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| To: | Shareholder and Joint Venture Group |
| Date: | **24 June 2020** |
| Report of: | Companies Scrutiny Panel |
| Title of Report: | **Scrutiny Response to agenda item 5 – Oxford Direct Services 2019/20 Update** |

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| Summary and recommendations | | |
| Purpose of report: | | To present Companies Scrutiny Panel recommendations concerning the Oxford Direct Services 2019/20 Update |
| Recommendation: The Shareholder and Joint Venture Group is asked to | | |
|  | state whether it agrees or disagrees with the recommendation in the body of this report. | |

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| Appendices | |
| None |  |

# Introduction and overview

1. At its meeting on 22 June 2020, the Companies Scrutiny Panel considered the Oxford Direct Services 2019/20 update.
2. The Panel would like to thank Simon Howick, ODS Managing Director, for compiling the reports, Lindsay Cane, Company Secretary, Tim Sadler, ODS Company Director, and Greg Budde, ODS Finance Director, for supporting the meeting. The Panel would also like to thank Nigel Kennedy, Head of Financial Services, and Anita Bradley, Monitoring Officer for attending as advisors to the Shareholder and Joint Venture Group.

**Summary and recommendation**

1. Oxford Direct Services Managing Director, Simon Howick, introduced the report. Due to the item having been held in confidential session the majority of the discussion is not recounted in this report but will be available in the minutes of the meeting.
2. Having heard the presentation of the report the Panel made a recommendation in relation to the criteria for progressing capital projects in the Covid-19 context.
3. The Panel makes one recommendation.

**Capital Project Recommencement Criteria**

1. At the time of the Companies Scrutiny Panel meeting the Cabinet meeting scheduled for 24 June 2020 had not taken place. In its paper to Cabinet on the April 2020 Financial Report, it is recommended that a tranche of capital projects funded solely by the Council are paused whilst greater clarity on the Council’s finances emerges.
2. A number of the paused projects are expected to have been undertaken by ODS. A reduction in the amount of work available to ODS reduces its turnover and profitability which, ultimately, will impact on the level of dividend it can pay to the Council as its sole shareholder.
3. The Panel recognises that the recession faced by the country is expected to be the worst since the 18th century, and that the Council income and spending will vary considerably from its budget. However, it also recognises that there are a number of benefits to continued capital spending: the price of borrowing is low presently making financing costs relatively cheap, the community benefits from the capital projects, spending at a time when others are retrenching helps to secure local jobs, and that spending by the Council at least partially accrues back to the Council in the form a dividend. The Panel does not ask outright that the recommendation to pause Capital some capital spending is overturned. The current financial situation does require a resetting of the budget, and the uncertainty and size of the deficit means all levers need to be made use of. However, it is also noted that there will be a time in the future to recommence paused projects. The Panel requests that formal consideration be given to the wider social value of spending on capital schemes when determining when to unpause them, of which the ability of ODS to deliver and make returns to the Council is an important one.

**Recommendation 1: That the Council, when determining whether to recommence paused capital projects, gives weighting to the social value effects of capital projects as criteria. In particular, the impact of reflationary spending, the benefits to the community of the capital project, and the impact on returns to the Council.**

**Further Consideration**

It is possible that Scrutiny will wish to consider the timetable and decisions made for recommencing any paused projects in the future, though it may not be through the avenue of the Companies Scrutiny Panel.

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**Shareholder response to recommendations of the Companies Scrutiny Panel made on 22/06/2020 concerning the ODS 2019/20 update report**

**A verbal response will be provided by Councillor Nigel Chapman, Shareholder and Joint Venture Group member with responsibility for the Oxford Direct Services**

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| ***Recommendation*** | ***Agree?*** | ***Comment*** |
| 1. **That the Council, when determining whether to recommence paused capital projects, gives weighting to the social value effects of capital projects as criteria. In particular, the impact of reflationary spending, the benefits to the community of the capital project, and the impact on returns to the Council.** |  |  |