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Cabinet response to recommendations of the Scrutiny Committee made on 02/02/21 concerning the Consultation Budget 2021-22 and Medium Term Financial Plan 2022-25

Response provided by Cabinet Member for Finance and Corporate Assets, Councillor Ed Turner

Recommendation	Agree?	Comment
<p>1. That the Council includes within its budget report confirmation of the overall cost exposure relating to Floyds Row in the event that no external support is granted</p>	Agreed	<p>The overall cost exposure relating to Floyds Row between 2021/22 and 2024/35 is £3.323 million. This comprises an expectation of £1.6m from MHCLG grant and £1.723 million from local partners. The exposure for each year is as follows:</p> <p>2021/22: £713,000 2022/23: £870,000 2023/24: £870,000 2024/25: £870,000</p>
<p>2. That the Council reviews the financial assumptions for income and expenditure for Floyds Row in light of the implications that reducing the amount of accommodation would have if the facility were to be used as an assessment centre only, or as a provider of individual and en-suite temporary accommodation.</p>	Agreed	<p>We will be reviewing assumptions as part of the exit from Everyone In and the return to Floyd's Row, should the national vaccination programme continue well, and Public Health deem is safe to return to communal sleeping settings.</p> <p>The presence of a multi-disciplinary assessment centre at Floyd's Row and the provision of short term accommodation, are integral components to the service model. It would not be desirable to provide one without the other at Floyds Row for an extended period of time.</p> <p>From March 2022 it is intended for Floyds Row to form part of the countywide recommissioning of accommodation and other services for rough sleepers and single homeless</p>

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		<p>people. The pooled budget would need to find a way to fund the service from a mix of government grant and funds from partners.</p> <p>If there is an ongoing expectation that accommodation needs to be single units then this will need to be considered against other available options. Adapting Floyds row in this way would require further significant capital expenditure, and officers' initial views are that it would not be suitable to convert the building into en-suite accommodation.</p>
<p>3. That the Council monitors the savings made, and consider reversing its consolidation of planning committees in the event that the predicted savings are not realised.</p>	Partially agreed	<p>The potential saving will be monitored with the finance department and the position will be reviewed within the next year's budget process, along with the committee's performance.</p>
<p>4. That the Council establishes a ring-fenced trading account for the Covered Market.</p>	Not agreed	<p>It is entirely accepted that we may need to invest additional costs (capital and/or revenue) to either protect existing income streams in the near term, or indeed to grow them in the future. While a ring fenced trading account provides some flexibility to do that, there is also a need to ensure good governance and a business case around any decision to increase costs. The Council already has, via its cost code, the ability to understand the global budget for the Covered Market, based on revenue based income and expenditure. A draft revised Leasing Strategy is tracking to Cabinet in April 2021, which will include an action plan to take forward to support the development of the market. This will be reviewed quarterly with the Director of Development, Head of Commercial Property and the Market Manager, alongside both costs and up to date projections of rental income. Where an assessment is made that additional investment is needed to support either</p>

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		short or long term rental income, a recommendation and decision will be made in the normal way in line with Council's Scheme of Delegation. While it is expected that any investment decision will ultimately result in a financial benefit to the Council, where it results in a reduction in net revenues in the short-term, this will be clearly articulated as part of the decision making process.
5. That the Council increases its investment in marketing the Covered Market, and ensures that spend is directed towards those with a track record of successfully developing markets.	Partially agreed	As part of this budget, we have included a £50k allocation for marketing, as part of the core operating costs. We proposed to keep this under review during 21/22 and will consider increasing it should footfall or trade not improve once lockdown rules are eased.
6. That the Council increases its funding for Experience Oxfordshire, and seeks in return greater focus on the promotion of Oxford City as a destination.	Not agreed	The City Council has already agreed to provide £50k over the next 2 years to Experience Oxfordshire so they can support Oxford's broader visitor economy sector, including undertaking promotion, which is a core part of their offer. This has been provided outside our formal budget process and instead using government funds intended for this and similar purposes. Given our financial constraints, the Council has limited funds for additional grants to Experience Oxfordshire, and any such investment would result in a further saving needed from an already constrained budget. The need for promotion is a key issue and has been flagged as a priority project in the draft OxLEP Economic Recovery Plan. The City Council will continue to work with OxLEP and district council partners to try to secure external funding to support further promotion activity.
7. That before the Council proceeds with appointing	Not	We have appointed commercial property agents to support

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<p>commercial property agents, it undertakes a comparison of the expected risk and returns of alternative asset classes to invest in (including renewable energy).</p>	<p>agreed</p>	<p>us in any options analysis we undertake to inform investment decisions. This will be important in progressing the revised investment proposals in the budget. We remain open to other investment ideas.</p>
<p>8. That where the Council invests in property, it focuses on investing in and redeveloping properties within its control, rather than purchasing properties externally, and that it include residential development as well as commercial.</p>	<p>Not agreed</p>	<p>While the Council will continue to develop a programme of investment for properties in its control, the emerging strategy is to also consider opportunities for additional investment and acquisitions where they meet PWLB criteria. This will support economic growth and regeneration. The Council is investing significantly in housing through OCHL and the HRA purchasing completed units.</p>
<p>9. That the Council monitors the performance of its borrowing and investment strategy, and that the strategy is regularly reviewed to account for changing circumstances.</p>	<p>Agreed</p>	<p>The Council already does monitor the performance of its borrowing and investment strategy. Finance officers hold monthly treasury management monitoring meetings with the Head of Financial Services where borrowing and investments are both considered. There are also reports submitted to Audit and Governance Committee. Every investment that is undertaken must be within the counterparty limits set by the Council in approving the annual Treasury Management Strategy and is reviewed by senior officers prior to the investment being placed. The current borrowing strategy includes the following:</p> <p>“The S151 officer has delegated authority to determine the need for external borrowing taking into account prevailing interest rates and associated risks. Borrowing may be undertaken to fund the approved Capital Programme or to fund future debt maturities and a combination of long-term and short-term fixed and variable rate borrowing may be considered which may include borrowing in advance of future years’ requirements. In using the delegated</p>

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		<p>authority, the S151 Officer will take into account the following factors:</p> <ol style="list-style-type: none"> 1. The on-going revenue liabilities created, and the implications for the future plans and budgets; 2. The economic and market factors that might influence the manner and timing of any decision to borrow; 3. The pros and cons of alternative forms of funding including internal borrowing; <p>The impact of borrowing in advance on cash balances and the consequent increase in counterparty risk. borrowing in advance on cash balances and the consequent increase in counterparty risk.”</p> <p>This policy is sufficient to allow for decisions to be taken in line with current and forecast circumstances. Borrowing is necessarily a decision taken with consideration for the long term not just current circumstances and this is the approach taken by officers. Broadly the current policy is to maximise internal borrowing, taking account of cashflow requirements, before increasing external borrowing. This policy will continue into the foreseeable future since future forecasts of interest rates do not predict general investment interest rates becoming higher than borrowing interest rates.</p>
<p>10. That the Council reviews its Customer Experience Strategy in light of the learning</p>	<p>Agreed</p>	<p>Building on the Customer Experience Strategy, work has begun to build a framework that promotes Access and</p>

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<p>arising from responses to lockdown and identifies where it could go further towards a wholly digital model of interaction.</p>		<p>Inclusion. This involves identifying trends how people interact with us, and developing our customer access channels to promote a range of activities including:</p> <ul style="list-style-type: none"> • Cashless payments • Digital connectivity and literacy for those who want to but can't access digitally at the moment improving financial and digital inclusion • Supporting people with vulnerabilities to access our services • Single booking system where people can access any community space and leisure centres
<p>11. That the Council adopts corporate targets for 2021/22 around increasing digital interaction with the Council.</p>	<p>Agreed</p>	<p>We have seen an increase in transactions being carried out online as a result of the impact of COVID and the way customers have chosen to interact with the Council.</p> <p>The Access and Inclusion framework referenced in 10 above will drive a further shift to more digital interaction.</p> <p>In order to re-evaluate the impact of these activities and to be sure that the impact of COVID is maintained we will utilise 2021/22 to re-evaluate the Council's baseline and to establish future targets.</p>
<p>12. That the Council includes within its budget report reference to the fact that the Council is unable to</p>	<p>Agreed</p>	<p>It is clear from court decisions that licensing is explicitly prohibited as a means of generating revenue over and</p>

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<p>raise fees for licensed activities beyond covering its costs.</p>		<p>above that necessary for the operation of a licensing scheme.</p> <p>The Council can therefore recover the full costs of the administration and enforcement of a licensing scheme, but cannot use licensing revenue for any other purpose.</p>
<p>13. That the Council seeks advice from advisors with experience of letting and management of multiple models of office provision, including flexible working space.</p>	<p>Agreed</p>	<p>This has been the case in relation to our recent planned conversion of 1-3 George St into a co-working space and will continue to be the case moving forward.</p>
<p>14. That the Council, if its financial situation develops more favourably than anticipated, reinvests the savings deriving from its review of its relationship with the voluntary and community sector back into the grants pot, rather than realising them as a saving.</p>	<p>Partially agreed</p>	<p>The current position is that the Council has had to take a careful review of funding to balance the books. Our assumption is that investments will continue to be made into the voluntary and community sector through a range of funding interventions, including government grants and through opportunities to collaborate on key issues in the city.</p> <p>The point is understood that the Panel feel this is an unwelcome savings proposal and one that, if further funds became available, it would like to see scaled back. We will keep this under review, but we should be aware that the scale of drawdown on our council reserves and balances is far greater than that we would wish for. It will be for the Council to take decisions on priorities in its future budget rounds.</p>
<p>15. That the Council focuses any future social impact bond use on social impacts which are closely aligned to the Council's responsibilities and</p>	<p>Partially agreed</p>	<p>The Life Chances Fund which is supporting this work is explained in detail on the home page of the government's guidance on social impact bonds. We have not had to bid</p>

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which can be easily monetised.

for the funding, places such as Oxford have been identified based on the local authority's track record of effective delivery.

The Life Chances Programme is focused on -

- Health and Wellbeing
- Reduced Offending and Reoffending
- Improving School Attendance and reducing not in education, employment or training status

These outcomes align with the city's [Children's and Young Person's Strategy](#) that uses a framework called [Ready by 21](#) to focus on the broader systemic issues of **healthy**, **connected** and **productive** that weave through the lives of young people.

There is [strong evidence](#) that [adverse childhood experiences](#) (ACES) lead to a range of negative outcomes in later life. Young People with lived experience of homelessness reported they had experienced four or more ACEs. This compares to just over one in 10 (11 per cent) in the wider population.

The £15,000 investment will enable us to support over 100 young people a year who have been identified as being a great risk of negative life outcomes. The activities will take place in three of our priority areas (Blackbird Leys, Rose Hill and Barton). While this long-term approach makes it hard to monetise, it will have a positive impact on a wider range of negative outcomes that are a direct costs for the city council alongside providing young people with enjoyable activities that build confidence and resilience.

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<p>16. That the Council increases its contingency provision.</p>	<p>Not agreed</p>	<p>The Council has included an amount of around £500k per annum in the base budget as well as a one-off amount in 2021-22 of £1million to cover off unachieved efficiency savings and reduced dividend repayment from OCHL and ODS. Whilst the position will be monitored the provision is considered sufficient. We are not clear how Scrutiny proposes increased contingency provision should be funded. It would require either additional savings, which are not identified here, or a reduction in our reserves and balances, which serve a similar purpose.</p>
<p>17. Notwithstanding the recommendations elsewhere in this report, that the Council, should it receive more income than forecast, uses some of the surplus income to reduce the call on reserves.</p>	<p>Agreed</p>	<p>The Council will seek to put any surpluses generated on the General Fund revenue account into reserves and balances.</p>
<p>18. That the Council provides in its budget estimates, information on the current year's income and expenditure and pre-Covid years to act as a contextual reference.</p>	<p>Agreed</p>	<p>This was provided to Finance Panel during the scrutiny process. It will also be provided as a matter of course next year</p>
<p>19. That the Council brings the publication of its expenditure on items over £500 and updates this information on a quarterly basis in the future.</p>	<p>Agreed</p>	<p>This has now been updated</p>
<p>20. That the Council schedules a mid-year Budget update.</p>	<p>Part agreed</p>	<p>The council will monitor its budget on a monthly basis and make adjustments and take mitigating action where necessary based on outturn forecasts. We will then provide our Integrated Quarterly Reports, and any necessary changes can come forward as part of that process.</p>
<p>21. That the Council disaggregates, so far as possible, the forecast dividend receipts from OCHL into secure – deriving from Council purchased sales – and non-secure categories.</p>	<p>Part agreed</p>	<p>It is not straightforward to disaggregate returns from OCHL in the manner suggested as is currently the practice in ODS. Returns for the first 3 years of the MTFS are based on interest margins on loans which are not directly linked to</p>

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		particular housing development projects. It is only in later years that dividends are made to the Council at which point some disaggregation may be possible.
<p>22. That the Council removes reference to its £50m HRA spending commitment over a decade in its budget and budget report, and replaces them with its budgeted spending commitments that cover the period of the MTFS.</p>	Part agreed	<p>We are happy to clarify this. The amount for energy efficiency measures included in the HRA capital programme is £7.2 million over the 4 year period. In addition a further provisional amount of £4million has been included in 2024-25 specifically in relation to climate change reduction measures. The £50 million comment relates, as Scrutiny implies, to a longer time horizon.</p>
<p>23. That the Council seeks the advice of auditors on the suitability of the Council's current £5000 threshold for inclusion within capital spend, including comparing the Council's threshold with those of councils elsewhere.</p>	Agreed	<p>The Council's current accounting policy is:</p> <p>"The Council has a general de-minimis level of £5,000 for capital expenditure purposes. Therefore, the Council will capitalise new assets that are greater than the following limits:</p> <ol style="list-style-type: none"> 1. Individually have a cost of at least £5,000 (£1,500 for residential properties); or 2. Collectively have a cost of at least £5,000 (£1,500 for residential properties) and individually have a cost of more than £250, where the assets are functionally interdependent, have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control. 3. Form part of the initial equipping and setting-up cost of a new building, or significant refurbishment, irrespective of their individual or collective cost. <p>Where an asset has been acquired for less than £5,000 but has been funded by ring fenced capital funding, this will be treated as capital."</p>

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		<p>There are a number of benefits of expenditure being included as capital:</p> <ol style="list-style-type: none">1. The benefit of maintaining lower de-minimus levels is that it increases the activity that can be counted as capital compared to higher de-minimus levels. Capital expenditure can be financed from both capital and revenue resources making the financing of this expenditure more versatile2. Revenue resources are extremely stretched and this is even more so with the financial pressures arising from the pandemic. At a time when other Councils are seeking capitalisation directives it would seem counter-intuitive to reduce the levels of capitalisation3. Removing the provisions that allow lower value capital expenditure on residential properties to be capitalised would have a significant effect on the HRA whereby items such as bathrooms and kitchens could become classed as revenue expenditure when these are currently financed from capital resources. <p>Officers will liaise with external audit to seek a view on the capitalisation levels of other Councils. If the Council were to change its accounting policy this would lead to additional work to analyse capital spend over the past few years to calculate the likely effect of the change in policy on the accounts. This would then require the external auditor to undertake additional work auditing these findings and then forming a view on the impact on the accounts and whether a restatement of prior year comparatives is necessary.</p>
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		This would likely result in additional cost to the Council since it is not part of the normal external audit work plan.
24. That the Council delineates in its budget between projects it is undertaking using its own CIL monies, and those it is undertaking on behalf of parishes and neighbourhood fora.	Agreed	Response below

Response to Recommendation 24

The council reports allocation and spend of its own CIL monies annually as part of the Infrastructure Funding Statement each December. A summary of the projects with allocations within this budget from our own CIL monies is set out in the table below.

Strategic CIL allocation	2021/22	2022/23	2023/24	2024/25
	CIL Financing £	CIL Financing £	CIL Financing £	CIL Financing £
Oxford and Abingdon Flood Alleviation Scheme	0	250,000	0	0
Bullington Community Centre	1,687,301			
Extension to Seacourt Park & Ride				
Controlled parking zones	650,000			
Coach Parking Feasibility	20,000			
Citywide cycling infrastructure contribution	60,000	60,000	60,000	60,000
East Oxford Community Centre	1,675,000			
Blackbird Leys Regeneration		2,000,000		
CIL feasibility budget for projects	270,000			
Development of ZEZ	23,000	23,000		
Strategic CIL Total	4,385,301	2,333,000	60,000	60,000

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The breakdown of the proposed allocation of Neighbourhood CIL as part of this budget is set out below.

Neighbourhood CIL Allocations within budget	Total (£)	2021-22 (£)	2022-23 (£)
Young Peoples Pathway Contribution	130,000	65,000	65,000
Actions from the Citizens Assembly Climate emergency including engagement in the Retrofit Summit, Youth Summit, ZCO Summit and additional biodiversity work	142,000	71,000	71,000
Tackling homelessness	86,000	34,000	52,000
Social Impact Bonds - deliver targeted support for children & young people via a social impact bond	30,000	15,000	15,000
Funding for the Community Grants programme	600,000	300,000	300,000
Engagement in transport initiatives across Oxford including Connecting Oxford and Zero Emission Zone	77,555	77,555	-
Support for city restart and economic recovery activity	87,891	87,891	-
Total	1,153,446	650,446	503,000

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In addition to this the City Council will continue to allocate £5,000 annually to ward councillors not within a parish or neighbourhood plan area from the Neighbourhood CIL funds. The ward councillors then allocate this on projects that they identify through ongoing engagement with their communities. This allocation will continue for the budget period.