

Minutes of a meeting of the Finance Panel (Panel of the Scrutiny Committee) on Tuesday 7 July 2020

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Committee members present:

Councillor Fry (Chair)

Councillor Munkonge

Councillor Simmons

Councillor Roz Smith

Officers present for all or part of the meeting:

Nigel Kennedy, Head of Financial Services

Anna Winship, Management Accountancy Manager

Liz Godin, Business Support Services Manager

Tom Hudson, Scrutiny Officer

7. Apologies

None

8. Declarations of interest

None

9. Work plan

It was **NOTED** that the Scrutiny Committee had agreed the items on the work plan the previous day and that the specific dates for those items had not been determined.

10. Notes of previous meeting

The Panel **AGREED** the record of the meeting held on 16 June 2020 as a correct record.

11. Reports for Approval

The Panel considered a draft report to Cabinet in response to the report heard by the Panel on Monitoring Social Value at its 25 February 2020 meeting.

The Panel welcomed the news of an update report in September. It was asked that the update report include more information on the challenges faced by SMEs in engaging with the social value agenda.

The Panel **AGREED** to submit the draft report to Cabinet subject to the following amendment:

- That reference be made in the second recommendation to SMEs, specifically that the meeting would engage them to find out the challenges for them in engaging with social value in procurement questions.

12. Performance Monitoring

Helen Bishop, Head of Business Improvement, spoke to the report. The Panel were informed that due to the impacts of Covid-19 the Council had not had the opportunity to set its KPIs for the forthcoming year. With the significant challenges and forthcoming changes, meaningful KPIs would be expected to be set once the budget had been agreed, meaning that the KPIs from which the Panel could choose would not be ready until April, the end of the civic year. The Panel did have some existing KPIs, which were rolled over from the previous year, but a number of these were heavily impacted by Covid-19 and therefore not particularly useful as measures. It was suggested that those measures which were not undermined by the coronavirus would continue to be reported on. In addition, the Panel would be given reports of the Council's progress against its annual business plan.

The Panel **AGREED** to the suggested proposals.

In discussion of the report, Panel members asked for a simplified version of the performance monitoring, more akin to the Appendix F in the Integrated Performance Report. Panel members also discussed the number of leisure centre users and the proportion of Council spend on local businesses. It was suggested that broader measures of leisure may be useful, to include all the amenity of the Council's parks and open spaces.

13. Integrated Performance Report 2019/20

Anna Winship, Management Accountancy Manager, introduced the Integrated Performance Report to the Panel, providing financial and service level performance, and risk management information to 31 March 2020.

The overall financial figures were reported as follows:

- A surplus on the General Fund of £2.770 million (12% of the Net Budget Requirement of £23.205 million) with a recommended carry forward of unspent budgets of £0.077 million. It was highlighted that a further recommendation is made to transfer the remaining balance of £2.693 million of the surplus to earmarked reserves, of which £1.658 million to the Capital Financing reserve and £1.035 million to the NDR Retention reserve.
- A favourable variance in the Housing Revenue Account of £4.809 million, after allowing for carry forward of unspent budgets of £0.722 million against the original budgeted deficit of £1.205 million, the recommendation being that the Council transfer the balance into the HRA projects reserve to fund future capital commitments
- The outturn spend for the Capital budget was reported to be £42.776 million, a favourable variance of £7.255 million against the latest budget forecast in February 2020.

Regarding performance, 58% (7) of the Corporate Performance targets were delivered as planned, 8% (1) was below target but within acceptable tolerance limits and 34% (4) were short of target. The measures identified to the Panel as being under below target were:

- Number of jobs created or safeguarded in the city as a result of the City Council's investment and leadership
- Amount of employment floor space permitted for development
- The number of people taking part in our youth ambition programme
- Number of people from our target groups using our leisure facilities

Concerning corporate risk management, one red corporate risk in relation to Housing was identified.

General Fund Earmarked Reserves and Working Balance

The General Fund Earmarked Reserves as at the 31 March 2020 would stand at £36.451 million. The biggest components of these were 24% relating to funding of the Capital Programme, and 26% relating to Business Rates Retention reserve and 11% relates to External Grants reserve pending their use on projects.

General Fund Variations

At the year end the General Fund service areas spend showed an adverse variance of £0.895 million. The most significant of these variances were explained as follows:

- Housing Services – year end favourable variance of £0.118 million, due to a number of variances across the service. Property services ended with an outturn of £0.336m favourable variance due to the capitalisation of some repairs costs associated with the Town Hall and other Council building.
- Regeneration and Economy – year end favourable variance of £0.258 million, due to higher levels of commercial property income than originally budgeted for and the ability to recharge additional project and development manager time to their associated capital schemes than originally expected;
- Oxford Direct Services client – The Council had budgeted for the delivery of a dividend from Oxford Direct Services of £1.552 million. The impact of COVID19 from March 2020 has resulted in considerable financial challenges for the Company for 2020-21 and beyond and in assessing its financial position for the year end the Board agreed that no interim dividend would be declared for the shareholder in 2019-20.
- Law and Governance - year end favourable variance of £0.105 million, due to additional unbudgeted income from Oxford City Housing Ltd -OCH(L) service level agreements and vacancies within the team.

Company Financial positions

The financial positions of the Council's companies were reported as follows:

- OSDL and ODSTL both made a surplus in 2019/20, however this was less than originally budgeted and led to the companies being unable to pay an interim dividend to the Council.
- OCHL group made an operating loss of £0.060 million for the year 2019/20.
- OxWed made an operating loss of £1.758 million due to financing costs in servicing the loans from the shareholders mainly in respect of land assembly.

Housing Revenue Account

The HRA was reported to be showing favourable variance of £4.089 million above the original budgeted deficit of £1.205 million. This was after allowing for carry forward requests, totalling £0.722 million. The carry forward requests for the HRA were detailed as £0.080 million for CCTV for the Tower Blocks; £0.153 million for staffing costs in the incomes and tenancy management teams to deal with backlogs due to COVID-19; £0.103 million to fund the QL support team for 6 months from Go Live and £0.300 million to build a team for development within the HRA.

Capital

The Panel was reminded that Cabinet agreed a revised budget for its capital programme on 19 December 2019 of £59.962 million following a thorough review of project spend. The final outturn for capital spend is £42.776 million – a favourable variance of £17.186 million.

The notable sources of slippage in capital spending were identified as:

- Museum of Oxford Development - £1.220 million slippage delays due to asbestos removal works being required
- Barton Park – purchase by Council - £0.531 million slippage due to delays in hand over of new dwellings
- Barton Park loan to OCHL - £0.491 million slippage due to delays in line with the purchase by Council in connection with the above
- Motor Transport vehicle replacement programme - £2.476 million slippage due to delays in agreeing the specification for the ordering of diesel and electric vehicles
- Seacourt Park and Ride - £1.88 million of slippages due to adverse weather conditions and the COVID pandemic (due to delays in the supply chain.)
- Loans to Housing Company - £5,791 million. The need to socially distance following the outbreak of the COVID pandemic together with problems with ground conditions resulted in delays on a number of schemes including Rose Hill, Elsefield/ Cumberlege, Harts Close, Bracegirdle and the extensions programme.

The Panel's areas of questioning focused primarily on the level of capital spending over the last year. The fact of slippage was actually deemed to be beneficial to the Council in light of Covid-19's financial impacts. The Panel asked questions about levels of reserves; it was suggested to the Panel that the Cabinet's agreed plan was to cover the current-year deficit through use of reserves, but to reset the budget beyond that point. The Panel also sought explanations on and specific areas of significant

variance between outturns and budgeted figures, the majority of which were bringing forward spend in multi-year projects. These projects included IT overspends, and the ODS depot rationalisation.

The Panel discussed in detail paragraph 19 of the Cabinet report, and specifically the favourable variances reported in relation to service charges and management and services within the HRA. In particular, the question was raised over how the Council might know if it were making a profit from service charges. It was noted that a significant majority of the favourable variance in service charge levels related to costs passed to leaseholders, a heavily regulated area designed to stop overcharging. It was also explained, however, that the mechanism for setting service level charges for tenants was considered within the broader context of contributing towards a balanced HRA and was not regulated in such defined terms. Panel members suggested that in light of the surplus shown in the HRA it was possible, therefore, (though not guaranteed) that the mechanism may not be working to ensure the charges levied to tenants matched the costs incurred. It was **AGREED** to make the following recommendation to Cabinet:

That the Council reviews the service charges it makes to Council housing tenants to ensure current levels reflect actual costs.

14. Future Meeting Dates

The Panel **NOTED** the dates of future meetings.

15. Matters Exempt from Publication

The Panel passed a resolution in accordance with the provisions of Paragraph 4(2)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012 on the grounds that their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Schedule 12A of the Local Government Act 1972.

16. Confidential Discussion - Covid-19 Financial Impacts

The Panel held a discussion with Nigel Kennedy, Head of Financial Services over the commercially sensitive issues relating to Covid-19’s financial impact.

The meeting started at 6.00 pm and ended at 7.50 pm

Chair

Date: Date Not Specified

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