

# **Minutes of a meeting of the Finance and Performance Panel (Panel of the Scrutiny Committee) on Thursday 18 July 2024**

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## **Committee members present:**

Councillor Fry (Chair)

Councillor Jarvis

Councillor Henwood (for Councillor Yeatman)

Councillor Snowton

## **Officers present for all or part of the meeting:**

Tom Bridgman, Executive Director (Development)

Peter Matthew, Executive Director of People and Communities

Nigel Kennedy, Head of Financial Services

Helen Horne, Managing Director (OX Place)

Alice Courtney, Scrutiny Officer

## **Apologies:**

Councillor(s) Yeatman sent apologies.

Substitutes are shown above.

## **1. Declarations of Interest**

None.

## **2. Chair's Announcements**

None.

## **3. Notes of the previous meeting**

The Panel agreed the notes of the meeting held on 26 March 2024 as a true and accurate record.

The Panel noted that the following actions related to minute 48 (Integrated Performance Report Q3 2023/24) had been completed since the previous meeting and responses were set out in the published minutes supplement for the meeting held on 26 March 2024:

- Clarification as to why four of the corporate indicators at Appendix D to the report had no data available for the report.
- Clarification around the timescales for delivery of the Adult Homeless Pathway transformation programme.

- Information relating to longevity in Temporary Accommodation to set out how long individuals currently in Temporary Accommodation had been accommodated in Temporary Accommodation.

In addition, one of the Panel's recommendations relating to the Integrated Performance Report Q3 2023/24 recommended that the Council undertake a comparative analysis of the current overall slippage of the Capital Programme and how that aligned with the 40% optimism bias assumptions included in the MTFP 2024/25 to 2027/28, to understand the extent to which the 40% optimism bias assumptions from 2024/25 were realistic. The recommendation had been agreed by Cabinet and the comparative analysis was included on the agenda (item 8) for consideration later in the meeting.

The interim progress reports relating to the Strategic Review of Services Across Community Services (minute 50a) and the Strategic Review of Services Provided by Oxford Direct Services (minute 50b) were included on the agenda (items 11a and 11b respectively) for consideration later in the meeting.

*The Panel agreed to consider items 11a (Strategic Review of Services Across Community Services – Progress Update), 11b (Strategic Review of Services Provided by Oxford Direct Services (ODS) – Progress Update) and 11c (Exempt Treasury Management Matters [discussion item]) next on the agenda in private session; and then move back into public session to consider items 8 (Comparative Analysis – Capital Slippage), 7 (Financial Outturn Report 2023/24), 9 (Scrutiny Performance Monitoring), 5 (Finance and Performance Panel Work Plan), 6 (Report back on recommendations) and 10 (dates of future meetings).*

#### **4. Matters Exempt or part exempt from publication and exclusion of the public**

The Panel agreed, in accordance with the provisions of Section 100A(4) of the Local Government Act 1972 to exclude the press and the public from the next three items of business on the grounds that their presence would involve the likely disclosure of exempt information as described in Paragraph 3 of Part 1 of Schedule 12A of the Act.

##### **a) Strategic Review of Services Across Community Services - Progress Update**

The Panel considered a progress update on the Strategic Review of Services Across Community Services in private.

The Panel was disappointed with the limited level of detail included within the report as it did not allow for any scrutiny; particular concerns were raised that a number of key budget savings were proposed which were contingent on the conclusion of the review and these should be subject to adequate scrutiny while proposals were still at the 'options' stage, rather than the Panel being presented with a final report.

In response to questions, the Panel was advised that:

- The review was not yet at the 'options' stage; to date, time had been spent on gathering and understanding data and costings.
- A report could come to the Panel for consideration once the review was at the 'options' stage; the precise timeline for this was not yet known, but it was anticipated that it would be around September/October 2024.

- The 'options' report would be submitted to the Panel after initial conversations with Cabinet on options had taken place, but no decisions would have been made at that point.
- A further report to the Panel would present the opportunity for meaningful scrutiny of the full range of options identified through the review process; it would not be a final decision report.
- The anticipated savings were due to come into effect from 01 April 2025.

The Panel requested:

- That the Scrutiny Officer liaise with the Executive Director (Communities and People) and the Head of Financial Services to schedule in Scrutiny consideration of an 'options' report related to the review at the appropriate point.
- That the Executive Director (Communities and People) and the Head of Financial Services report back as soon as possible, via the Scrutiny Officer, with a specific timetable for the remainder of the review.

#### **b) Strategic Review of Services Provided by Oxford Direct Services (ODS) - Progress Update**

The Panel considered a progress update on the Strategic Review of Services Provided by Oxford Direct Services (ODS) in private.

The Panel was disappointed with the limited level of detail included within the report as it did not allow for any scrutiny; particular concerns were raised that a number of key budget savings were proposed which were contingent on the conclusion of the review and these should be subject to adequate scrutiny while proposals were still at the 'options' stage, rather than the Panel being presented with a final report.

In response to questions, the Panel was advised that:

- The review was not yet at the 'options' stage; to date, time had been spent on gathering and understanding data and costings.
- A report could come to the Panel for consideration once the review was at the 'options' stage; the precise timeline for this was not yet known, but it was anticipated that it would be around September/October 2024.
- The 'options' report would be submitted to the Panel after initial conversations with Cabinet on options had taken place, but no decisions would have been made at that point.
- A further report to the Panel would present the opportunity for meaningful scrutiny of the full range of options identified through the review process; it would not be a final decision report.
- The anticipated savings were due to come into effect from 01 April 2025.

The Panel requested:

- That the Scrutiny Officer liaise with the Executive Director (Communities and People) and the Head of Financial Services to schedule in Scrutiny consideration of an 'options' report related to the review at the appropriate point.
- That the Executive Director (Communities and People) and the Head of Financial Services report back as soon as possible, via the Scrutiny Officer, with a specific timetable for the remainder of the review.

### **c) Exempt Treasury Management Matters [discussion item]**

The Panel held a discussion relating to Treasury Management matters in private.

The Head of Financial Services advised that a more detailed update would be available as part of the Treasury Management Annual Report 2023/24, which was due for consideration by the Panel in September 2024.

*Peter Matthew, Executive Director (Communities and People) left the meeting and did not return.*

## **5. Public Session**

The Panel resolved to return to public session for the remaining items of business.

*Helen Horne, Managing Director (OX Place) joined the meeting.*

## **6. Comparative Analysis - Capital Slippage**

Nigel Kennedy, Head of Financial Services introduced the report, which had been submitted in response to a previous recommendation of the Panel made in March 2024: *'That the Council undertakes a comparative analysis of the current overall slippage of the Capital Programme and how that aligns with the 40% optimism bias assumptions included in the MTFP 2024/25 to 2027/28, to understand the extent to which the 40% optimism bias assumptions from 2024/25 are realistic.'* The report demonstrated the spend profile of the Capital Programme over the last four years; it showed a spend of £59m in 2023/24, which amounted to 25% of the original budget and 45% of the latest budget as at Q3 2023/24. There were various reasons for slippage in the Capital Programme and most of these reasons could not be anticipated, nor were they within the Council's control.

Tom Bridgman, Executive Director (Development) explained that the construction market was very turbulent at present, with significant cost increases, and as a result the Council had paused or slowed progress of some projects in order to achieve the same outcomes at a lower cost – which showed evidence of effective project management. He advised that projects which were wholly or partly funded by grants often had defined and tight timescales set by the body providing the grant funding; even where the Council knew that the project timescales were not achievable, the Council had no discretion to slip that project until the funding body agreed an extension to the timescales. He added that he felt the Council could improve in terms of judging the delivery timescales of certain projects which were more challenging to ensure timescales were more realistic.

Helen Horne, Managing Director (OX Place) advised that OX Place had reviewed its overall programme a few years ago and removed a lot of optimism bias. OX Place had a funding envelope and a set number of schemes; the company was now coming to the end of that programme and so was working on the schemes which were more difficult to deliver. OX Place had reviewed its overall programme again and was updating its appraisals and building them into its Business Plan on a quarterly basis to provide improved reporting. The volatile construction market had significantly impacted OX Place's ability to take forward developments as planned; and there were various capacity issues related to statutory authorities and consultees (e.g. energy providers and the Environment Agency). OX Place had established an Audit, Risk and Governance Committee to provide an extra level of oversight of some of the risks and optimism bias associated with the company's schemes.

In response to questions, the Panel was advised that:

- It was straightforward to apply high-level optimism bias assumptions at the overall programme level; it was more difficult to apply optimism bias and understand the corresponding revenue consequences at the project level.
- Estimates of the revenue consequences of the 40% optimism bias assumptions had been included in the current Medium Term Financial Plan (MTFP), but it was difficult to give accurate estimates as there was no 'scientific' method for obtaining those estimations.
- Any risks to Council income as a result of Capital slippage could not be projected; but where projects were income generating there remained a focus on delivering those projects quickly.
- OX Place's additional layers of governance via the Audit, Risk and Governance Committee provided an opportunity for more challenge of scheme delivery estimates.
- Slippage of OX Place schemes was not expected to impact the dividend in terms of value, as the schemes were still being delivered, but to different timescales; the dividend had recently been re-profiled and a report containing this information was due to be considered by the Scrutiny Committee in August 2024.
- Capital Programme monitoring and reporting for 2024/25 would be done on the basis of the 40% optimism bias assumptions included in the budget.
- Work was planned with project managers in order to consider over-optimism at the project level, which would feed into the Q1 2024/25 monitoring.
- The Council was likely to spend all of the money within the Capital Programme, but over a longer time period; there was scope to improve project manager profiles, but it was highly unlikely that slippage could be completely removed as the Council was heavily involved in development works and had a lot of grant funding.

The Panel requested:

- That the Executive Director (Development) and Head of Financial Services simulate what the capital and revenue impacts would have been if the optimism bias assumption applied to the MTFP had been 50%, instead of 40%, to see if a higher optimism bias assumption at the programme level was more realistic and could be assumed within future budgets – and report back to the Panel on findings.
- That the Executive Director (Development), Head of Financial Services and Managing Director (OX Place) prepare a briefing note comparing initial expectations of Council and OX Place schemes over the last three years to their actual delivery timescales; attributing any slippage to a specific reason(s); and highlighting what the capital and revenue impact of that slippage was.

The Panel noted the report; there were no recommendations.

*Tom Bridgman, Executive Director (Development) and Helen Horne, Managing Director (OX Place) left the meeting and did not return.*

## 7. Financial Outturn Report 2023/24

Nigel Kennedy, Head of Financial Services introduced the report, which provided an update on the Council's financial outturn for the financial year ending 31 March 2024. The report was considered by Cabinet at its meeting on 10 July 2024.

In response to questions, the Panel was advised that:

- The £4million dividend payment from ODS was viewed as a 'catch-up' of dividends that had not been paid in previous years.
- Before the COVID-19 pandemic, ODS had only paid dividends to the value of approximately £1.6m and then the Council experienced issues with its Housing Management System which meant uncertainty and delays in relation to ODS' accounting position. This all meant that the £4m 'backdated' dividend was not expected and had not been budgeted for.
- ODS' outturn position for 2021/22 and 2022/23 was more positive than was expected; if the £4m dividend placed ODS under too much financial pressure then it would not have been paid to the Council.
- It was anticipated that ODS would still be in a position to pay the dividend which the Council had budgeted for in 2024/25.
- The Scrutiny Committee had requested an update report on the Leisure contract, including matters pertaining to the previous provider; a separate item would therefore not be submitted to the Panel on this topic.
- In respect of the £310k additional income from the ZEZ for 2023/24, the Council was not anticipating that additional money from the County Council and, in addition, the Council was reimbursed for some funds it had set aside to establish the ZEZ as the County Council had received Government funding for that purpose.
- The staffing pressures in the Customer Contact Centre should reflect a value of £113k, not £113m as stated in the report; the pressures were largely as a result of maternity and sickness leave.
- There was still a long way to go in terms of transitioning residents' contact with the Council to online means; a lot of work had been done in relation to automated forms, but there was still more to do in terms of Robotic Process Automation (RPA) and Artificial Intelligence (AI).
- The erroneous letters which had been sent out in 2023/24 in relation to Council Tax did cause some increase in demand, but they were not a major cause of increase in demand at the Customer Contact Centre.
- The £370k savings in Community Services (staffing in parks, youth ambition and localities team) related to some savings in salaries, but also additional income from the previous leisure contract.
- The Head of Financial Services would clarify what the £350k savings in Elections would have been spent on and report back to the Panel.
- In relation to the local cost of benefits, £336k of the adverse variance was attributed to local authority errors, which the Council would attempt to recover from claimants. The majority of the rest of the adverse variance was attributed to a 'quirk' of the housing benefit system, whereby benefit paid to charitable organisations providing supported accommodation to vulnerable clients which were not Registered Providers (as was the case in respect of one of the larger supported accommodation providers in Oxfordshire) was not subsidised by the Department for Work and Pensions.

- The Head of Financial Services would separate out the ODS Client function and the ODS dividend in future monitoring reports.
- The entry on page 39 of the agenda pack, in relation to 'S20 – Environmental Sustainability' under 'Development' showed a £466k underspend which related to ZEZ income received in respect of 2022/23 and the repayment of funds that the Council had set aside to establish the ZEZ as the County Council had received Government funding for that purpose.
- Consideration was still being given to OX Place becoming a Registered Provider, however this work had been de-prioritised for now as there were more pressing matters that needed to be addressed first.
- The Head of Financial Services would clarify what the budget B0159 'Redbridge Masterplan' (page 41 of the agenda pack) was due to be spent on; the timescales associated with that project; and the reasons why only £4,562 of a budget of £102,675 in 2023/24 had been spent and report back to the Panel.
- The Head of Financial Services would consider the presentation of 'variation' in respect of Capital monitoring, to see if it could be aligned with the way in which all other figures were reported in financial reporting (in terms of ensuring consistency in the use of brackets and whether they indicated an underspend or an overspend).

The Panel requested:

- That the Head of Financial Services clarify what the £350k savings in Elections would have been spent on and report back to the Panel.
- That the Head of Financial Services clarify what the budget B0159 'Redbridge Masterplan' (page 41 of the agenda pack) was due to be spent on; the timescales associated with that project; and the reasons why only £4,562 of a budget of £102,675 in 2023/24 had been spent and report back to the Panel.

The Panel noted the report; there were no recommendations.

*Nigel Kennedy, Head of Financial Services left the meeting and did not return.*

## **8. Scrutiny Performance Monitoring**

Alice Courtney, Scrutiny Officer introduced the report, which set out Key Performance Indicator (KPI) data as at March 2024. She reminded the Panel that a revised set of Corporate KPIs was due to come forward to Cabinet for agreement in September 2024; as a result, the list of KPIs may be subject to change. She recommended that the Panel give consideration to whether or not to continue to have 'Scrutiny Performance Monitoring' as a standing item on Panel agendas, noting that the Panel should continue to monitor performance in some form, but that there had been some duplication with the KPI appendix which was included in the Integrated Performance Report Q3 2023/24 at the meeting in March 2024.

During discussion, the Panel agreed that it was happy to receive updates on Corporate KPIs via the Integrated Performance Reports, rather than as part of a 'Scrutiny Performance Monitoring' standing item, as this would avoid duplication. The Panel agreed that it should also monitor some service-level KPIs, but that this could be done on a bi-annual basis, rather than as a standing agenda item at each meeting. The Panel agreed to defer selection of service-level KPIs to a future meeting.

In relation to the KPI report as at March 2024, the Panel:

- Noted that KPI CH001: 'days lost to sickness' should have been RAG-rated as 'red', as the year end target had not been met.
- Noted that having large narratives accompanying KPIs was not necessarily helpful and made the document very long; the Panel would value having figures only and it could choose to ask questions about certain KPIs if necessary.
- Requested that the Scrutiny Officer check with the Head of Financial Services whether the data for KPI BV008: 'percentage of invoices paid on time for OCC' was now available and circulate to the Panel.
- Requested that the Scrutiny Officer query whether the target for KPI CS005: 'time to process new benefits claims' was too low, given the 'new normal' in relation to demand for Temporary Accommodation.

The Panel:

- Noted the performance report for KPIs selected by the Finance and Performance Panel in the 2023/24 municipal year as at March 2024.
- Agreed to monitor Corporate KPIs via the regular Integrated Performance Reports, in order to avoid duplication.
- Agreed to monitor a selection of service-level KPIs on a bi-annual basis; and defer the selection of those KPIs for 2024/25 to a future meeting.

## 9. Finance and Performance Panel Work Plan

The Scrutiny Officer introduced the item; a provisional Work Plan and suggestions for the longlist of Scrutiny-commissioned reports for 2024/25 were included within the agenda pack. The Comparative Analysis – Capital Slippage item listed on the longlist of items had been considered at this meeting. In addition, the Scrutiny Committee had requested that the Panel consider an item related to Business Rates Non-Payment and Systems Management; this had been scheduled into the Work Plan for December 2024.

It was anticipated that a Cabinet report related to revised Corporate Key Performance Indicators (KPIs) would come forward in September 2024; this would be added to the Work Plan for September 2024 as it fell within the Panel's remit.

The Panel requested that the standard/regular item listed in Appendix A: 'Issues faced by the Local Government Sector and how Oxford City Council compares' be scheduled into the Work Plan for 2024/25, specifically focusing on how the Council compared to other local authorities in terms of its financial position and issues facing other authorities; alongside an update on the impact of the new Government on local government finances – including reflections on the announcements within the recent King's Speech.

The Panel agreed the Work Plan as set out in the agenda pack, noting that the Scrutiny Officer would seek to schedule in additional items as detailed above.

## 10. Report back on recommendations

The Panel noted the following Cabinet responses to its recommendations:

- Integrated Performance Report Q3 2023/24

The Scrutiny Officer advised that, following the Cabinet response to recommendation 2 around property letting estimates versus reality, the Chair had requested the further



report referenced. This report was due to be combined with the annual report on commercial income which Panel Members would consider in January as part of the Budget Review process.

## **11. Dates of future meetings**

The Panel noted the dates and times of future meetings.

**The meeting started at 6.00 pm and ended at 7.45 pm**

**Chair .....**

**Date: Wednesday 4 September 2024**

*When decisions take effect:*

*Cabinet: after the call-in and review period has expired*

*Planning Committees: after the call-in and review period has expired and the formal decision notice is issued*

*All other committees: immediately.*

*Details are in the Council's Constitution.*