FINANCE PANEL (PANEL OF THE SCRUTINY COMMITTEE)

Wednesday 4 July 2018

COUNCILLORS PRESENT: Councillors Fry (Chair), Simmons, Altaf-Khan and Munkonge.

OFFICERS PRESENT: Nigel Kennedy, Head of Financial Services and Stefan Robinson, Scrutiny Officer.

75. APOLOGIES

Apologies for absence were received on behalf of Councillors David Henwood and Roz Smith. It was noted that another council meeting took place that required their attendance.

76. DECLARATIONS OF INTEREST

There were no declarations. Councillor Fry mentioned that that Lothbury Property Trust were the owners of his company's business premises.

77. WORK PLAN

The Panel agreed to schedule a report on council tax exemption monitoring, in light of the significant discounts that are currently offered to some residents. Members requested more information to understand how rigorous the exemption monitoring process was. The Chair suggested that the Council should report the amount of council tax it does not claim to make clear the level of discounts being offered. This was agreed for consideration at the 30 January 2019 Panel meeting.

Councillor Simmons raised the issue of council led crowd funding initiatives to invest in community schemes and projects. The Panel agreed to task the Scrutiny Officer with gathering more information on the prevalence of this practice among local authorities, and circulating this to the Panel. The Head of Financial Services added that a recent council led 'Oxford Lottery Scheme' had been agreed to help fund local causes.

The issue of business rates retention was also discussed as a possible item for the work plan. The Head of Financial Services explained that the Council responded to a consultation as part of the fairer funding review, which will come into effect from April 2019. At that stage, the baseline business rates tariffs would be reset and the council would need to prepare accordingly. This suggestion was not added to the work plan.

78. MINUTES OF THE PREVIOUS MEETING

The Minutes of the previous meeting held on 7 December 2017 were confirmed as a correct record.

79. QUARTERLY INTEGRATED FINANCE PERFORMANCE Q4

The Head of Financial Services introduced the report, highlighting key issues including:

- The surplus on the general fund was £0.533m after allowing carry forwards to reserves of £0.704m
- Efficiencies, fees and charges, and service reduction savings were on target at £1.558m
- The surplus on the housing revenue account was £6.170m, after allowing for carry forwards of £0.495 million against the original budget of £5.619 million
- £37m of the £54m capital budget for 2017/18 was spent. The most significant slippage in the capital programme related to delays in the transfer of loan funds to other bodies, rather than delays in the completion of major projects
- There had been an indication that Central Government would reimburse the Council for its spending on replacement cladding on tower blocks.

The Panel questioned how improvements could be made to more accurately predict slippage in the Capital Programme, and expressed concern over the limited number of major projects that had been delivered on time and within budget. The Head of Financial Services said that in some cases, unforeseen planning complications can lead to significant slippage in projects until such a time that they are resolved.

The Panel suggested that it was not clear whether council officers were reassigned to other projects where there were delays in the delivery of the projects they were supporting. It was suggested that a central programme management function within the Council would support improvements in project slippage and staff redeployment.

The Panel requested for their meeting on 30 January 2019, as part of the Capital Strategy Report, that they receive more information to understand what issues cause: the cumulative slippage in major projects, how staff are deployed during project delays, and what lessons can be learnt. The Panel also discussed other areas of programme slippage, and requested the attendance of the Head of Housing and the Chief Technology and Information Officer for the capital strategy item on 30 January 2019. Members highlighted that they wanted to speak to the Chief Technology and Information Officer about the benefits of departing from the previous ICT hardware arrangement with Oxfordshire County Council.

In response to questions, the Head of Financial Services explained that the NNDR Retention Reserve was used to smooth over any business rate deficits between each financial year whilst a surplus is collected in the following year to rebalance the reserve.

A detailed discussion took place on the business rate tariffs for the Council's premises, the Westgate Centre and local businesses. The Panel were concerned that the Valuation Office Agency had a backlog of valuation requests and appeals spanning several year in some cases. This could mean that some organisations were paying higher tariffs than was appropriate.

However, the Panel noted that the Valuation Office Agency had their own resourcing constraints, and the Council did not have any influence over this. In response to questions, the Head of Financial Services clarified that businesses can apply for a hardship fund and discretionary rate relief where certain criteria can be met. The officer pointed out that the timing of the fund's dispersion rate over time was the opposite of what was needed in practice, and that the procedure for securing relief was cumbersome, causing the Council to deal directly with applicants to secure prompt action.

The Panel noted that the cost of benefit payments had an adverse variance of £0.558m at the end of 2017/18 which had arisen due to local authority error and admin delays above the upper threshold at which subsidy was not payable. The Head of Financial Services said that approximately 60% of overpayments were recovered, and the remaining was written off after 6 years due to statutory limits. It was highlighted that an ongoing audit may reveal further overpayments.

The Chair asked the Panel to note that 69% of the Council's planned capital budget in 2017/18 was spent and requested analysis of the lessons from the shortfall.

The Panel said that the Formal Risk Summary contained within the report implied that some issues were a higher risk after mitigation measures had been put in place, which should not be the case. They advised that officers review this document to ensure it was accurate, and suggested that current and residual risk measures were more useful than current and gross, which was calculated before mitigation, whereas residual risk reflected mitigation measures about to be applied.

80. THE LOCAL IMPLICATIONS OF BREXIT

The Head of Financial Services explained that there is still significant uncertainty about the impact Brexit will have on the local area, and he summarised that the report focussed on three issues:

- The national implications of Brexit
- The local implication of Brexit
- The council implications of Brexit

Progress was still required in national negotiations concerning:

- The Irish national border
- What the country's 'exit bill' to the EU will be
- What happens to EU citizens' status in the UK after Brexit

There would be a transition period from April 2019 to December 2020, whilst new legislative arrangements were brought into place, and new trade deals would not take effect until January 2021. Significantly for Oxford, key employers in the area including BMW and Unipart have raised concerns about the possibility of a ‘no deal’ Brexit. Any departure of large businesses from the City could have a significant impact on the Council’s revenue budget, through the loss of business rates. A drop of around £0.5 million could occur before the safety net kicked in. Property funds and income streams for the Council were however stable at this time.

Another risk to the Council was the possibility of changes in interest rates from the Public Works Loan Board, as the Council had in the region of £180m of borrowing planned over the next four years.

Members suggested that the Council should undertake scenario planning for the key risks presented by the Brexit process, and concerns were raised about the extent to which the Council can mitigate those risks. Members said that the impact of Brexit should be considered at a more localised level within the City.

It was suggested by the Panel that the Council publishes a more engaging version of the report in the form of an Executive Summary as a position statement to show the risks associated with Brexit. This could contribute to the wider national debate on the issue. It was recognised that the report identifies the risks, but the solutions to these issues were less clear, and more difficult to establish.

81. FUTURE MEETING DATES

The Panel noted the future meeting dates, and agreed to continue to meet at 6pm.

The meeting started at 6:00pm and finished at 7:25pm