

Remote meeting

Minutes of a meeting of the Finance and Performance Panel (Panel of the Scrutiny Committee) on Thursday 3 December 2020

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Committee members present:

Councillor Fry (Chair)

Councillor Simmons

Councillor Roz Smith

Officers present for all or part of the meeting:

Nigel Kennedy, Head of Financial Services

Jane Winfield, Head of Corporate Property

Bill Lewis, Financial Accounting Manager

Emma Gubbins, Senior Surveyor

Tom Hudson, Scrutiny Officer

Also present:

Councillor Turner, Cabinet Member for Finance and Asset Management

33. Apologies

Councillor Munkonge tendered apologies.

34. Declarations of interest

Councillor Fry raised the fact that his company rented offices from Lothbury, who run a property fund in which the Council is invested.

35. Finance and Performance Panel Work Plan

The Panel considered the proposed work plan for the remainder of the civic year.

The work plan was **AGREED**.

36. Notes of previous meeting

The notes of the meeting held on 29 September 2020 were **AGREED**.

37. Treasury Management Mid –Year Report

Bill Lewis, Financial Accounting Manager, introduced the Treasury Mid-Year report to the Panel. In introducing the report, it was underlined that the economic overview and interest rate forecasts were represented the facts on the date provided and were subject to revision in light of major economic events. Highlighted as greatest interest to the finances of the Council was the investment income forecast, which was down from the budgeted £1.223m to a forecast figure of £1.044m. Whilst there had been falls, the Council's fixed term investments had insulated it partially from wider falls, but those effects would become more keenly felt with the passing of time. The Council's new investments in multi-asset funds were progressing, with the on-boarding of the two preferred funds taking place and signing of contracts for the £5m investment in each early in 2021. Falls in the value of property funds were highlighted, though a recent upturn in capital values was also noted. Dividend rates had remained stable. Overall, performance remained within the tolerances of the Council's prudential indicators as set out in its Treasury Strategy.

In its Scrutiny of the report, more information was sought about the basis of the Council's forecast reduction in investment returns. The key contributor was explained to be the fall in fixed term investment rates, which had fallen from the region of 0.7 – 0.8% to closer to 0.3%. As existing fixed term investments expired they would be reinvested at the lower rate, reducing returns. Fluctuations in cash flow, due to increased spending related to Covid and receipt of government grants related to the same also meant that the Council had greater liquidity requirements, reducing the overall amount invested in higher-paying long term investments rather than money markets.

It was also questioned whether the Council was in a position where any of the investments which had seen a fall in capital value would need to be liquidated and the losses realised. It was confirmed that the property funds, which had seen the biggest fall in capital values within the portfolio, were long term investments providing a strong income and the Council did not intend to sell them.

The Panel questioned the expected rate of return from the Council's multi-asset funds. Although the rate of return was not fixed and would be dependent on the performance of the fund, the anticipated return was set at 3%. This level was a conservative estimate, based on the previous performance of between 4 and 4.5%.

The report was **NOTED**.

38. Integrated Performance Report 2020/21 Q2

Nigel Kennedy, Head of Financial Services, introduced the Integrated Performance Report Q2 to the Panel.

General Fund deficits had reduced from the previous quarter from £8m to £2.4m owing to unanticipated government support, primarily around lost fees and charges for local authorities. The Council would not receive this money until year end, but were anticipating a payment in the realm of £8.5m. The key variances contributing to the overspend were business improvement, where the Council had needed to invest in additional ICT capacity to facilitate remote working, and community services where leisure centre closures and the loss of income from hiring the Town Hall were the main contributors. Commercial rent income was forecast to fall in the end of the year, as well as street trading income and a significant loss in car parking income. The dividend received from the Council's company, Oxford Direct Services, had been reduced, with

the reduction from the previously expected dividend to be in the region of £1.1m. Expenditure had also increased, mainly in the areas of homelessness provision and food-parcels provided through the localities team to vulnerable residents.

The Housing Revenue Account showed an adverse variance of approximately £1.2m, based mainly on the cost of provision for the support of vulnerable families, the cost of PPE and provision for bad debts.

The Panel's attention was brought to a newly-implemented replacement for the optimism bias in the Capital programme, detailing whether schemes were on or off target and the overall size of those schemes. The main projects off target were those which had been paused in June as part of the Council's financial stabilisation process in light of Covid.

In response, the Panel raised an issue of the proportion of car parking spaces in Council car parks being occupied by NHS workers with free usage, and asked what the implications on income would be. The position was being reviewed, but it was agreed that this information would be circulated outside the meeting.

With the high number of activities and costs associated with responding to Covid it was recognised by the Panel that scrutiny of the underlying financial position was more difficult, but that this would be made easier by highlighting which spends were deemed one-off and which were ongoing. Likewise, greater clarity about the assumptions made for income levels in the future would also aid scrutiny, as would disaggregating income received and income (particularly income from government related to loss of fees and charges, which would need auditing) which was due to be received in the future. It was agreed that the latter suggestion could be implemented in future reports. The other requested information would be available within the draft budget proposals.

Previously, spend on PPE had been recognised to include other items as well as PPE and the figures were agreed to be split out between PPE and non-PPE items. These figures were absent from the report; it was agreed that they would be circulated outside the meeting.

Bearing in mind the speed of change within the economic situation, the Panel sought an update on the adverse variance within Regeneration and Economy. It was confirmed that a deep-dive into the figures had taken place, and that unless Christmas was particularly good for trading making the figures better than predicted, officers were confident that the model's forecast was robust.

The Panel and officers discussed the higher level of uncertainty faced by the Council in budgeting because of Covid-19 and the outcome of Brexit negotiations. The forecasts were made based on the best evidence available, but would invariably become more accurate as greater certainty around these macro-economic issues arose. Agreement of the budget in February would provide an opportunity for more up to date data to be factored into the Council's budgeting.

The report was **NOTED**.

39. Written Questions for Budget Review Group

The Panel considered the proposed list of written questions to pre-submit to officers prior to the Budget Review Group meetings in January 2021. The proposed list was **AGREED** with any additional questions by members to be incorporated after the meeting.

40. Date of next meeting

The Panel **NOTED** the dates of the Budget Review Group for 04, 06 and 11 January 2021, and the next Finance and Performance Panel on 27 January 2021.

41. Confidential Session

It was **AGREED** that in accordance with the provisions of Paragraph 4(2)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012 to exclude the press and members of the public during discussion of the remaining items on the grounds that it might involve disclosure of exempt information as described in the relevant paragraphs of Schedule 12A of the Local Government Act 1972.

42. Boswells Department Store

Jane Winfield, Head of Commercial Property, and Emma Gubbins, Senior Surveyor, presented the report on the Council's plans for the former Boswell's site to the Panel.

The remaining minutes are confidential.

43. Further discussion - Integrated Performance Report Q2 (Commercial Property)

Councillor Ed Turner, Deputy Leader and Cabinet Member for Finance and Asset Management, and Jane Winfield, Head of Commercial Property, presented to the Panel on issues arising from the Integrated Performance Report relating to commercial property.

The remaining minutes are confidential.

The meeting started at 6pm and ended at 7.40 pm

Chair

Date: Wednesday 27 January 2021

When decisions take effect:

Cabinet: after the call-in and review period has expired

Planning Committees: after the call-in and review period has expired and the formal decision notice is issued

All other committees: immediately.

Details are in the Council's Constitution.