Minutes of a meeting of the Finance and Performance Panel (Panel of the Scrutiny Committee) on Tuesday 16 June 2020

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OXFORD CITY COUNCIL

Committee members present:

Councillor Fry (Chair)
Councillor Simmons
Councillor Munkonge
Councillor Roz Smith

Officers present for all or part of the meeting:

Nigel Kennedy, Head of Financial Services

Anna Winship, Management Accountancy Manager

Tom Hudson, Scrutiny Officer

Also present:

Councillor Ed Turner, Cabinet Member for Finance and Asset Management

1. Apologies

None

Councillor Munkonge arrived during this item

2. Declarations of interest

None

3. Work plan

The work plan to September was **NOTED** by the Panel.

4. Notes of previous meeting

The notes of the meeting of 25 February 2020 were agreed as an accurrate record.

The Panel was informed that the draft paper to Cabinet regarding the Panel's response to the report it considered on Monitoring Social Value had been delayed and would also be considered at the next meeting. This information was **NOTED.**

5. April Budget Monitoring Report

The Panel was introduced to the Cabinet report by Head of Financial Services, Nigel Kennedy. Facing what is reported to be the worst recession since the 18th century, deficits in the Council's budget were estimated to be approximately £9.4m over the current financial year, and with Covid-19 related measures having a continued impact, a further £14m for the remainder of the Medium Term Financial Plan. It was sensible, therefore, to provide an unusually early update report, even if there was considerable uncertainty around the figures.

The majority of the deficit reflected income losses from a variety of sources, including commercial rents, Council company dividends, and car parking in particular. In addition, however, Council expenditure had increased: providing all rough sleepers with accommodation, establishing locality hubs, and equipping the Council to work remotely were all areas of expenditure for which budget provision had not been made. Government grants of £1.6m had been received, but were far short of the predicted deficit for the year. Decisions of further support by central government were not expected until the autumn, and it was unclear whether this would be forthcoming.

The recommended response to the situation was put forward as advising that the Council make use of earmarked reserves, with the consequent impact on the projects for which they were earmarked, to close the current year's budget deficit and to accept the loss of interest and increased borrowing costs arising from reduced reserve levels. Identification of the reserves chosen to use would be a future decision. In conjunction, newly agreed expenditure would be paused and existing spending likewise unless it sat within set criteria for the good-running of the Council or improving its financial position. Some capital spending would also be delayed. The purpose of the strategy was explained to give the Council as many options and give it the maximum flexibility on when considering how to close the predicted deficits of future years. This would be undertaken in December as part of the budget-setting process. The impact of the coronavirus on the HRA was relatively minor, and it was recommended that its existing strategy be maintained.

Whilst the financial position was financially challenging, the view of the Head of Financial Services was that the Council, if it implemented the recommendations in the report, was not facing the need to make a s. 114 notice, a requirement where Councils cannot bring expenditure and income into balance.

Whilst it was uncertain whether additional funds would be made available from government, the Council was also being proactive in lobbying government for the right to capitalise losses and write them off over a longer period. No agreement from government had been received to date in regards to this. The costs of doing so would not be negligible – borrowing costs of around 2.5% and the need for a minimum revenue provision. However, a long period over which to close the deficits in the Medium Term Financial Plan would ease the current financial burden on the revenue account. Capitalisation would not mean the Council had any fewer savings to make. Not many Councils had a similarly high capital programme to Oxford, meaning it was a relatively niche solution, but the Council was identifying potentially suitable lobbying partners.

Councillor Ed Turner, Cabinet Member for Finance and Asset Management, noted that the Council's position of relative privilege in having reserves to meet one-off costs meant an emergency budget was not necessary, and making future budget decisions when the uncertainty of the figures had reduced was desirable. Further, lower impact budget reductions would take time. The Panel was also assured that Cabinet members were particularly devoting energy to consideration of the Council's companies and supporting their contribution towards the Council's priorities, and that the Council was being proactive in lobbying central government for additional funding in light of assurances made earlier in the pandemic.

The Panel was broadly supportive of the proposed strategy.

In its scrutiny of the topic it recognised that the question of the impact of paused capital spending on the returns from the Council's companies would be dealt with through an alternative forum (the Companies Scrutiny Panel). The greatest savings from pausing capital spending would be in the reductions on borrowing costs by the Council.

Questions were raised over the eligibility of rate relief for language schools under the government's scheme, and it was confirmed that it was currently thought that such schools were not eligible. Whilst it was possible that such schools could be granted discretionary relief by the Council, part of the cost of doing so would fall on the Council and it was not considered plausible to pursue such a policy at a time of acute financial challenge.

It was noted that the Council had already anticipated a significant reduction in business rate income due to the government's proposed business rate resets, which would negate much of the business rate income from the Westgate Centre. On top of this business rates collection levels were anticipated to be significantly down. However, the government had confirmed that it would not be progressing this year with the Fairer Funding Review, which would have been detrimental to the Council's business rates income.

The Panel was informed on questioning that unemployment was indeed expected to rise. The Council had had over the last month to process an additional 240 Housing Benefit claims, but the key time for knowing what unemployment would look like would be once employers became responsible for contributing towards the cost of the furlough scheme.

Practical questions over how paused projects might be assessed for restart were raised. It was suggested that the point of resetting the Council's finances was so that future decisions over unpausing suspended capital projects could be made by Cabinet but would require assessment against other competing priorities. Any projects without a definitive decision would be considered within the Budget in December. Neighbourhood CIL-funded projects would still progress. Likewise, although some Climate Emergency projects had been paused, time-sensitive projects such as the partnership with the County Council on the Zero Emissions Zone and bus gates were expected to progress.

The Panel discussed the level of spending on ensuring all rough sleepers were accommodated and whether it would be possible to continue it. Some of the issues that made it harder to replicate in the future were the fact that much accommodation had become available due to Covid, which also made the price cheaper. It was suggested by the Panel that there was a financial as well as social benefit to be had in taking the opportunity to learn from the opportunity of having all rough sleepers housed and making as much provision as possible. It was agreed that taking the opportunity provided was a high priority for Council staff.

Finally, the Panel discussed with a favourable view the idea that the Covid-environment had brought about a window of opportunity for increasing returns on investment in cycling infrastructure, and that the recommendation to pause £60,000 worth of investment would lead to fewer beneficial outcomes.

The report was **NOTED** and it was **AGREED** that the following recommendations be made to Cabinet:

1) ***That the Council continues to take all possible steps in lobbying government to allow the capitalisation of its deficits***

2) ***That the Council does not pause its £60,000 planned capital spend on cycling infrastructure***

6. Future Meeting Dates

The dates of future meetings were **NOTED**.

The meeting started at 6.00 pm and ended at 7.35 pm

Chair …….. **Date: Tuesday 7 July 2020**