

Minutes of a meeting of the Finance and Performance Panel (Panel of the Scrutiny Committee) on Monday 6 September 2021

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Committee members present:

Councillor Fry

Councillor Gant

Councillor Jarvis

Councillor Landell Mills

Councillor Latif

Officers present for all or part of the meeting:

Tom Hudson, Scrutiny Officer

Nigel Kennedy, Head of Financial Services

Bill Lewis, Financial Accounting Manager

Anna Winship, Management Accountancy Manager

17. Apologies

Councillor Duncan Hall tendered apologies for the meeting

18. Declarations of Interest

None

19. Finance and Performance Work Plan

The Panel **NOTED** the forthcoming work plan.

20. Notes of Previous Meeting

The notes of the meeting held on 02 August 2021 were **AGREED** as a correct record.

The Panel sought an update on the situation with the QL system, which was provided by the Head of Financial Services. Further significant work had been undertaken and a number of key issues had been overcome. However, the system was still a number of weeks off having fully established and implemented the necessary work-arounds needed to provide full functionality, with further work beyond that required to cease the need for work-arounds. Proposals on the resources required to reach the latter point would be coming forward in due course.

21. Scrutiny-selected Performance Monitoring

The Panel discussed its own selected suite of KPIs. It was commented that there was significant crossover between these KPIs and those in the Integrated Performance

Report, but that the commentary was more useful in the Integrated Performance Report.

The Panel raised a number of specific issues. These included the commentary on the difficulties of calculating local spend owing to the distorting impacts of a small number of large contracts. The Head of Financial Services agreed that it would be possible to take out the outlying data points, but raised a point of caution that smoother data would not necessarily be more reflective of reality. A similar challenge with the measure was differentiating between the location of a firm contracted with, and any sub-contractors. This would prove challenging to pull out without significant work. It was requested that the Procurement Manager attend a future meeting to discuss this in more detail.

The KPIs were **NOTED**.

22. Integrated Performance Report Q1

Anna Winship, Management Accountancy Manager presented to the Panel the Integrated Performance Report Q1, detailing the Council's position concerning finances, performance and risk.

Financially, the General Fund was on budget. However, within this figure there were a number of income sources continuing to be impacted by Covid-19 which were being monitored closely. Car parking income in the first quarter was significantly down against budget, a budget already reduced by £1.4m for the year owing to expected Covid disruption to income. Community Centre, Town Hall and Licensing incomes were all broadly on track for their reduced budgets. A clearer picture of the performance of Property Rental income was anticipated by the Q2 report. Issues arising from the QL implementation meant it was not possible to provide an update on ODS performance.

Capital spending showed a slippage of approximately £9m. Some key projects which had shown slippage included the East Oxford Community Centre project, Osney Mead Infrastructure, City Cycle Schemes, and Motor Transport Vehicle Programme.

The HRA showed a very minor adverse variance against budget, though the broadly-stable figure did show some changes, with stage payments being paid to OCHL, and slippage to the overall housing delivery from OCHL roughly negating one another.

For performance, of the 24 corporate KPIs 13 were rated Green (on target); 5 were rated Amber (within a tolerance of target) and 1 was rated Red (outside of target), there were also 5 indicators that are unrated due to either no data being available or no comparable data from previous year to rate against. The red risk related to the estimated number of people sleeping rough in the city, with 24 estimated to do so against a target of 17.

Concerning risk, two red corporate risks existed at the end of quarter one. These relates to actions taken to ensure housing delivery and supply for the city of Oxford and to enable sufficient house building and investment; local, national or international factors adversely affecting the economic growth of the city and negative impacts of Climate Change.

Councillor Amar Latif joined the meeting at this point.

One of the key topics explored by the Panel concerned car parking. Whilst income was clearly impaired by Covid, longer-term policy and trends towards car reduction would also have a negative impact. It was recognised that the Council was responsible for multiple types of car parking, catering to shoppers, commuters and people engaging in recreation, and those visiting the city-centre and those parking in the outskirts. This

meant there would be a base income, on the basis that not all would be impacted equally by Covid and policy trends. All types of parking were anticipated to bounce back in Y2 of the Medium Term Financial Plan, but thereafter policy decisions such as the removal of Oxpens car park would be expected to weigh on income levels. It was requested that a more fleshed-out response about the price elasticity for different types of car parks be provided to the Panel at a future meeting, with the input of the County Council.

Similar concerns about the recovery rate of community centre income to normal levels were raised. Usage was already beginning to pick up, and the expectation was that usage would return to normal or near-normal by the end of the financial year.

The likelihood and possible quantum of the ODS dividend in future years was discussed, the latter part of which was uncertain owing to being dependent on securing additional business. Whilst it was not possible to give granular financial reporting, the general sense was that at present ODS operatives were busy and that there was not a major issues that the QL implementation issues were obscuring.

Other issues discussed included: the lack of reference to Brexit as a contributor to the Council's red corporate risks; the disappointment at the number of rough sleepers; the current situation with Floyds Row; and options for supporting struggling commercial tenants as Covid support was withdrawn.

The Panel **NOTED** the report. No recommendations were made to Cabinet.

23. Treasury Management Performance and Activity

Bill Lewis, Financial Accounting Manager, presented the Treasury Management Performance and Activity report to the Panel.

The Council's treasury investments amounted at the end of the financial year to approximately £80m. The returns realised on those investments were approximately £0.9m below budgeted forecasts. The two principal reasons behind this shortfall was an overall reduction in interest rates nationally, and more locally, a reduction in interest payments from the Council's companies. The Council had £198.5m in PWLB loans; in March 2021 £20m became due and was rolled over. However, owing to capital spending reductions over the year the Council had taken out less borrowing than it otherwise would.

The Panel questioned the reasons behind the steepness of the fall in investment income. Interest rates generally had fallen, but also returns from lending to other local authorities had diminished to the point where they were similar to returns offered by the money markets. The Council's performance, when benchmarked against others, was strong. Those Councils which ranked higher were doing so at the cost of being exposed to more risk than the Council was willing to accept.

The adequacy of safeguards against unethical investments was explored by the Panel, as well as the potential for avoiding indirect investments through money deposited with banks with poor ethical records. Concerning direct investment, the Council was reliant on the advice provided by its treasury advisors. It was too resource intensive for the Council to undertake ethical audits on its own holdings. Concerning indirect investment through deposits, the Council used a green account with Barclays which was ring-fenced. Although it was accepted that Barclays did engage with investments relating to fossil fuels, when the process to select a bank was undertaken it had proven difficult to find banks which satisfied the Council's criteria. Those scoring higher on environmental, social and governance criteria did not meet the Council's risk standards, and the

Council had a responsibility primarily to protect public money. The reason for the tender in the first place was because the preferred candidate on both ethical and risk factors was pulling out of the local authority deposit market. Letters had been written to the Council's bank to express its concern over particularly egregious investments, such as tar sand investment.

The report was **NOTED**. No recommendations were made.

24. Dates of next meeting

The dates of the next meetings were **NOTED**. This included confirmation of the dates of the Budget Review Group meetings on 04, 06 and 10 January 2022, and the fact that the meetings would be held virtually.

The meeting started at 6.00 pm and ended at 7.20 pm

Chair

Date: Tuesday 7 December 2021

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