

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