

# Agenda

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## Finance Panel (Panel of the Scrutiny Committee)

Date: **Wednesday 29 January 2020**

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Time: **6.00 pm**

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Place: **Plowman Room - Oxford Town Hall**

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For any further information please contact:

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If you intend to record the meeting, it would be helpful if you speak to the Committee Services Officer before the start of the meeting.

# Finance Panel (Panel of the Scrutiny Committee)

## Membership

**Chair** Councillor James Fry

### **Vice Chair**

Councillor Chewe Munkonge

Councillor Craig Simmons

Councillor Roz Smith

The quorum for this Committee is two, substitutes are not permitted.

### **Copies of this agenda**

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# AGENDA

		Pages
1	<b>APOLOGIES</b> Substitutes are not allowed.	
2	<b>DECLARATIONS OF INTEREST</b>	
3	<b>WORK PLAN</b> For the Panel to note and agree its work plan, which can be adjusted to reflect the wishes of the Panel.	7 - 8
4	<b>NOTES OF PREVIOUS MEETING</b> For the Panel to approve the record of the meeting held on 02 December 2019.	9 - 20
5	<b>TREASURY MANAGEMENT STRATEGY</b> Nigel Kennedy, Head of Financial Services, will attend the meeting to present the Cabinet report on the Treasury Management Strategy for 2020/21 together with the Prudential Indicators for 2020/21 to 2023/24. The Committee is asked to consider the report and make any recommendations accordingly.  <b>The documentation for this item will follow as a late paper pending full sign off.</b>	
6	<b>CAPITAL STRATEGY</b> Nigel Kennedy, Head of Financial Services, will attend the meeting to present the Cabinet report on the Capital Strategy 2020/21 – 2024/25. The Committee is asked to consider the report and make any recommendations accordingly.  <b>The documentation for this item will follow as a late paper pending full sign off.</b>	
7	<b>FUTURE MEETING DATES</b> Meetings are scheduled as follows:  25 <sup>th</sup> February 2020  All meetings start at 6.00pm.	
8	<b>TO NOTE: BUDGET REVIEW GROUP MEETING</b> Consideration of the draft Budget Review Group report will follow immediately	

after this meeting and is a separate, non-public meeting. **The draft report will be issued as confidential supplement.**

## **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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# FINANCE PANEL WORK PLAN

## February 2020 - May 2020

Published on: 21/01/20

### FINANCE PANEL

#### 25 FEBRUARY - REPORTS

Agenda item	Cabinet item	Description	Cabinet portfolio	Lead officer
Integrated Performance Report for Quarter 3 2019/20	Yes	Financial and Performance data for Q3 2019/20	Deputy Leader - Finance and Asset Management	Anna Winship, Management Accountancy Manager
Monitoring social value	No	To review the Council's current social value weighing in procurement of 5%.	Deputy Leader - Finance and Asset Management	Nigel Kennedy, Head of Financial Services

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## **Minutes of a meeting of the FINANCE PANEL (PANEL OF THE SCRUTINY COMMITTEE) on Monday 2 December 2019**

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### **Committee members:**

Councillor Fry (Chair)

Councillor Munkonge

Councillor Simmons

### **Officers:**

Nigel Kennedy, Head of Financial Services

Anna Winship, Management Accountancy Manager

Nick Twigg, Major Projects and Development Manager

Bill Lewis, Financial Accounting Manager

Tom Hudson, Scrutiny Officer

### **30. Apologies**

Apologies were received from Councillor Roz Smith

### **31. Declarations of interest**

None

### **32. Work plan**

The Panel considered the current Finance Panel work plan. The following was agreed:

- 1) The date of the third Budget Review Group meeting would be on 20<sup>th</sup> January
- 2) The date of the previously unallocated date for the March Finance Panel meeting to be brought forward to February 25<sup>th</sup>
- 3) For the draft Budget Review Group scoping document to go to Scrutiny unamended for agreement

### **33. Notes of previous meeting**

The notes of the meeting held on 05 September were agreed.

The following questions were raised in relation to items contained in the notes:

- 1) Item 26: An update was sought in relation to the bid to update the Covered Market. It was confirmed that the bid had been unsuccessful.
- 2) Item 28: An update was requested in relation to the investments made in social impact bonds. It was reported that the first stage of due diligence had been completed, and that it was anticipated that a further update would be available prior to the commencement of the Budget Review Group in January 2020

### **34. Integrated Performance Report for Q2 2019/20**

Anna Winship, Management Accountancy Manager, introduced the Integrated Performance Report for Q2 2019/20.

The Council's financial position was reported as being forecast to have an adverse variance of 0.64%, £0.149m against a net budget of £23.205m within the General Fund. The key variances related to: unbudgeted expenditure relating to the Town Hall, greater spending on equalities work by Business Improvement, Law and Governance earning unbudgeted income through the Service Level Agreement with Oxford Housing Company Ltd (OCHL) and savings at ODS from the development of the Recycling Transfer Station not being realised due to the project not being implemented in year.

Within the Housing Revenue Account, the outturn position was forecast to be a £320k favourable variance against the budget revised on 20<sup>th</sup> May. The most significant budget variations were identified as being properties which had been made available for temporary accommodation due to fewer individuals exercising their Right to Buy had therefore generated an income of £0.8m, whilst there had also been an adverse variance of £0.682m due to one-off costs related to tower blocks, consultancy fees and feasibility costs related to Phase 2 of the OCHL development programme. The Panel sought clarification whether recent fraud investigations in relation to Right to Buy applications had reduced the number and it was confirmed that following commencement of the investigations a number of existing applications had been withdrawn.

The budget for capital expenditure was explained to have been agreed originally at £101.526m, but had subjected to a major review, to develop a more deliverable and well-timetabled budget. The forecasted capital outturn following the review was stated to be £59.962m. The Panel raised questions over whether references to 'retimetabling' were euphemisms for slippage. The response was that although there were similarities, retimetabling was used to demonstrate a greater degree of proactive management and that the rapidity of the spending reductions was a sign of the greater realism that had been injected into the Council through the work of the Project Management Office. Particular concern was raised at why planning delays were not foreseen by OCHL which had led to the retimetabling of over £24m, and why resources were not being redeployed to schemes without planning delays to enable momentum to be maintained. It was responded that such redeployment was happening, and that the nature of OCHL as a development company meant that with the unpredictability of schemes it always faced a challenge to ensure it had drawn down enough money to cover its work whilst not drawing down purposelessly.

Discussion was held as to the impact of the Project Management Office, with particular reference made to the usefulness of having visibility on the progress of projects prior to their inclusion in the budget. Whilst positive moves towards transparency and rigour were noted by the Panel, advice was given to remind members that the team had only been fully staffed for approximately 4 months, and a lot of existing projects had had to be revisited and retrofitted with a more thorough project planning process. As such, it would not be reasonable to expect to see the impacts of the Project Management Office in increasing the ceiling of capital spend until the next year.

Clarification was sought regarding specific items in the HRA accounts, namely how it was possible to have a surplus arise within the service charge, and what sort of items constituting miscellaneous income. Officers present did not know the answers at the meeting and undertook to share the information subsequently. The Panel also sought explanations of the significant underspend with regards to on-street charging with the Go Ultra Low project. The challenge was reported to have been in finding sufficient land space for installing chargers.

Regarding the Council's performance, the three red-rated indicators were identified as the number of target-group users of the Council's leisure facilities, the number of new homes granted planning permission in the city, and the amount of employment floor space permitted for development. The red-rated corporate risks were in relation to Housing, the impact of Brexit on economic growth and balancing the Medium Term Financial Plan and the impact of central government to increase lending rates on Public Works Loan Board loans by 1%.

The Panel **NOTED** the report.

### **35. Treasury Mid-Year Report 2019/20**

Bill Lewis, Financial Accounting Manager, presented a report to the Panel on the Treasury Management mid-year Review.

The report was introduced as seeking to make a change to one area, to broaden Indirect Property Funds counterparty category to include Pooled Investment Funds, which would widen the Council's opportunities to invest in areas, for example, such as social impact bonds which would not necessarily relate to property. The current budget had £10 million allocated to be invested into property funds specifically, but a broadening of the terminology would allow a greater diversification, thus reducing risk.

In considering the impact of the wider economy on the Council's treasury position, the uncertainty relating to Brexit and the final shape of the UK's relationship with the EU was recognised as being a significant challenge to making confident forecasts. The Council was working on the advice that some form of Brexit deal would be reached.

Investment levels were identified as £112m and had returned £0.5m above the budgeted sum. This was explained to be partially due to money having stayed invested for longer rather than going to the Housing Company, thereby allowing greater returns.

Looking at the Council's property fund investments, healthy returns had been made from both the CCLA fund and the Lothbury fund from the time of investment. However, it was noted that there had been some recent tail-off in value, which was not attributed to regular variations around the proximity of dividend payments but due to the pressure on retail. The costs of repositioning portfolios away from retail had meant a lower unit value. This provided greater surety against adverse future conditions in the retail market and it was reinforced that the Council still had a significant buffer before capital losses were realised.

The Council's short term expectations for borrowing were reported to be a maintenance of existing borrowing within the HRA.

Following the presentation of the report the Panel raised questions over the status of a number of the investments referenced in the report, particularly Green Deposit Notice Accounts, which were explained to be six month notice accounts with variable, but stable, rates of interest. Due

to the ownership of the fund being Barclays, the accounts were reported to be ultra-low AAA risk-rated.

The Panel sought information on what the rates of interest the Council would expect to face on its borrowing if there were to be a no-deal Brexit. In response, it was explained that estimates amongst experts varied considerably, making accurate forecasting difficult. It would be possible to present a range of possible outcomes, but making any prediction with a high degree of uncertainty would be harder. It was clarified that the Council's PWLB borrowing was fixed at the time of borrowing and would not be subject to significant increase in the event of a no deal Brexit. On the basis of this, it was discussed whether the Council should be growing its borrowing whilst rates were low. Though the Council had looked at the possibility, it was not currently being acted upon due to the fact that the Council would be paying interest on their borrowing, and due to greater stringency in the PWLB's vetting process it was not possible to make carry trades. The reason the Council had been able to borrow to lend to OCHL was due to OCHL's house building being considered a capital scheme rather than an investment, a service to the community rather than a money making venture.

Discussion was held over the Council's asset allocation. The reason for looking to invest in multi-asset funds over property funds was that it would reduce risk by spreading investment exposure over multiple investment categories, not all of which would be expected to face a downturn at any one particular moment. Though it was possible for the Council to invest more aggressively, it was reiterated by officers that the Council's primary investment criterion was security, with liquidity and yield being secondary and tertiary considerations respectively. Nevertheless, it was also recognised by officers that the Council was looking to make increased investments in social impact bonds and multi-asset funds. Further, as capital schemes were realised the money to pay for these would reduce the balance of high-liquidity holdings by the Council, meaning an increase in relative percentages being invested in higher-yield assets. It was not possible to put a precise figure on the level of return from multi-asset funds as the Council was still investigating the market, but the expected rates of return were anticipated to be between 3-5%.

The Panel **NOTED** the report.

### **36. Property Investment Portfolio Analysis and Strategy Report**

Jane Winfield, Regeneration and Major Projects Service Manager, introduced the report on the Council's Property Investment Portfolio Analysis and Strategy.

### **37. Confidential Session**

It was **AGREED** to exclude the press and public from the meeting during consideration of the Property Investment Portfolio Analysis and Strategy Report under Paragraph 4(2)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) regulations 2012 on the grounds that their presence could involve the likely disclosure of exempt information as described in Schedule 12A of the Local Government Act 1972.

### **38. Property Investment - Confidential Appendices**

Jane Winfield, Regeneration and Major Projects Service Manager, introduced the report on the Council's Property Investment Portfolio Analysis and Strategy. The report was based on the response from Jones Laing LaSalle to instructions from the Council to look at its property holdings

The Panel expressed its general agreement at the suggestions made and made three recommendations.

### **39. Future Meeting Dates**

The future meeting dates, as agreed in item 32, were **NOTED**.

**The meeting started at 6.00 pm and ended at 8.06 pm**

**Chair .....**

**Date: Monday 20 January 2020**

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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