	(7,000)	40,000	-	-	
<b>S22 Community Services Total</b>		<b>3,243,937</b>	<b>587,420</b>	<b>605,608</b>	<b>18,187</b>	<b>3,279,515</b>	<b>35,578</b>	<b>-</b>	<b>35,578</b>
R0005	MT Vehicles/Plant Replacement Programme.	1,943,760	380,425	193,606	(186,819)	1,943,760	-	-	
T2269	Toilet Improvements	-	-	-	-	0	-	-	
T2277	Food waste collection from flats	177,365	177,365	-	(177,365)	177,365	-	-	
T2288	Cowley Marsh Electrical Works	150,000	-	-	-	150,000	-	-	
B0037	Car Parks	50,000	25,094	25,094	0	50,000	-	-	
B0081	Car Parking Oxpens	54,703	13,677	41,426	27,749	54,703	-	-	
B0086	Extension to Seacourt Park & Ride	1,156,194	1,593	1,589	(4)	1,156,194	-	-	
T2273	Car Parks Resurfacing	300,000	300,000	-	(300,000)	300,000	-	-	
T2274	Gloucester Green Car Park Waterproofing	38,000	-	-	-	38,000	-	-	
T2283	Sandy Lane Resurfacing	22,153	22,153	-	(22,153)	22,153	-	-	
A4836	Court Place Farm Car Park	75,402	75,402	(4,598)	(80,000)	75,402	-	-	
T2286	Cycling	75,001	75,001	4,616	(70,385)	75,001	-	-	-
A4830	Develop new burial space	21,975	21,975	-	(21,975)	21,975	-	-	
T2285	Verti Drain	15,000	-	-	-	15,000	-	-	
<b>S23 Direct Services Total</b>		<b>4,079,553</b>	<b>1,092,685</b>	<b>261,733</b>	<b>(830,953)</b>	<b>4,079,553</b>	<b>-</b>	<b>-</b>	<b>-</b>
B0074	B0074 R & D Feasibility Fund	477,966	-	795	795	150,000	(327,966)	(327,966)	
C3052	C3052 Fraud Solutions and Data Warehouse	6,000	6,000	-	(6,000)	6,000	-	-	
<b>S32 Finance Total</b>		<b>483,966</b>	<b>6,000</b>	<b>795</b>	<b>(5,205)</b>	<b>156,000</b>	<b>(327,966)</b>	<b>(327,966)</b>	<b>-</b>
<b>Third Party CIL Funding</b>		<b>-</b>	<b>-</b>	<b>-</b>			<b>-</b>	<b>-</b>	<b>-</b>
<b>General Fund Total</b>		<b>20,113,464</b>	<b>4,650,511</b>	<b>2,504,251</b>	<b>(2,146,259)</b>	<b>20,278,776</b>	<b>165,312</b>	<b>(387,966)</b>	<b>553,278</b>
	<b><u>Housing Revenue Account Capital Programme</u></b>								
	<b><u>External Contracts</u></b>								
N6384	Tower Blocks	12,188,045	1,486,942	1,375,367	(111,575)	12,188,045	-	-	
N6386	Structural	255,794	9,592	70,967	61,374	255,794	-	-	
N6389	Damp-proof works (K&B)	97,000	19,381	21,691	2,310	97,000	-	-	
N6392	Roofing	162,000	55,404	27,063	(28,341)	162,000	-	-	
N6393	External Doors	-	-	-	-	0	-	-	

[illegible]

# Appendix D

HRA Outturn Report 16/17 @ 30th June, 2016	Approved Budget (per Budget book)	Actual YTD	Budget YTD	Variance YTD	Projected Outturn against Latest Budget @ 30 June, 2016	Projected Outturn Variance
	£000's	£000's	£000's	£'000's	£000's	£000's
Dwelling Rent	(41,528)	(10,659)	(10,477)	(181)	(41,910)	(382)
Service Charges	(1,267)	(376)	(317)	(59)	(1,267)	
Garage Income	(206)	(46)	(52)	5	(206)	
Miscellaneous Income	(702)	(139)	(175)	36	(702)	
Right to Buy (RAF)	(52)	(8)	(13)	5	(52)	
<b>Net Income</b>	<b>(43,755)</b>	<b>(11,228)</b>	<b>(11,034)</b>	<b>(194)</b>	<b>(44,137)</b>	<b>(382)</b>
Management & Services (Stock Related)	9,915	2,069	2,161	(93)	10,028	113
Misc Expenditure (Not Stock Related)	295	82	91	(9)	411	116
Other Revenue Spend (Stock Related)	191	6	26	(20)	191	( )
Bad Debt Provision	266	56	66	(10)	266	
Responsive & Cyclical Repairs	10,416	2,795	2,433	363	10,425	9
Interest Paid	7,920	1,980	1,980	( )	7,920	
Depreciation	5,994				5,994	
<b>Total Expenditure</b>	<b>34,998</b>	<b>6,989</b>	<b>6,757</b>	<b>231</b>	<b>35,236</b>	<b>238</b>
<b>Net Operating Expenditure/(Income)</b>	<b>(8,757)</b>	<b>(4,240)</b>	<b>(4,277)</b>	<b>37</b>	<b>(8,901)</b>	<b>(144)</b>
Investment Income	(163)	(41)	(41)		(163)	
Other HRA Reserve Adjustment		144	144		144	
Transfer (to)/from MR/OR	8,910				8,910	
<b>Total Appropriations</b>	<b>8,747</b>	<b>103</b>	<b>103</b>		<b>8,891</b>	
<b>Total HRA (Surplus)/Deficit</b>	<b>(10)</b>	<b>(4,137)</b>	<b>(4,174)</b>	<b>37</b>	<b>(10)</b>	<b>(144)</b>

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**To:** City Executive Board  
**Date:** 15 September 2016  
**Report of:** Head of Financial Services  
**Title of Report:** Treasury Management Annual Report 2015/2016

Summary and recommendations	
<b>Purpose of report:</b>	The report sets out the Council's treasury management activity and performance for the financial year 2015/2016. The report also identifies some reductions in interest rates in 2016/17 and recommends a change to the Treasury Strategy for 2016/17.
<b>Key decision:</b>	No
<b>Executive Board Member:</b>	Councillor Ed Turner, Finance, Asset Management and Public Health
<b>Corporate Priority:</b>	An Efficient and Effective Council.
<b>Policy Framework:</b>	Treasury Management Strategy.
<b>Recommendations:</b> That the City Executive Board resolves to:	
<ol style="list-style-type: none"> <li><b>Note</b> the report</li> <li><b>Recommend that Council</b> approve the amendment to the Specified Investments list attached at Appendix 1 (paragraphs 35 – 37 below)</li> </ol>	

Appendices	
Appendix 1	Amended Specified Investments List

## Executive Summary

- The Council held investments of £64.26 million as at 31 March 2016. Interest earned during the year was £0.86 million against an income target of £0.94 million.
- The average rate of return on the Council's investments in 2015/2016 was 1.17% compared to 1.18% in 2014/15. This was above the Council's performance target of 1.0% (i.e. 0.5% above base rate) and is primarily due to investments in property funds off-setting market investment rates which have fallen to very low levels.
- The Council has £0.166 million outstanding with the failed Icelandic Banks. £0.217 million was received in year, and it is expected that the majority of the remaining funds will be received in due course. Further information can be found in paragraphs 25-27.
- The Council held £198.5 million of fixed rate Public Works Loan Board (PWL) debt as at 31 March 2016. The debt was borrowed in March 2012 to fund the buy-

out of the Housing Revenue Account (HRA). All of the debt relates to Housing and the maturity profile ranges from 5 to 41 years. Interest paid on the debt in 2015/2016 was £6.47 million.

## Background

5. The primary principle governing the Council's investment decisions is the Security of the investment, with Liquidity and Yield being secondary considerations.
6. The Council has a statutory duty to set, monitor and report on its prudential indicators in accordance with the Prudential Code, which aims to ensure that the capital investment plans of authorities are affordable, prudent and sustainable.
7. When considering whether to borrow, the Council's Debt Strategy requires a number of factors to be considered. These include:
  - prevailing interest rates
  - the profile of the Council's debt portfolio
  - the type of asset being financed
  - the availability of cash balances to finance capital expenditure.
8. The Council fully complied with its Treasury Management Strategy in relation to both debt and investment management in 2015/2016.
9. The prudential indicators detailed in the body of this report compare the Council's outturn position against the target set for 2015/16.

## Financing the Capital Programme 2015/16

10. Table 1 below shows actual capital expenditure and financing compared to the original budget.

**Table 1**

<b>Capital Expenditure</b>	<b>2015/16 Original Budget £'000</b>	<b>2015/16 Actual £'000</b>	<b>Variation £'000</b>
Non-HRA Capital Expenditure	17,858	17,129	(729)
HRA Capital Expenditure	21,047	15,579	(5,468)
<b>Total Capital Expenditure</b>	<b>38,905</b>	<b>32,708</b>	<b>(6,197)</b>
<b>Resourced by:</b>			
Developer Contributions	2,754	706	(2,048)
Capital Receipts	7,288	9,765	2,477
Capital Grants and contributions	947	6,336	5,389
Major Repairs Reserve	6,858	8,177	1,319
Prudential Borrowing	3,268		(3,268)
Revenue	17,790	7,724	(10,066)
<b>Total Capital Resources</b>	<b>38,905</b>	<b>32,708</b>	<b>(6,197)</b>



11. There was also £8.674 million carried forward into 2015/16 from 2014/15 giving a revised budget of £47.579 million. The outturn position shows that £14.87 million less than the budget has been spent. The temporary moratorium imposed on both General Fund and HRA Capital schemes agreed by members at CEB on the 10th September (lifted in December) due to uncertainties around Government funding especially in the HRA was the main cause of the underspend. Overall spend was 69% of the budget compared to 76% (£48.7million spent) in 2014/15. Major variations to the Capital Programme were reported in detail to the June 2016 meeting of this Board.
12. It was originally planned to take out prudential borrowing to finance HRA expenditure, however the HRA new build investment plans had to be scaled back due to Government legislative proposals which led to a revision of the Programme and its financing. The use of capital grants and contributions were higher than budgeted; the main reason for this was additional funding received for the Oxpens development site.

### **The Council's Overall Borrowing Need**

13. The Council's underlying need to borrow, or Capital Financing Requirement (CFR), is a gauge of the Council's level of indebtedness. It represents all prior years' net capital expenditure which has not been financed by other means, i.e. revenue, capital receipts, grants etc.
14. The CFR can be reduced by:
  - The application of additional capital resources, such as unapplied capital receipts; or
  - By charging a Minimum Revenue Provision (MRP), or a Voluntary Revenue Provision (VRP)
15. Table 2 below shows the Council's CFR as at the 31 March 2016, this is a key prudential indicator, and shows that actual borrowing is below the CFR:

**Table 2**

<b>CFR</b>	<b>31 March 2016 Estimate £'000</b>	<b>31 March 2016 Actual £'000</b>	<b>Variation £'000</b>
<b>Opening Balance</b>	<b>222,962</b>	<b>220,706</b>	<b>(2,256)</b>
Prudential Borrowing	3,268	0	<b>(3,268)</b>
Minimum Revenue Provision	(1,113)	(37)	<b>(1,076)</b>
<b>CFR Closing Balance</b>	<b>225,117</b>	<b>220,669</b>	<b>(4,448)</b>
<b>External Borrowing</b>	<b>201,770</b>	<b>198,528</b>	<b>(3,242)</b>
<b>Variation</b>	<b>(23,347)</b>	<b>(22,141)</b>	

16. No new debt was taken out during 2015/16 and as at 31 March 2016 the Council's total external debt was £198.5 million. This is below the CFR and indicates that the Council continues to internally borrow. The MRP was reduced from that estimated due to: a) the decision to fund new vehicles from capital receipts in 2014/15 and hence no MRP being required for borrowing in relation to vehicles in 2015/16 and

b) a reduction in the MRP that the Council makes on the non-Housing assets transferred from the HRA to the General Fund due to a reassessment of the calculation.

### Treasury Position at 31 March 2016

17. Whilst the Council's gauge of its underlying need to borrow is the CFR, the treasury function manages the Council's actual borrowing position by either:
- Borrowing to the CFR;
  - Choosing to utilise temporary cash flow funds, instead of borrowing (known as "under borrowing");
  - Borrowing for future increases in the CFR (borrowing in advance of need)
18. The Council's treasury position as at the 31 March 2016 for both debt and investments, compared with the previous year is set out in Table 3 below:

**Table 3**

Treasury Position	31 March 2015		31 March 2016	
	Principal £'000	Average Rate %	Principal £'000	Average Rate %
<b>Borrowing</b>				
Fixed Interest Rate Debt	199,423	3.39	198,528	3.15
<b>Total Debt</b>	<b>199,423</b>	<b>3.39</b>	<b>198,528</b>	<b>3.15</b>
<b>Investments</b>				
Fixed Interest Investments	35,200	0.53	46,500	0.64
Variable Interest Investments	5,890	0.42	7,760	0.44
Property Funds	9,800	4.03	10,000	4.05
<b>Total Investments</b>	<b>50,890</b>	<b>1.18</b>	<b>64,260</b>	<b>1.17</b>
<b>Net Position</b>	<b>148,533</b>		<b>134,268</b>	

The average investment rate shown above is 1.17% for 2015/16 which is above the Council's target of 0.5% above base rate (1% in total). Despite this, the Council did not achieve the level of investment income that had been budgeted by £0.080 million. This is because the budget had incorporated anticipated rises in base rates which was the market intelligence at the time the budgets were set. The lack of a base rate rise had led to the situation of the budgeted income not being achieved even though performance against the target of 0.5% above base rate was achieved.

### Prudential Indicators and Compliance Issues

19. Some of the prudential indicators provide an overview, others a specific limit on treasury activity. These are detailed below:
20. **Net Borrowing and the CFR** – In order to ensure that borrowing levels are prudent, the Council's external borrowing (net of investments) over the medium-term must only be for a capital purpose, and not exceed the CFR except in the

short-term. In the short term the Council can borrow for cash flow purposes, although this has not been necessary in recent years. Table 4 below highlights the Council's net borrowing position against the CFR, and shows that it is significantly below the limit, due to the level of internal borrowing that has been undertaken.

**Table 4**

<b>Net Borrowing &amp; CFR</b>	<b>31 March 2015 Actual £'000</b>	<b>31 March 2016 Actual £'000</b>
Total Debt	199,423	198,528
Total Investment	50,890	64,260
<b>Net Borrowing Position</b>	<b>148,533</b>	<b>134,268</b>
<b>CFR</b>	<b>220,706</b>	<b>220,669</b>
<b>Under Borrowing plus Investments</b>	<b>72,173</b>	<b>86,401</b>

21. In the current climate, internal borrowing is preferable to borrowing externally as the interest rate payable on an external loan is much higher than that which can be earned on investments. Therefore, forfeiting interest receivable on investments is more economical than paying additional interest charges for new external debt. Clearly, if the net borrowing position and/or CFR changed significantly, the prospect of taking on additional debt would be reviewed.
22. **The Authorised Limit** – The Authorised Limit is the 'affordable borrowing limit' required by S3 of the Local Government Act 2003. The Council does not have the power to borrow above this level unless it explicitly agrees to do so. Table 5 below demonstrates that during 2015/16 the Council's gross borrowing was within its Authorised Limit. The Authorised Limit allows the Council to borrow against the future CFR if required, with a little headroom.

**Table 5**

<b>Authorised Borrowing</b>	<b>31 March 2015</b>		<b>31 March 2016</b>	
	<b>Estimate £'000</b>	<b>Actual £'000</b>	<b>Estimate £'000</b>	<b>Actual £'000</b>
Borrowing	247,000	199,423	247,566	198,528
Other Long Term Liabilities	0	0	0	0
<b>Total Borrowed</b>	<b>247,000</b>	<b>199,423</b>	<b>247,566</b>	<b>198,528</b>
<b>Amount under Limit</b>	<b>47,577</b>		<b>49,038</b>	

23. **The Operational Boundary Limit** – the Operational Boundary Limit is the expected borrowing position of the Council during the year. It is possible to exceed the Operational Boundary Limit, for a short period of time, providing that the Authorised Borrowing Limit is not breached. Table 6 below shows the limits for the last two financial years. They were not breached during either period.

**Table 6**

<b>Operational Boundaries</b>	<b>31 March 2015 £'000</b>	<b>31 March 2016 £'000</b>
Borrowing	236,000	234,000
Other Long Term Liabilities	0	0
<b>Totals</b>	<b>236,000</b>	<b>234,000</b>

24. **Actual financing costs as a proportion of net revenue stream** – this indicator identifies the trend in the net cost of capital against the net revenue stream and is an indicator of affordability. Table 7 below shows that for the General Fund, the ratio is negative as external loans have been repaid and investment income is positive. The HRA ratio has improved slightly due to an increasing income stream meaning that financing costs as a proportion have fallen.

**Table 7**

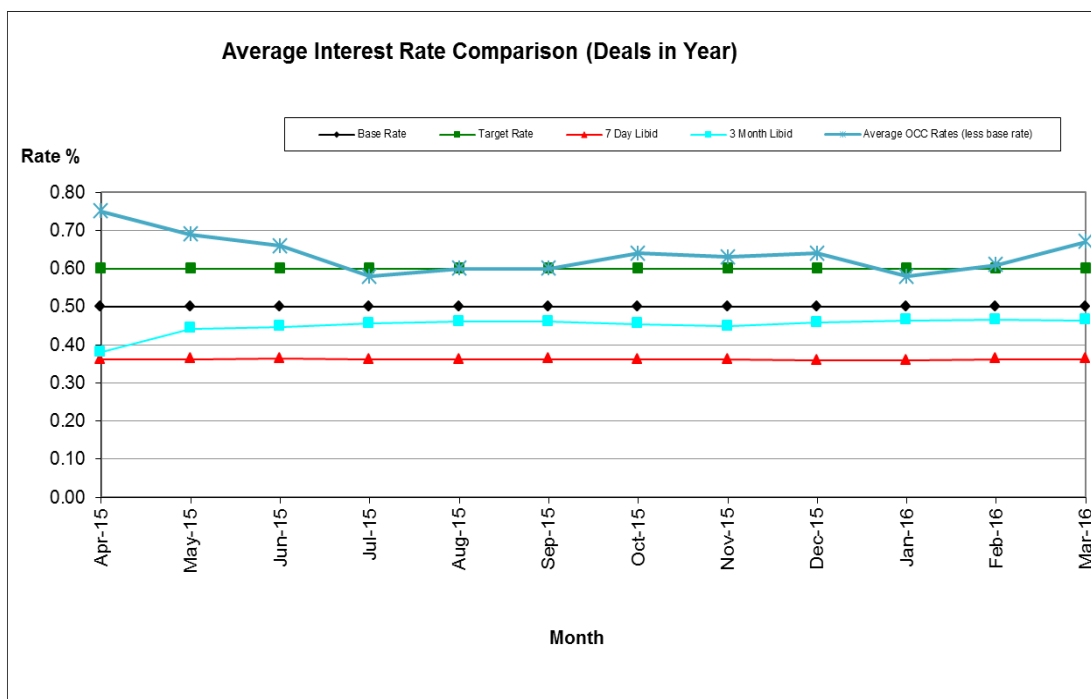
<b>Actual Finance Costs</b>	<b>2014/15 £'000</b>	<b>2015/16 £'000</b>
<b>Indicators</b>		
Original Indicator - Authorised Limit	247,000	247,566
Original Indicator - Operational Boundary	236,000	234,000
Financing Costs as a proportion of Net Revenue Stream - General Fund	-0.15%	-0.09%
Financing Costs as a proportion of Net Revenue Stream - HRA	17.7%	16.8%

### **Icelandic Banks**

25. During 2008/09 the Council invested £4.5 million with two of the now failed Icelandic banks: £3.0 million was deposited with Heritable Bank and £1.5 million with Glitnir Bank.
26. As at 31 March 2016, the Council had received approximately £2.94 million of its original Heritable Bank investment. A repayment of £0.119 million was received in 2015/16. A balance of £0.060 million remains. The prospect of a full recovery is uncertain.
27. As at 31 March 2016, the Council had received approximately £1.394 million of its Glitnir investment. A repayment of £0.098 million has been received in 2015/16. A balance of £0.106 million remains with the potential to recover this in due course.

### **Investment Income**

28. The following graph shows the monthly average interest earned by the Council in comparison to the base rate and also in comparison to its benchmarks: 3-months Libid and 7-day Libid.



29. As illustrated above, the Council's average monthly rate of return fluctuated around the benchmark throughout the year. It exceeded the benchmark for eight months, met the benchmark for two months and dropped below for two months.
30. The Council manages its investments in-house and invests with institutions listed in the Council's approved counterparty list. The Council invests for a range of periods from overnight to 364 days, dependant on cash flow needs, its interest rate view, the interest rates on offer and durational limits set out in the Council's Investment Strategy.
31. During 2015/16, the Council maintained an average investment balance of £74.8million and received an average return of 1.17%. This is above the target of 1% and is mainly due to investment in property funds. It is important to note that market rates have continued to drop throughout the financial year and that for many of the approved counterparties, the Council has not been able to achieve the same rate of return as in previous periods.
32. The Property Funds are classified as Non-specified Investments within the approved Strategy. The current rate of return on the investments is circa 4.05% per annum. The capital value of the Communities, Churches and Local Authorities Fund has increased by 28.32% since April 2013 and the Lothbury fund has similarly increased by 15.74% since August 2014. This capital value can also fluctuate downwards. However the Council joined the property funds as a long term investment because of the revenue stream. It is expected that the capital values will vary up and down in line with the property market and the overall position is monitored on a monthly basis. Since 31 March 2016 there has been a sharp reduction in the capital value of the property funds due to reductions in property values post-Brexit. The Council entered into the property funds to achieve a revenue return and, whilst the capital value has reduced, it is still significantly above the purchase value.
33. Actual investment income for 2015/16 was £0.86 million; this was marginally lower than the original budget of £0.94 million. Market rates continue to be very low and

as security of investment is the Council's primary concern, it has not always been possible to invest cash at more favourable rates.

34. Fluctuations in the Council's balances have been managed through a mix of instant access and notice accounts, money market funds and short term deposits (up to 364 days). This approach is in line with the Investment Strategy approved by Council.

### **Interest Rates since 31 March 2016**

35. The Council takes advice from Capita on the appropriate durations to place investments with counterparties. These durations and also the availability of individual counterparties change based on market conditions and the credit ratings of the individual institutions. This means that the investment portfolio has to be actively managed to ensure both the availability of enough suitable counterparties and that the Council achieves the best interest rates possible within the agreed security and liquidity parameters.
36. Following the result of the referendum on 23<sup>rd</sup> June 2016, there have been further downward pressures on interest rates. The Bank of England's Monetary Policy Committee did not adjust the Base Rate when it met in July, however the release of economic data showing that the Brexit implications were more significant than first thought meant that the MPC Committee cut bank base rate by 0.25% to a record low of 0.25% at its meeting on the 4<sup>th</sup> August. Capita have revised their interest rate forecasts and expect base rate to be cut further to 0.10% in December 2016. The forecast goes on to suggest no rise in base rate until quarter 2 of 2018.
37. Under the current market conditions, Money Market Funds (MMFs) are paying higher interest rates than many six-month investments. MMF rates as at the beginning of August are up to 0.52% and six month investments have been quoted at rates down to 0.16%. MMFs are amongst the most liquid of Council's investment portfolio; they do not need the Council to give notice and, providing the Council requests funds by midday, the investment will be transferred into the Council's bank account that same day. MMFs are ordinarily used to provide cash flow flexibility to allow money to be accessed and invested quickly and to deal with fluctuations in cash flow.
38. To take advantage of the preferential rates MMFs are currently offering the Council needs to increase the amount that can be invested in MMFs. It is therefore recommended that the 2016/17 Treasury Strategy is amended to allow an investment limit of £25 million in MMFs, an increase of £5 million on the current limit. The revised Specified Counterparty List is attached at Appendix 1 with the proposed change shown in bold italics.

### **Counterparty Changes**

39. Following a tender process, Barclays Bank UK plc now provides the Council's banking services.

### **Financial implications**

40. These are set out within the body of the report.

### **Legal issues**

41. The Council is required to report on its Treasury Management Function on an annual basis. This report meets that requirement.

### **Level of risk**

42. There are no risks in connection with the report's recommendations. Risk assessment and management is a key part of Treasury Management activity, especially in the selection of counterparties when investment is being considered. The Council uses external advisors and counterparty credit ratings issued by the rating agencies to assist in this process.

### **Equalities impact**

43. There is no equalities impact relating to this report.

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<b>Background Papers:</b> None
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**Amended Specified Investments List**

**Specified Investments** – These investments are sterling investments that do not exceed a maturity period of more than one year, or those which could be for a longer period but where the Council has the right to be repaid within twelve months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK Treasury Bills or Gilts with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A Local Authority, Parish Council, Community Council, Fire or Police Authority
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4, this covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor's, Moody's or Fitch rating agencies.
5. A body that is considered of a high credit quality (such as a bank or building society) meeting the minimum 'high' quality criteria where applicable.

Additionally, and in accordance with the Code, the Council has set duration and value limits as follows:

## Specified Investments - Limits on value and period

	Minimum credit criteria/colour banding	Max % of total investments / £ limit per institution	Max maturity period
Debt Management Office – UK Government	Not applicable	100%	364 days
UK Government Gilts	UK Sovereign rating	20%	364 days
UK Government Treasury Bills	UK Sovereign rating	20%	364 days
Bonds issued by multilateral development banks	UK Sovereign rating	20%	6 months
<b>Money Market Fund</b>	<b>AAA</b>	<b>£25m</b>	<b>Liquid</b>
Local Authorities, Fire and Police Authorities		20%	364 days
Term deposits with banks and rated building societies	Blue Orange Red Green	£15m or 20% of total investments whichever is the greater	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days
Certificate of Deposit or corporate bonds with banks and building societies	Blue Orange Red Green	£10m or 20% of total investments whichever is the greater	Up to 1 year Up to 1 year Up to 6 Months Up to 100 days
Enhanced Cash funds		20%	6 months
Corporate bond funds		20%	6 months
Gilt Funds	UK sovereign rating	20%	6 months

The colour ratings above for the Term deposits with banks and rated building societies and Certificates of Deposit or corporate bonds with banks and building societies link the durations in the right hand column to colour coding used in Capita's Credit List i.e. Blue and Orange coloured institutions can be allow investments of up to a year according to the Capita Credit List

## Budget Review 2017-18 – draft project scope

<b>Review Topic</b>	Budget Review 2017-18
<b>Lead Member Review Group</b>	Councillor Craig Simmons
<b>Other Review Group Members</b>	Councillors Jean Fooks, James Fry & Sian Taylor  Housing Panel members may be invited to join the Review Group for one meeting.
<b>Officer Support and allocate hours</b>	Scrutiny Officer support – approx. 3 days per week from mid-December 2016 to mid-February 2017. Additional support from the Head of Financial Services and other Senior Officers who attend Budget Review meetings.
<b>Background</b>	<p>The Finance Panel (Panel of the Scrutiny Committee) is responsible for scrutinising finance and budgetary issues and decisions, including the Budget 2017/18 decision.</p> <p>The Budget 2017/18 paperwork will be published for consultation in December 2016, ahead of a decision in February 2017. In recent years the Panel has formed a Budget Review Group to scrutinise the budget proposals in detail before reporting to the City Executive Board in February.</p> <p>Last year Housing Panel members joined the Review Group for scrutiny of housing budget proposals.</p>
<b>Rationale</b>	To scrutinise the Council's draft budget for 2017-18 and medium term financial plan for the following three years.
<b>Key lines of inquiry</b>	<p>Areas of focus for the Budget Review Group this year include:</p> <ul style="list-style-type: none"> <li>• Current spend against budgets;</li> <li>• Assumptions about expected cost pressures and projected income from different streams (grants, trading, business rates, fees and charges etc.);</li> <li>• The robustness of planned savings and efficiencies;</li> <li>• The outcomes of comprehensive service budget reviews;</li> <li>• The allocation of contingencies and earmarked reserves;</li> <li>• Capital programme spending and priorities;</li> <li>• The robustness of the HRA Business Plan, including the expected impacts of government policy changes on the HRA and any implications for the General Fund;</li> <li>• How the Council-owned Housing Company will be funded;</li> </ul> <p>The Finance Panel on 1 February 2017 will pre-scrutinise decisions on the Council's Capital Strategy and Treasury Management Strategy for 2017/18.</p>

<b>Indicators of Success</b>	<ul style="list-style-type: none"> <li>• Robust independent scrutiny of budget proposals;</li> <li>• Detailed consideration of key lines of inquiry;</li> <li>• High quality engagement with Senior Officers;</li> <li>• The production of a report with recommendations;</li> <li>• Broad agreement on conclusions and recommendations amongst Review Group members;</li> <li>• The majority of recommendations are agreed by the City Executive Board.</li> </ul>		
<b>Methodology/ Approach</b>	<p>Evidence gathering to include:</p> <ul style="list-style-type: none"> <li>• A budget briefing by the Head of Financial Services,</li> <li>• Reviewing all Budget 2017/18 paperwork;</li> <li>• Submitting written questions to Directors and reviewing their responses;</li> <li>• Meetings with all Executive Directors and other Senior Officers.</li> </ul>		
<b>Specify Witnesses/ Experts</b>	<ul style="list-style-type: none"> <li>• Chief Executive;</li> <li>• Executive Director for Organisational Development and Corporate Services;</li> <li>• Executive Director for Community Services;</li> <li>• Executive Director for Housing and Regeneration;</li> <li>• Head of Financial Services;</li> <li>• Head of Housing and Property;</li> <li>• Head of Direct Services;</li> <li>• Assistant Chief Executive;</li> <li>• Head of Planning and Regulatory Services;</li> <li>• Head of Community Services;</li> <li>• Head of Business Improvement;</li> <li>• Management Accountancy Manager.</li> </ul> <p>Board Members will also be invited to attend relevant sessions.</p>		
<b>Projected start date</b>	12 December 2016	<b>Draft Report Deadline</b>	24 January 2017 for Finance Panel
<b>Meeting Frequency</b>	4 meetings in January 2017	<b>Projected completion date</b>	9 February 2017 CEB

## **Draft outline of meetings**

Meeting one – Thursday 5 January 2017, 5.30pm-7.30pm
<ul style="list-style-type: none"><li>• Budget briefing by Head of Financial Services</li><li>• Community Services directorate budget proposals</li></ul>
Meeting two – Monday 9 January 2017, 5.30pm-7.30pm
<ul style="list-style-type: none"><li>• Chief Executive's overview of the Council's financial position</li><li>• OD &amp; CS directorate budget proposals</li><li>• Assistant Chief Executive service area budget proposals</li></ul>
Meeting three – Tuesday 10 January 2017, 5.30pm-8.00pm
<ul style="list-style-type: none"><li>• Housing &amp; Regeneration directorate budget proposals</li><li>• Housing Revenue Account Business Plan</li></ul>
Meeting four – Monday 16 January 2017, 5.30pm-7.30pm
<ul style="list-style-type: none"><li>• Outcomes of comprehensive service reviews</li><li>• Agreement of Budget Review recommendations</li></ul>

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## SCRUTINY WORK PLAN

### September 2016 - May 2017

Published on: 24/08/16

63 The Scrutiny Committee agrees a work plan every year detailing selected issues that affect Oxford or its inhabitants. Time is allowed within this plan to consider topical issues as they arise throughout the year as well as decisions to be taken by the City Executive Board. This document represents the work of scrutiny for the remainder of the 2016-17 council year and will be reviewed monthly by the Scrutiny Committee.

The work plan is based on suggestions received from all elected members and senior council officers. Members of the public can also contribute topics for inclusion in the scrutiny work plan by completing and submitting our [suggestion form](#). See our [get involved webpage](#) for further details of how you can participate in the work of scrutiny.

The following criteria will be used by the Scrutiny Committee to evaluate and prioritise suggested topics:

- *Is the issue controversial / of significant public interest?*
- *Is it an area of high expenditure?*
- *Is it an essential service / corporate priority?*
- *Can Scrutiny influence and add value?*

Some topics will be considered at Scrutiny Committee meetings and others will be delegated to two standing panels. Items for more detailed review will be considered by time-limited review groups.

The Committee will review the Council's [Forward Plan](#) at each meeting and decide which executive decisions it wishes to comment on before the decision is made. The Council also has a "call in" process which allows decisions made by the City Executive Board to be reviewed by the Scrutiny Committee before they are implemented.


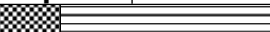

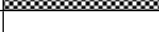



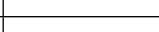
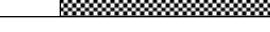



### Scrutiny Committee and Standing Panel responsibility and membership




Committee / Panel	Remit	Nominated councillors
Scrutiny Committee	Overall management of the Council's scrutiny function.	Cllrs Azad, Chapman, Coulter, Fry, Gant (Chair), Hayes, Henwood, Pegg, Simmons, Taylor, Tidball & Wilkinson
Finance Panel	Finance and budgetary issues and decisions	Cllrs Fooks, Fry, Simmons (Chair) & Taylor
Housing Panel	Strategic housing and landlord issues and decisions	Cllrs Goff, Henwood (Chair), Pegg, Sanders, Thomas & Wade, Geno Humphrey (tenant co-optee)

### Current and planned review groups

Topic	Scope	Nominated councillors
Budget review 2017/18	To review the Council's 2017/18 draft budget and medium term financial strategy	Cllrs Fooks, Fry, Simmons & Taylor
Devolution	To scrutinise devolution proposals for Oxfordshire	Cllrs Coulter, Gant, Hayes, Simmons & Tidball (Chair)
Language schools	TBC	TBC

### Indicative timings of 2016/17 review panels

Scrutiny Review	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May
Devolution										
Budget review 2017/18										
Language schools										

	Scoping
	Evidence gathering
	Reporting



## SCRUTINY COMMITTEE

### 5 SEPTEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Submission to ERDF Innovation Call for Oxfordshire	Yes	To brief members on officer's work with partners to deliver a specific element of the county-wide ERDF Innovation call, namely the Smart Oxford initiative initiated by OSP, of which the council is a leading partner ( <a href="http://oxfordsmartcity.uk">http://oxfordsmartcity.uk</a> ).	Corporate Strategy and Economic Development	Matthew Peachey, Economic Development Manager
OxLEP Strategic Economic Plan Refresh	Yes	To update members on the consultation draft of the Strategic Economic Plan, and to request feedback and endorsement.	Corporate Strategy and Economic Development	Matthew Peachey, Economic Development Manager
Performance Monitoring - quarter 1	No	Quarterly reports on Council performance against a set of corporate service measures chosen by the Committee.	Corporate Strategy and Economic Development	Andrew Brown, Scrutiny Officer

### 6 OCTOBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Educational attainment	No	To consider an independent report on the Council's educational attainment investments produced by Oxford Brookes University.	Young People, Schools and Skills	Tim Sadler, Executive Director Community Services
Recommendation monitoring - Inequality Panel	No	To monitor progress and implementation following the recommendations of the Inequality Panel, which reported to the City Executive Board in July 2015.	Corporate Strategy and Economic Development	Val Johnson, Policy Team Leader

Review of Tree Management Policy	Yes	The Tree Management Policy was adopted in 2008 and last reviewed in 2011.	Leisure, Parks and Sport	Stuart Fitzsimmons, Parks and Open Spaces Manager
Sustainable Energy Action Plan (SEAP) for Oxford	Yes	This report will request approval of our aims, objectives and emission reduction target for the City and adoption of the action plan attached to the Sustainable Energy Strategy.	Climate Change and Cleaner Greener Oxford	Mairi Brookes, OxFutures Programme Manager

## 7 NOVEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Discretionary Housing Payments spend	No	To monitor Discretionary Housing Payments spend mid-way through the year.	Customer and Corporate Services	Paul Wilding, Programme Manager Revenue & Benefits
Air Quality	No	To consider data on air quality in the City and ways of improving air quality in the worst areas (e.g. the city centre).	Climate Change and Cleaner Greener Oxford	Mai Jarvis, Environmental Quality Team Manager
Graffiti prevention	No	To consider the appreciative inquiry and focus group around graffiti and other initiatives to solve the issues long term.	Climate Change and Cleaner Greener Oxford	Liz Jones, Interim ASBIT Team Leader
Safeguarding Language School Students	No	Update on safeguarding arrangements for foreign language students studying in Oxford.	Community Safety	Richard J Adams, Community Safety & Resilience Manager
Annual Monitoring Report (AMR) 2015/16	Yes	This is the City Council's 12th AMR to assess the effectiveness of planning policies contained within Oxford's Local Development Plan.	Planning and Regulatory Services	Rebekah Knight, Planner

## 6 DECEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Corporate Plan 2017/2018	Yes	A new Corporate Plan for the period 2017/2018. The pre-consultation draft report will be submitted to CEB in December 2016.	Corporate Strategy and Economic Development	Caroline Green, Assistant Chief Executive
Recommendation Monitoring - Cycling	No	To monitor progress and implementation following the recommendations of the Cycling Review Group, reported to CEB in September 2015.	Climate Change and Cleaner Greener Oxford	Sophie Hearn, Contracts Manager
Performance monitoring - quarter 2	No	Quarterly reports on Council performance against a set of corporate service measures chosen by the Committee.	Corporate Strategy and Economic Development	Andrew Brown, Scrutiny Officer

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## 30 JANUARY 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Recommendation monitoring - Recycling rates	No	To receive an update on the monitoring of recycling rates and the impacts of the Blue Bin Recycling League following a site visit to the Waste Services Team.	A Clean and Green Oxford	Jeff Ridgley, waste Services Business Development & Fleet Manager
Waterways Public Space Protection Order	Yes	The report will contain a proposal to the CEB to introduce a Public Spaces Protection Order for certain behaviours on the waterways within Oxford City's local authority boundary.	Community Safety	Richard J Adams, Community Safety & Resilience Manager
Grant Allocations to Community and Voluntary Orgs 2017/2018	Yes	This report is for the City Executive Board to make decisions on the allocation of grants to the community and voluntary organisations for 2017/2018.	Culture and Communities	Julia Tomkins, Grants & External Funding Officer

## 28 FEBRUARY 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Performance Monitoring - quarter 3	No	Quarterly reports on Council performance against a set of corporate service measures chosen by the Committee.	Corporate Strategy and Economic Development	Andrew Brown, Scrutiny Officer

## 27 MARCH 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Safeguarding Report 2017/18	Yes	An annual report to monitor the progress made on Oxford City Council's Section 11 Self-assessment Action Plan 2016-2017 and to approve the Action Plan for 2017-2018.	Finance, Asset Management and Public Health	Val Johnson, Policy Team Leader



## 2 MAY 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Fusion Lifestyle's 2017/18 Annual Service Plan.	Yes	The report will recommend that the City Executive Board endorse Fusion Lifestyle's Annual Service Plan for the management of the Council's leisure facilities for 2017/18.	Leisure, Parks and Sport	Lucy Cherry, Leisure and Performance Manager

## JUNE 2017

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Local Plan Preferred Options	Yes	Progress of the review of the Local Plan	Planning and Regulatory Services	Sarah Harrison, Senior Planner

## SCRUTINY COMMITTEE - TO BE SCHEDULED

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Recommendation monitoring - Guest houses	No	To monitor progress and implementation following the recommendations of the Guest Houses Review Group, reported to CEB in December 2015.	Corporate Strategy and Economic Development	Richard J Adams, Community Safety & Resilience Manager
Recommendation monitoring - Local economy	No	To monitor progress and implementation following the recommendations of the local economy review group, reported to CEB in June 2015.	Corporate Strategy and Economic Development	David Edwards, Executive Director City Regeneration and Housing
Public Spaces Protection Orders	No	To monitor the impacts of PSPOs the city, including the numbers and types of early interventions and enforcement actions.	Community Safety	Richard J Adams, Community Safety & Resilience Manager
Assessing disabled impacts in planning	No	To consider how the Council fulfils its duty to assess the impacts on disabled people of new developments and changes of use, including for businesses and private & social sector housing.	Planning and Regulatory Services	Patsy Dell, Head of Planning & Regulatory Services
Design Review Panel	No	To consider the work and effectiveness of the Oxford Design Review Panel.	Planning and Regulatory Services	Patsy Dell, Head of Planning & Regulatory Services
Disabled Students' Allowance	No	To consider the impacts of cuts to Disabled Students' Allowance on disabled students in the City.	Corporate Strategy and Economic Development	Andrew Brown, Scrutiny Officer
Workplace parking levies	No	To consider the pros and cons of the proposed introduction of workplace parking charges in Oxford.	Corporate Strategy and Economic Development	Andrew Brown, Scrutiny Officer
Health and Wellbeing Board update	No	To receive an update on the work of Oxfordshire Health and Wellbeing Board by the Council's representative on the Board.	Finance, Asset Management and Public Health	Val Johnson, Policy Team Leader
Police and Crime Panel update	No	To receive an update on police and crime scrutiny activities by the Council's representative on Thames Valley Police and Crime Panel.	Community Safety	Andrew Brown, Scrutiny Officer

## FINANCE PANEL

### 8 SEPTEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Budget monitoring - quarter 1	No	To monitor the Council's finances at the end of quarter 1 (June 2016).	Finance, Corporate Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Council Tax Support Scheme	No	To consider spend and impacts of the Council's discretionary Council Tax support scheme.	Customer and Corporate Services	Tanya Bandekar, Service Manager Revenue & Benefits
The Implications of Brexit for Local Government	No	To receive a briefing on the expected financial impacts on the Council of Brexit (British exit from the European Union).	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Treasury Management Performance 2015/16	Yes	This performance monitoring report on Treasury Management performance at 31 March 2016 (Full Year)	Finance, Corporate Asset Management and Public Health	Bill Lewis, Financial Accounting Manager

### 8 DECEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Budget monitoring - quarter 2	No	To monitor the Council's finances at the end of quarter 2 2016-17 (September).	Finance, Corporate Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Treasury Management Strategy 2017/18	Yes	This performance monitoring report on the Treasury Management performance at 30 September 2016 (Half Year) and the pre-consultation strategy for 2017/18.	Finance, Asset Management and Public Health	Bill Lewis, Financial Accounting Manager

Transfer Station for Recycled Material	Yes	Proposal to create and operate a Council managed Transfer Station.	A Clean and Green Oxford	Geoff Corps, Cleaner Greener Services Manager
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## 16 JANUARY 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Service reviews	No	To consider the outcomes of comprehensive reviews of service area budgets undertaken as part of this year's budget setting process.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Funding mechanisms for affordable housing	No	To consider alternative and innovative models for financing new affordable housing.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Scrutiny Budget Review 2017/18 - recommendations	Yes	To agree recommendations following the annual scrutiny budget review.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services

## 1 FEBRUARY 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Scrutiny Budget Review 2017/18	Yes	Review of the Councils draft budget for 2017/18 and medium term financial strategy.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Capital Strategy 2017/18	Yes	To consider the Council's Capital Strategy for 2017/18.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services
Treasury Management Strategy 2017/18	Yes	Treasury Management Strategy for 2017/2018, including prudential indicators.	Finance, Asset Management and Public Health	Bill Lewis, Financial Accounting Manager
Divestment	No	To consider an ethical policy on divestment.	Finance, Asset Management and Public Health	Nigel Kennedy, Head of Financial Services

## 29 MARCH 2017 - NO REPORTS CURRENTLY SCHEDULED

## HOUSING PANEL

### 5 OCTOBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Housing performance - quarter 1	No	To consider Council performance against a set of housing service measures chosen by the Panel.	Housing	Stephen Clarke, Head of Housing and Property
Choice Based Lettings refusal reasons	No	To receive a briefing on reasons given by Choice Based Lettings applicants for refusing Council properties, including requests for minor adaptations.	Housing	Tom Porter, Allocations Manager
Under-occupation in the Council's housing stock	No	To receive an update on the levels of under-occupation in the Council's housing stock and efforts to reduce under-occupation, including support and incentives for downsizing.	Housing	Bill Graves, Landlord Services Manager
Houses in multiple occupations (HMOs)	No	To consider the licensing of HMOs in the City including member oversight of HMO planning decisions (currently delegated) and rules around the numbers of rooms and the number of HMOs in the street etc.	Corporate Strategy and Economic Development	Ian Wright, Service Manager Environmental Health
Energy Strategy - Housing & Property	No	To consider past, current and future work around energy in Housing, and Housing & Property's approach to Energy and fuel poverty in its own domestic housing stock.	Housing	Deborah Haynes, Energy Efficiency Projects Officer
Right to Buy Retention Funding	Yes	Seeks approval for alternative mechanisms to use Right to Buy Retention Funding to avoid having to return any such funding to Department for Communities and Local Government (DCLG).	Finance, Asset Management and Public Health, Housing	Nigel Kennedy, Head of Financial Services, Alan Wylde, Housing Development & Enabling Manager



## 9 NOVEMBER 2016 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Housing performance - quarter 2	No	To consider mid-year Council performance against a set of housing service measures chosen by the Panel.	Housing	Stephen Clarke, Head of Housing and Property
Universities land management	No	To invite representatives of universities to discuss their approaches to land management in the City.	Corporate Strategy and Economic Development	Andrew Brown, Scrutiny Officer
Rent performance	No	To monitor the Council's rents performance including current and former tenant arrears.	Housing	Tanya Bandekar, Service Manager Revenue & Benefits
Tower block refurbishment	No	To receive a progress update on the Tenant Scrutiny Panel's review of the tower block refurbishment project.	Housing	Stephen Clarke, Head of Housing and Property

## 1 MARCH 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Housing performance - quarter 3	No	To consider a report on Council performance against a set of housing service measures chosen by the Panel.	Housing	Stephen Clarke, Head of Housing and Property
Rough sleeping	No	To consider how the Council deals with people sleeping rough including those with no recourse to public funds.	Community Safety, Housing	Ossi Mosley, Rough Sleeping & Single Homelessness Officer
Access to the private rented sector	No	To receive a briefing on Council support to people in receipt of Housing Benefit in accessing the private rented sector.	Housing	Dave Scholes, Housing Strategy & Needs Manager
Allocation of Homelessness Prevention Funds	Yes	To agree the allocation of the homelessness prevention funds with the purpose of meeting the objectives of the homelessness strategy	Housing	Ossi Mosley, Rough Sleeping & Single Homelessness Officer

### 3 MAY 2017 - PROVISIONAL REPORTS

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Great Estates update	No	To receive an update on progress made in developing masterplans for estates and delivering a rolling programme of improvement schemes.	Housing	Stephen Clarke, Head of Housing and Property
Empty garages and former garage sites	No	To receive an update on how the Council is dealing with empty garages and former garage sites.	Housing	Martin Shaw, Property Services Manager
Empty Property Strategy	No	To receive a briefing on the Council's approaches to dealing with empty properties in the City ahead of a refresh of the Council's Empty Property Strategy 2013-18.	Housing	Melanie Mutch, Empty Property Officer (Private Sector)

### HOUSING PANEL - TO BE SCHEDULED

Agenda item	Decision	Description	CEB Portfolio	Report Contact
Housing Revenue Account Business Plan	Yes	To scrutinise the Housing Revenue Account (HRA) business plan (projected income & expenditure for the Council's housing stock).	Finance, Asset Management and Public Health	Stephen Clarke, Head of Housing and Property
Housing Company for Oxford	Yes	To pre-scrutinise any decisions on funding the Housing Company for Oxford and monitor progress in the Company's first year of operation.	Housing	David Edwards, Executive Director of Regeneration & Housing
Pay to stay	Yes	To scrutinise the local implementation of government plans to increase rents for social tenants with incomes over £30,000 a year.	Housing	Bill Graves, Landlord Services Manager
Flexible tenancies	Yes	To scrutinise the local implementation of government plans to prevent local authorities in England from offering secure tenancies for life to new council tenants.	Housing	Bill Graves, Landlord Services Manager
Leaseholder relationships	No	To consider Council relationships with leaseholders including the views of individual leaseholders.	Housing	Stephen Clarke, Head of Housing and Property

## **FINANCE PANEL (PANEL OF THE SCRUTINY COMMITTEE)**

**Thursday 30 June 2016**

**COUNCILLORS PRESENT:** Councillors Fry, Fooks, Taylor and Simmons.

**OFFICERS PRESENT:** Nigel Kennedy (Head of Financial Services), Anna Winship (Management Accountancy Manager), Andrew Brown (Scrutiny Officer) and Paul Wilding (Programme Manager Revenue & Benefits)

**BOARD MEMBERS PRESENT:** Councillor Susan Brown (Customer and Corporate Services)

**GUESTS PRESENT:** Sue Tanner and David Soward (Oxfordshire Credit Union)

### **9. APOLOGIES**

The Scrutiny Officer opened the meeting and said that no apologies had been received.

### **10. ELECTION OF FINANCE PANEL CHAIR FOR 2016/17**

The Panel elected Councillor Craig Simmons as Chair for the year.

### **11. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **12. WORK PLAN**

The Panel noted its work plan which included a number of items referred to the Panel by the Scrutiny Committee and agreed that:

- A report on the financial impacts of Brexit (British exit from the European Union) would be considered by the Panel in September before it went to Audit and Governance later that month;
- The non-financial impacts of Brexit (e.g. impacts on recruitment) would be referred to the Scrutiny Committee for consideration but that it would make sense to combine these considerations into one report;
- Divestment would be considered alongside Treasury Management;
- Housing Company for Oxford would be considered in a joint session with the Housing Panel at the end of the Council year;
- Funding Mechanisms for affordable housing would be considered in January 2017, by which time there should be more clarity around the impacts of national policy changes on the Housing Revenue Account;
- Council Tax Support Scheme would be considered in December (unless September would provide a better opportunity to influence any proposed changes to the scheme);
- The Panel would maintain a focus on gross budgeting through the year;

- The Scrutiny Officer would monitor the implementation of recommendations on Council Tax exemptions and discounts and the Panel could decide to revisit this item;
- The Scrutiny Officer would consider whether and how the comprehensive service reviews would be considered as part of the budget review process, and identify dates for the budget review meetings.

Councillor Taylor arrived during this item.

The Chair welcomed Councillor Taylor to the Panel and thanked the previous member Councillor Hayes.

### **13. BUDGET MONITORING - 2015/16 QUARTER 4**

The Management Accountancy Manager introduced the integrated performance report. She explained that all financial targets had been achieved including efficiency savings and income generation targets. There was a General Fund under-spend of £0.5m which represented 2% of the gross budget requirement. The Panel noted that £0.5m was the net underspend after new schemes requests (£0.361m) and slipped schemes (£1.024m), giving a gross under-spend of some £1.879m. The Panel also noted that a recommendation in the report sought approval for the new bids to negate the need for separate reports to go to the City Executive Board and Council.

The Panel heard that the capital outturn position of £33m represented 95% of the latest budget and questioned whether the presentation of this outturn spend was overly positive given that slippage had taken place during the year, including due to a 4-month moratorium on many capital schemes. The Panel heard that unlike the general fund budget, the capital budget was reviewed and updated every month to take account of variations during the year. The overall capital budget was a moving target and Officers were well aware of the state of the capital programme. The outturn position did not come as a surprise and explanation was provided in paragraphs 16-18 of the report. The Panel also questioned the status of particular line items in the capital programme.

The Panel heard that the Housing Revenue Account (HRA) had a £10m underspend which was largely due to revenue contributions to capital not being used due to the moratorium.

The Panel noted that due to the timing of the first panel meeting of the Council year, the recommendations in the report had already been agreed by the City Executive Board. The Panel agreed that the following observations would be relayed to full Council:

- That the General Fund under-spend of £0.5m was net of carry forwards and new bids that were not yet agreed and, excluding these, the total under-spend was close to £1.9m;
- That the under-spend was partly a result of over-achievement against income targets, for which officers should be commended;
- That the Council's earmarked reserves had increased significantly over the last year (from £38.7m to £51.4m), largely due to slippage in HRA capital projects;
- That risks to the Council should be reviewed in light of the leave result in the referendum on Brexit (British exit from the European Union).

## **14. CREDIT UNION SERVICES**

The Revenue and Benefits Programme Manager talked through the Council's approach to supporting credit union services over recent years, which was an essential part of supporting the Council's Financial Inclusion Strategy. The Panel heard that the evaluation report was commissioned after the breakdown of a proposed merger of the two credit unions operating in the City, whereby the smaller Blackbird Leys Credit Union (BBLCU) would have been effectively subsumed by Oxfordshire Credit Union (OCU). The evaluation report had set out what actions the credit unions could take in order to become sustainable and how the Council could support them. A meeting had been held to discuss the outcomes of the report with the credit unions. The Panel heard that OCU had followed the recommendations and addressed a number of issues, including budgeting to pay dividends, but BBLCU was now thought to be pursuing a merger with a credit union based in South Northamptonshire.

The Board Member for Customer and Corporate Services said that the evaluation report was a valuable piece of work that had made useful recommendations following an impasse over the failure of the proposed merger. She said that the Council had spent some £100k on supporting credit unions, which was a lot of money to spend without realising the aim of having self-sustaining credit unions.

The Chair of OCU said that OCU had 100 new members, had increased lending and was trying hard to expand. OCU had also increased their capital asset ratio from 3.4% to 5% and had budgeted to pay a dividend of 1% this year, although that would be subject to a decision at their annual general meeting. The Panel heard that OCU was now self-sustaining but had some further asks of the Council. These were to activate the payroll deduction facility and promote OCU to Council staff, and to consider contributing funding for a part-time development manager who would promote OCU much more extensively on the ground.

The Panel noted regret that the merger had failed and heard that there was no prospect of this proposal being resurrected because the two credit unions had very different operating models. BBLCU wanted to continue to have a presence in the community that would not be compatible with OCU's operating model.

In response to a question, the Panel heard that OCU did not require funding to continue to operate but would require funding to continue to expand. The Panel advised OCU to submit a funding application through the Council's open grants programme when it next opened. The Revenue and Benefits Programme Manager advised OCU to be clear when making a bid as to what tangible outcomes the funding would deliver, such as increases in membership and income.

The Board Member for Customer and Corporate Services said that she was pleased with the progress made by OCU. In terms of promoting OCU to staff, this would require further thought and she would want to be sure that this would be in the best interests of Council employees. Most staff had opportunities to access better interest rates on savings, although plans to pay dividends were a positive step, and the Council's own loan option was likely to be more advantageous to them.

The Chair of OCU said that OCU did not just want to attract people who were financially disadvantaged but also people who wanted to save. Their borrowing facility was different from the Council's own scheme and there may be some financially excluded staff who would not feel comfortable borrowing from their employer.

In conclusion, the Panel agreed to:

- Encourage OCU to submit a grant application through the Council's open bidding process;
- Recommend to the City Executive Board in September that the Council promotes OCU to staff alongside other options and within a carefully framed context.

## **15. NOTES OF PREVIOUS MEETING**

The Panel noted the record of the previous meeting.

## **16. FUTURE MEETING DATES**

The Panel noted the future meeting dates.

**The meeting started at 5.30 pm and ended at 6.45 pm**