FINANCE PANEL (PANEL OF THE SCRUTINY COMMITTEE)

Wednesday 7 September 2016

COUNCILLORS PRESENT: Councillors Fry, Fooks and Simmons (Chair).

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

17. APOLOGIES

The Panel noted apologies from Councillor Sian Taylor and Councillor Susan Brown (Board Member for Customer and Corporate Services).

18. DECLARATIONS OF INTEREST

There were no declarations.

19. COUNCIL TAX SUPPORT SCHEME

The Revenue and Benefits Programme Manager introduced the report. He said that the Council Tax Reduction Scheme (CTRS) used to be fully funded by Government but from April 2019 the Council would have to meet the full cost to the Council of £1.6m per year. The caseload had been reducing slightly and although it could increase if the economic conditions worsened, the cost pressure was thought to be fairly static and had already been budgeted for. The overall cost of the scheme was about £10m but the County bore the majority of this cost and the Police bore about one-sixth of the cost.

The Revenue and Benefits Programme Manager explained that the CTRS provided full Council Tax support to people on low incomes at a time when many other benefits were being reduced. Further benefit changes had yet to take effect including the lowering of the Benefit Cap, reductions to Universal Credit and additional Tax Credits and Child Benefit restrictions.

The Panel heard that the assessment process for CTRS mirrored that for Housing Benefit. Given that most applicants claimed both benefits, it made sense to combine the administration of the two schemes. A project group had been set up to manage the transition from Housing Benefit to Universal Credit and it was thought that there might be an opportunity to achieve some administrative savings from 2018.

The Panel questioned whether there was an obligation on the other precepting authorities to accept the scheme, which affected the level of their Council Tax income. The Revenue and Benefits Programme Manager explained that control lay with the collecting authorities but that in developing the scheme, the Council had worked closely with other Oxfordshire authorities in taking a county-wide approach. Some neighbouring authorities had subsequently moved away from this approach by introducing minimum payments. There was no requirement for authorities to report the impacts of CTRS schemes, for example on Council Tax collection rates, so information available for benchmarking was patchy. However, if the level of support was reduced then the overall collection rate would be affected and administration costs associated with the scheme would increase.

In response to a question, the Panel heard that CTRS was a separate scheme from Council Tax Discounts and Exemptions but that the Council had used the proceeds of higher Council Tax charges on long-term empty properties to partially off-set the cost of CTRS. The Revenue and Benefits Service Manager explained that the Council was required to have a separate discretionary discount scheme but that no discretionary discounts had yet been granted because, unlike many other authorities, the Council offered a full reduction under the CTRS scheme. The Council would look at any applications on their merits but would not use public money to fund discretionary discounts lightly. The Panel also received assurances that officers looked at applicants circumstances in the round and could consider whether they might be eligible for things like Discretionary Housing Payments.

The Panel noted that CEB would be asked in October to renew the scheme for next year with no changes. The Panel agreed to convey the following points and observations to the Board:

- That the Panel supports the proposal to keep the CTRS unchanged for next year and the work being done to link CTRS to Universal Credit in future years.
- That the cost to the Council of maintaining the CTRS with a 100% Council Tax reduction for both working age and pensionable age recipients is increasing significantly, from £11.8k in 2013/14 to £1.6m in 2019 but is already built into the Council's Medium Term Financial Plan.
- That the CTRS also significantly impacts the Council Tax income of the County Council and Thames Valley Police.
- That the CTRS reduces the overall Council Tax take and affects the band D multiplier.

20. THE IMPLICATIONS OF BREXIT FOR LOCAL GOVERNMENT

The Head of Financial Services introduced the report. He said that many impacts of Brexit had not yet played out but that there were some immediate impacts on the Council. Lower interest rates would hit the Council's annual treasury income by approximately £400k. There had also been a drop in property fund appreciation values although these were still well above purchase values and dividend income had remained unaffected. The Council also had an income target that was measured in Euros, which would be harder to achieve since the value of Sterling had dropped. On the upside, the cost of borrowing was cheaper and the Council did have a borrowing requirement within its Medium Term Financial Plan, some of which would be met using internal borrowing. Officers would explore whether it would be advantageous to borrow now at low rates, given that there would be a cost of carrying borrowed money that was not yet needed.

The Panel questioned whether there would be a case for closing and refinancing the Housing Revenue Account debt. The Panel heard that the Council would look again at whether or not to refinance the first £20m repayment of this debt which was due in 2021. Officers had looked at whether there was an opportunity to refinance the debt outside of the repayment tranches but this option was found to be too punitive.

The Panel suggested that the Council could face higher procurement costs and potentially difficulties in achieving income from trading following the Brexit decision and any resulting economic downturn. The Panel noted that it would be helpful for the Council to track the impacts of wider economic changes on things like trading income and procurement costs, as well as income from car parking, commercial rent, investments and planning fees. The Panel suggested that if and when Figure 11 is updated, expected income from the different streams should be included for 2016/17. The Panel also asked officers to check the explanation for the dip in car parking income in 2010/11.

In terms of the wider economy the Panel suggested that Brexit could reduce inward investment and joint funding opportunities, noting that the impact on Business Rates income of one or two major employers relocating away from the City could be high, with the Council liable to lose £500k before safety payments kicked in. The Panel heard that 19 business premises accounted for 22% of rateable values in the City. There was also a question mark around whether safety net payments would still apply when Councils were granted 100% Business Rates retention (which would only apply to growth above a baseline not the full Business Rates take).

The Panel questioned whether there was a strong case for borrowing more in order to invest and heard that this would be kept under review. The Council was taking a lead already in many respects compared to benchmarked authorities and going even further would depend on the Council's appetite for borrowing and risk. The Panel noted that the Council was already investing significantly in new build and commercial property but would encourage new borrowing to fund revenue generating opportunities, including potentially renewable energy schemes, where there was a robust business case for doing so.

The Panel concluded by thanking the Head of Financial Services for a very useful report and agreeing to put the following recommendations to the City Executive Board:
1. That the Council looks to partner with local Universities or economic institutions to study the wider impacts of Brexit on the economy of Oxford.
2. That the Council explores whether there are additional opportunities to borrow at historically low interest rates to fund new revenue generating schemes.

21. BUDGET MONITORING - QUARTER 1

The Management Accountancy Manager introduced the report and highlighted the adverse variances in the General Fund and Capital Programme as well as the positive variance on the Housing Revenue Account. She also provided an overview of transfers from reserves and virements.

The Panel expressed concern about the £389k adverse variance in the General Fund, which was largely due to a staff restructure (£126k) and unmet income targets (£150k) in the Planning and Regulatory Service. The Panel heard that part of the restructure cost was due to consultant support but that there was an ongoing pressure of £70k. The Panel agreed that this service should be subject to further scrutiny during the Budget Review.

The Panel welcomed ring-fenced capital grant funding for Super Connected Cities and Disabled Facilities Grants. The Panel noted that £328k of capital slippage related to a Research and Development Feasibility Fund and questioned what this fund related to. The Panel heard that this was a feasibility fund for new schemes that comprised of a £200k base budget plus carry forwards from previous years. The Panel agreed to revisit this budget during the Budget Review.

22. TREASURY MANAGEMENT STRATEGY: ANNUAL REPORT AND PERFORMANCE 2015/16

The Head of Financial Services introduced the report and said that the 1.1% return on the Council's investments represented a good outcome given that the base rate was only 0.5% during 2015/16.

The Panel considered whether there was a case for holding money in equivalent banks located in other jurisdictions. The Head of Financial Services advised that interest rates were unlikely to be markedly different in other developed countries. The Panel noted that exchange rates tended to even out any possible gains in the longer run, although there may be some merit in holding money abroad terms of diversifying the Council's holdings.

23. BUDGET REVIEW 2017/18 - SCOPE

The Scrutiny Officer introduced the report and said that the proposals were similar to last year but one change was the potential need to take account of the outcomes of comprehensive reviews of selected service budgets.

The Head of Financial Services advised that six reviews were taking place in tandem and while they may not be completed by the time the consultation budget is published, they would not impact service on budgets for year one of the Medium Term Financial Plan. The Panel questioned who was undertaking the reviews, how they were funded and the involvement of Board Members. The Panel heard that some funding had been made available from carry forwards and the Transformation budget to obtain external advice in some specialist areas but in the main they would be conducted by officers with Board Member involvement towards the latter stages. In response to a question, the Panel heard that in total the reviews covered some £8m of Council's net spend.

The Panel noted the Budget Review meeting dates and agreed to invite members of the Housing Panel to the Housing and Regeneration session.

24. WORK PLAN

The Panel agreed:

- To consider gross budgeting at its meeting in December ahead of the Budget Review.
- To consider any available outcomes from the service reviews in January 2017.
- To keep the March 2017 meeting free for now.
- That the Chair would provide a more detailed scope for the Divestment item.

25. NOTES OF PREVIOUS MEETING

Noted.

26. FUTURE MEETING DATES

Noted.

The meeting started at 6.00 pm and ended at 8.00 pm

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