Remote meeting

Notes of a meeting of the

Finance and Performance Panel (Panel of the Scrutiny Committee)

on Tuesday 29 September 2020

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

Helen Bishop, Head of Business Improvement

Anna Winship, Management Accountancy Manager

Tanya Bandekar, Revenue Services and Benefits Manager

Annette Osborne, Procurement Manager,

Liz Godin, Business Support Services Manager

Richard Wood, Strategy and Service Development Manager

Tom Hudson, Scrutiny Officer

25. Apologies

None

26. Declarations of interest

None

27. Finance and Performance Panel Work Plan

The Panel considered the proposed work plan for the forthcoming year.

The proposed work plan was **AGREED** with the removal of the update on recommendations from the 2019/20 Budget Review Group. Further, it was also **AGREED** that should the timetable of reports fall in such a way that the meeting became too congested, that Performance Monitoring and the Integrated Performance Report be allowed to slip.

28. Notes of previous meeting

The notes of the meeting held on 02 September 2020 were **AGREED**.

29. Performance Monitoring Q1

The Panel **AGREED** to amend the order of the agenda, to take agenda item 7 – Performance Monitoring – next.

Liz Godin, Business Support Services Manager, presented the report on Performance Monitoring Q1. Since the last time Performance Monitoring had been previously considered, the report had been simplified. The Panel sought clarification on which targets presented were monthly targets, and which were annual targets. It was requested that these different target-types be clarified. Further clarification was also requested in relation to target ED002: measures to reduce the Council's carbon footprint by 5% each year below what it would otherwise have been.

The Panel noted the difficulty in meeting the existing target, WR001: the number of people moved into work through the Welfare to Work team. Richard Wood, Strategy and Service Development Manager confirmed that the target was a pre-Covid target, based on the labour market conditions at the time and that it would be very difficult to meet in the current circumstances. However, the target for next year would reflect the challenges of the labour market more closely. The success of the Council in meeting deadlines for responding to DHP payments was lauded, but caution sounded over whether that, given the figures only covered to June, they would deteriorate. The Strategy and Service Development Manager confirmed that to date the target was still being maintained and, to the surprise of those involved in the service, DHP applications had not significantly increased. As unemployment grew, however, this number was expected to grow.

Discussing the positive performance of the target around days lost to sickness discussion was held over whether, given the much greater variation in working situations at home compared to working in the office, attendance figures were as useful a proxy for productivity as they had previously been. It was further discussed whether there would be a use in disaggregating short and long term absence-targets given the difference in impact of each and the interventions required by to manage them. It was requested of Helen Bishop, Head of Business Improvement that additional commentary be provided around long-term and short-term absence levels, causes of absence and staff wellbeing.

Finally, the Panel sought more up to date information regarding the success of the Council in collecting business rates and council tax. Tanya Bandekar, Revenue Services and Benefits Manager confirmed that council tax collection to early September was running 1% behind the previous year, and business rate collection down 4%. In addition, the Council had taken a soft approach to debt recovery during the lockdown period, not enforcing payment immediately but coming to payment arrangements to allow individuals and businesses to pay their dues at a later point. This was anticipated to improve collection rates later on in the year. The collectable business rate level was lower than last year due to many businesses being exempted from paying business rates this year.

It was **AGREED** to recommend the following Cabinet:

1) ***That in the setting of its corporate performance measures for next year, the Council introduces targets for short and long-term sickness levels.***
2) ***That the Council investigates ways of measuring and monitoring productivity which take homeworking and the variable suitability of homeworking environments into account.***

30. Social Value in Procurement (update)

Annette Osborne, Procurement Manager, presented an update report to the Panel on the Council's implementation of weighting social value within its procurement processes.

Previously, the Panel had recommended and Cabinet accepted a suggestion that the Council should benchmark its spending with local businesses against similar councils. Preliminary work on this had begun with consideration given to looking at whether to include unitary authorities and London boroughs as comparators. Ultimately, it was decided to focus only on city councils in order to provide the closest comparisons. The work of benchmarking was due to be expedited significantly by an additional member of the team joining. Data was not readily available online, so it would require in-person contact to find the details sought. Suggestion from the Panel was that Birmingham should be included owing to the quality of its social value policy developed from hosting the Commonwealth Games. This was agreed to.

A lot of general work was being done to finesse the Council's incorporation of social value into its procurement via actions arising from the recently-adopted Procurement Strategy. In particular, links were being developed with Manchester and Preston, both considered to be leading practitioners in this area. Although social value weightings in the procurement process had not been increased from 5% to 10% across the board, flexibility had been created to allow an increase where justified. This had been used in a recent tender to put a 10% weighting on the social value responses. The advice of other councils was highlighted as being very welcome in establishing rules around when and how to apply a heavier weighting to social value.

The second recommendation, for a meeting to be held for stakeholders had been stalled for a number of reasons: the team being temporarily understaffed at a time when it was developing the draft Procurement Strategy, as well as the challenges of Covid. Nevertheless, progress in the wider area had been achieved in getting the agreement of Bucks and Oxon Procurement Group to discuss social value at its forthcoming meeting, and arranging to run webinars and training for SMEs via B4 Business. The meeting itself would be run via Zoom. It was requested and agreed that members of the Finance and Performance Panel, and Audit and Governance Committee be invited to the meeting.

The Panel **NOTED** and welcomed the report.

31. Integrated Performance Report Q1

Anna Winship, Management Accountancy Manager presented the Integrated Performance Report Q1 to the Panel, detailing the main financial, performance and risk issues faced by the Council.

The financial position was presented as an update to the estimates of the impact of Covid previously made and considered by the Panel in July. The outturn position of the General Fund was forecast to be an adverse variance of £8.991 million, an adverse variance in the Housing Revenue Account of £2.272 million, and slippage on the capital programme of with slippage of £24.369 million leaving a total outturn of £96.270 million.

The major causes of the adverse variance within the General Fund included:

- Business Improvement: an adverse variance of £0.280 million relating to additional cost for telephony services due to most staff working from home and a higher usage of telephones for call and use of data heavy applications such as Teams and Zoom, a notable cost for data usage and storage over and above the contract price with the data centre provider and costs associated with the purchase of new phones and laptops to enable staff to work at home more effectively.

- Community Services: a net loss of £0.850 million arising from reduced income and additional costs relating to leisure services and the setting up and running of the locality hubs.
- Regeneration and Economy: a fall in the collection of commercial property income from 73% to 55% over the course of one quarter, reflecting the impact of Covid on tenants
- Housing Services: an adverse variance of £0.940 million, £0.532 million relating to the cost of providing accommodation and food to rough sleepers for the 3 months to June 2020, and £0.408 million relating to health and safety and compliance works required across the property portfolio
- ODS Client: an adverse variance of £4.005 million, £2.800 million relating to projected loss of car parking income for the year, and £1.155 million relating to the reduction of expected dividend payment to be received from Oxford Direct Services (ODS) due to them unable to carry out much of their repairs work during lockdown.

Following questioning, it was confirmed to the Panel the expected amount from lost income the Council expected to reclaim from government was in the order of approximately £3 million.

Forecasts regarding the HRA position were presented as being an adverse variance of £2.272 million, consisting mainly through increases in void periods between lettings, support for tenants during lockdown, and bad debt provision on rental income. The Panel questioned the necessity of making bad provision at the current time; whilst it was accepted that there was uncertainty in the overall figure, it was deemed prudent to make allowance due to concern over rental arrears. The likelihood was that debts would not be recovered in-year, which would mean bad debts being chased in the next financial year.

For the Capital Programme, the budget, as approved by the Council at its meeting in February 2020, had been set at £142.567 million. Since that date the budget was increased by £20.747 million to take account of unspent balances rolled forward from 2019-20, giving a budget of £163.314 million as reported to the Cabinet in June 2020 as part of the April update. Further adjustments since then were made which reduced the budget by £42.285 million to £121.028 million. Further net slippage of £24.369 million since last reported resulted in a forecast outturn of £96.270 million. The main causes of the variance were identified as Covid-related overspends at the Museum of Oxford, pausing of work at East Oxford Community Centre and the Covered Market due to Covid, the rescheduling of loans to OCHL due to Covid, weather and Covid-related delays at Seacourt Park and Ride, overspends on the new Housing Management system, the removal of replacing grey fleet vehicles from the budget, and re-timetabling of the Oxford and Abingdon flood alleviation scheme.

In addition to the variances, an optimism bias to balance the challenges of project delivery had been applied to the capital budget, reducing it by £15 million. The Panel questioned the need for applying an optimism bias, suggesting that it made understanding the outturn figures more difficult to understand. An alternative means of presenting the same information would be through the application of a risk-rating for non-delivery, which would not require adjusting the capital budget outturn.

A further issue where the presented figures were not clear, was with the aggregation of the two opposing impacts of slippage, resulting in a positive variance, and increases in capital costs, resulting in a negative variance. The ability of these to net one another off meant it was harder to identify problems with delivery through the information available.

Panel members raised further questions regarding support for traffic schemes such as Low Traffic Neighbourhoods, which would need to be paid out before the end of year. It was not possible to confirm this but would be raised with the relevant Director.

Finally, the Panel questioned the cancellation of the grey fleet replacement vehicles. It was explained that with the reduction in work being undertaken requiring vehicles by ODS, the business case for replacing £1.8 million worth of vehicles was no longer viable.

The Panel **AGREED** to make the following recommendations to Cabinet:

1) ***That the Council ceases to net off uncertainty over its capital programme through the use of an optimism bias, and instead uses an aggregation of the level of risks given to each project in the budget to present the proportion of that figure over which the Council is uncertain of delivery.***
2) ***That in its treatment of variance from budgeted capital spends the Council delineates the impact of increased costs and slippage.***

32. Date of next meeting

The Panel **NOTED** the amended date of the next meeting, 03 December 2020.

The meeting started at 6.00 pm and ended at 7.35 pm

Chair ………………………….. **Date: Thursday 3 December 2020**

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