

Minutes of a meeting of the Finance and Performance Panel (Panel of the Scrutiny Committee) on Wednesday 2 September 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

Bill Lewis, Financial Accounting Manager

Annette Osborne

Mish Tullar, Corporate Policy, Partnership and Communications Manager

Tom Hudson, Scrutiny Officer

Also in attendance:

Councillor Brown, Leader of the Council and Cabinet Member for Partnerships and Economic Development

17. Apologies

None

18. Declarations of interest

None

19. Finance and Performance Panel Work Plan

The Panel considered the proposed workplan. It was informed that unless timing permitted for the item be considered by the Companies Scrutiny Panel, the plans for the Boswells site would be considered at the Finance and Performance Panel.

It was requested and **AGREED** that a financial update be provided to the Panel.

20. Notes of previous meeting

The notes of the meeting held on 07 July 2019 were **AGREED**.

In considering the previous minutes, further information regarding the ODS depot rationalisation was requested. The outline business case was ready, but the Council was currently working through some of the more technical planning issues. At the time of having a full business case there would be a Cabinet paper, which would be available for Scrutiny to consider. Questions were also asked about the process by which the consultants chosen were appointed; it was confirmed that there had not been a procurement process but instead the Council had, as permitted, employed its Professional Services Framework to run a mini-competition between three companies.

21. Revised Oxford City Council Business Plan 2020-21

Leader of the Council, Councillor Susan Brown introduced the report on the revised Oxford City Council Business Plan. With the immense disruption of Covid it had been necessary to revisit the Council's plans for the current year, particularly due to the increased need to support economic recovery and promote safe, green travel. It was reassuring, however, how much of the Council's plans and priorities remained. Particular highlights and priorities within the updated Business Plan included the launch of a new Procurement Strategy, which was being considered by the Panel that evening. The importance of the Council's staff reflecting the demographics of the city they sought to serve was also underlined. Black Lives Matter had really resonated with residents in the city and given fresh impetus to a priority for the Council where progress had been made, but where work remained still to do. The area within the Business Plan most changed was in relation to economic recovery, but it was pleasing to see that much of the Council's original ambitions would help to support recovery. One caveat to the Business Plan was in regards to how much central government's new Planning guidance might alter the Council's ability to deliver its housing ambitions. Finally, an amendment was also put forward to the text on page 32 of the report pack. The amended version was to read 'continue to reduce the carbon footprint of Oxford City Council's operation so that each year there is a reduction in line with achieving zero carbon by 2050 or earlier.'

Mish Tullar, Head of Communications, Partnerships & Policy, underlined that the Business Plan was Year 1 of the Council Strategy, which had been adopted in February 2020. Regarding KPIs, it was explained that under usual circumstances there would normally have been 16 or so corporate-level KPIs for the entire Corporate Strategy. That had not happened due to Covid and was being deferred until March 2021. At the same time, service level KPIs would also be considered. The Council's auditor would work with the Council to collaborate on developing the most beneficial KPIs.

In response to the presented report, the Panel raised a number of questions and suggestions. Potential concern was raised over the Council's support for the County Council's bus gate plans on small businesses and overall economic recovery, and it was asked what research had been done to underpin the Council's position. The exact proposals had not been made available by the County Council, making it difficult to assess their detail. However, the idea behind bus gates was to support businesses, and national and local policy indicated that reduced congestion and greater ease of access for customers was supportive of local business overall. The County Council would be expected to produce a case looking at those issues, but it was fair to say that

business in those streets which had reduced traffic significantly through pedestrianisation were amongst the most thriving. Further, consultation on the proposals had included many businesses and the results would be expected to be incorporated into forthcoming proposals by the County Council.

At times it was suggested that the Business Plan could benefit from more clarification or being more explicit, rather than implicit. This was particularly the case for the Council's aim to build back better after Covid, the meaning of its operations in relation to defining its carbon reduction ambitions and what SMART targets would be introduced around the Council's ambition to reduce the number of pollution hotspots in the city. It was noted that the large number of recommendations made by the Climate Emergency Review Group would need to be considered as part of the Council's response to its carbon reduction ambitions, but that no mention had been made in the Business Plan.

Further discussion was held over the Council's ambitions for greening the City and the tensions of wanting to protect existing green streets, whilst at the same time not preventing the Council from taking down trees that were becoming a nuisance to residents.

It was suggested in discussion that Low Traffic Neighbourhoods would be, for those areas that implemented them, potentially more meaningful in terms of traffic and noise reduction, and biodiversity than some of the items listed in the Business Plan, including those on which the Council had to partner with others. Consequently, whilst Low Traffic Neighbourhoods were primarily a County Council responsibility, it was suggested that the Council's commitment to seeing them established before the March 2021 deadline should be included.

Having noted the impact of Covid on demand for office and retail space it was suggested that the Council and City would potentially benefit from tackling the issue head on by developing a strategy for those units which would otherwise be left empty. It was agreed that the greater Planning flexibility which had come into place due to the pandemic meant that there were increased options, and that the issue merited further consideration as a consequence, which would be significantly covered by the Council's City Centre Vision and Action Plan.

It was **AGREED** to request the following changes be made:

1. Add 'to include consideration of the Climate Emergency Review Group recommendations' in outcome 11 as a year 1 action.
2. Make explicit reference to the Council's ambition to build back better as a year 1 action
3. Add a bullet point in priority 1, probably in outcome 5, to include reference to working with the County Council to encourage the establishment of Low Traffic Neighbourhoods

4. Include reference to a strategy for retail and offices which risk being left unoccupied in priority 1 outcome 4
5. Seek to weave in reference to appropriate protection of trees when discussing greening neighbourhoods in priority 4 outcome 8
6. Add clarification over what is and is not included in the reference to 'its own operations' in priority 4 outcome 1

22. Treasury Management Performance

The Financial Accounting Manager introduced the Treasury Management Annual Report 2019/20. He reported that the Council had fully complied with its Treasury Management Strategy and prudential indicators.

The overall performance for investment and debt reported at the year ending 31 March 2020 was better than had been budgeted for. This was due to slippage in the capital programme resulting in lower debt and higher investments than planned. The reduction in the base rate from 0.25% to 0.1% announced on 19 March 2020 had not impacted the Council's returns on its long term and money market investments within the reporting period.

The values of the Council's property funds had seen a reduction at the year-end however this did not represent a loss position for the Council although there was now material uncertainty placed on the value of commercial property and property funds.

Investment rates had fallen since the end of March 2020 meaning the treasury performance would not be as strong in the current financial year however the deferment of capital schemes resulting from the Covid-19 pandemic would provide some mitigation.

A crucial factor for the Council in the current year would be the impacts of the pandemic and the current economic conditions on the Council's wholly owned companies, particularly the Housing Group (Oxford City Housing Limited and its subsidiaries).

The Head of Financial Services highlighted that the Council had achieved an average return of 1.27% in 2019/20 whereas it was currently only able to secure investment returns of 0.35%. The Council's cash balances had been impacted by the Council's response to Covid-19 and a reduction in income in the order of £10m.

The Panel asked a number of questions and in discussion noted the following:

- The need for careful prioritisation within the capital programme in the current economic climate.
- The Council was able to achieve good returns by investing in other local authorities prior to the end of March 2020 but this was no longer the case.
- The Council was planning to refinance a £20m tranche of its external debt which was due to be repaid in March 2021. The Council was currently able to achieve a significantly improved interest rate on this debt but was not planning to borrow in advance of need at the current time.
- A planned 1% increase to interest rates offered by the Public Works Loan Board was expected to be waived, subject to consultation.
- The Treasury Management Strategy and the prudential indicators within it had been set in parallel with the budget setting process, prior to the end of the previous financial year, hence table 2 compared the actual capital financing requirement with estimated opening balance.

- Tables 1 and 2 were incorrectly titled and provided data for the 2019-20 financial year only.
- Cash had performed better than fixed term investments for the majority of the reporting period, which was unusual. Treasury officers monitored this position closely in order to maximise returns for the Council.
- The Operational Boundary Limit (para. 20) was set at a level that provided the Council with freedom to borrow in advance of need to fund the items in the capital programme, should it wish to do so. It was a matter of professional judgement as to what level of borrowing would be affordable for the Council both immediately and in future.
- Members could expect to see a full assessment of the Council's treasury position in the context of the pandemic and the base rate reduction in the half year treasury performance report in December 2020.

The Panel noted the report and thanked officers for their work.

23. Procurement Strategy 2020 - 2021

The Procurement Manager introduced the Procurement Strategy 2020-22 which would be recommended to Cabinet for approval, having been through multiple iterations. The Strategy supported the Council's aim of fostering an inclusive economy. The Council would seek a commitment from suppliers that extended to sub-contractors where appropriate, to pay their employees at least the Oxford Living Wage for work undertaken within Oxford or otherwise the Living Wage Foundation rate.

The Panel explored the extent to which the Council's wholly owned companies had bought in to the Procurement Strategy. The Head of Financial Services explained that the Strategy had been shared with both the Housing Group and Oxford Direct Services (ODS) companies, which had not proposed any substantive amendments. While both groups of companies were working on their own separate procurement strategies they were expected to align with the broad principles of the Council's strategy, specifically around delivering social value. It was noted that certain aspects of the Strategy may not fit well with ODS due to its commercial direction.

The Panel questioned whether the intention was to employ a single procurement manager across the Council and its companies. The Procurement Manager was employed by ODS and had also been working in part for the Council under a joint arrangement however ODS had signalled its intention to end that arrangement, so consideration would need to be given to what happened next.

The Panel asked how the Council would assess a company that was delivering social value outside of the City. The Procurement Manager said that the Council had to be transparent and fair to all potential suppliers in order to minimise the risk of challenge and could not be biased against good employers based elsewhere. The Council could target local social value in how it asked questions, where this was justifiable, and could in some cases apply some weighting based on mileage distance e.g. how far a prospective waste supplier would be travelling to a waste transfer station.

In discussion the Panel also noted:

- Alternatives to the conventional delivery of goods and services such as digital solutions would generally be explored pre-procurement when the Council engaged with industry to inform specifications.

- The Panel would see the percentage of ODS spend within the city in future performance reports. This data would be split out from the Council's own figure, as previously requested by Scrutiny.
- That given that Oxford had been a Fairtrade City for many years it seemed odd that the Town Hall caterers were only now developing Fairtrade procurement in their supply chain. The Procurement Manager offered to look into this point.

The Panel resolved to note and support the Procurement Strategy 2020-22 and thanked officers for their work in producing a high quality Strategy document.

24. Date of next meeting

The Panel **NOTED** the date of the next meeting, 29 September 2020.

The meeting started at 6.00pm and ended at 7.30 pm

Chair
September 2020

Date: Tuesday 29