

Minutes of a meeting of the Finance and Performance Panel (Panel of the Scrutiny Committee) on Tuesday 7 December 2021



Committee members present:

Councillor Fry

Councillor Jarvis

Councillor Landell Mills

Councillor Latif

Officers present for all or part of the meeting:

Nigel Kennedy, Head of Financial Services
Bill Lewis, Financial Accounting Manager
Anna Winship, Management Accountancy Manager
Michael Scott, Senior Asset Manager (Contractor)
Emma Gubbins, Senior Estates Surveyor
Tom Hudson, Scrutiny Officer

25. Apologies

Councillors Duncan Hall and Andrew Gant tendered apologies for the meeting

26. Declarations of Interest

None

27. Finance and Performance Work Plan

The Panel **NOTED** the absence of Cabinet reports coinciding with its January meeting and discussed whether to move the meeting to February. It was **AGREED** not to move the January meeting to February and use the meeting to sign off the Budget Review Group report.

28. Notes of Previous Meeting

The notes of the meeting held on 06 September 2021 were **AGREED** as a correct record.

29. Integrated Performance Report Q2

Anna Winship, Management Accountancy Manager, presented to the Panel the Cabinet Integrated Performance Report Q2, detailing the Council's position regarding finance, performance and risk.

Financially, the General Fund was forecast to show a favourable variance of £573k. Key changes included a £470k favourable variance for Housing Services following

receipt of external grant funding. Car parking income was seen to be returning and expectations were that they would rise to budgeted figures by the end of the year. However, not all parking had recovered equally, with city centre parking improving at a much faster rate than park and ride income. The Council's claim to recoup sales, fees and charges reduced due to Covid for Q1 of the year had been submitted, totalling £1.1m, the payment of which was being awaited. The claims were being made on the same basis as previously, claims which had been paid out in full indicating a good level of confidence that the money would be received.

The Housing Revenue Account was forecast to show a small adverse variance of £29k, a figure unchanged from Q1.

Spending on the Capital Programme indicated a spend of £146m over the year, with slippage of £28m occurring in the second quarter, with the East Oxford Community Centre (decanting current tenants), Bullingdon Community Centre (surveys) and affordable housing supply (in line with the changes to the Oxfordshire Growth Deal programme) and regeneration (non-purchase of properties) being the primary causes. There was a marginal overspend of £37k. The issue of low spend at the time of year relative to the budget was addressed; £20m of loans to OCHL would be made in large chunks rather than drip fed throughout the year. Likewise, purchases from the HRA of homes worth £35m and property purchases of up to £13m for regeneration would also happen in big steps. Furthermore, issues with the QL implementation meant that some capital spend was not showing up at present. As such, the expected spend of £146m was still sound, even if the pro rata spend was lagging. The Panel expressed disappointment at the slippage of the Go Ultra Low project, in light of the Council's climate change aspiration.

Corporate performance indicators showed 11 out of 23 indicators as green, 3 red and no amber (the remainder either being annual targets or requiring a baseline to set a KPI). The three red indicators were: council spend on local SMEs; council spend on local SMEs (excluding OCHL and ODS); and the number of people estimated to be sleeping rough.

Three risks were identified as being red: ensuring housing delivery and supply; economic growth; and the progress towards net zero. Overall, this presented an improved set of results on the previous quarter.

In response to the report presented the Panel raised a number of questions and comments, and sought clarifications over a variety of issues. Discussion was held over the proportion of the Council's homelessness budget the £470k grant received covered; a welcome proportion, though the total spend by the Council on homelessness services was typically around £7m per year. Further information was sought in relation to challenges of recruitment to roles within Law and Governance and it was confirmed that the Council was making progress towards making permanent appointments for a number of the key vacant positions. Another issue raised was the progress of distributing grants from central government. The Council had been relatively slow in distributing them, but this approach had been due to doing due diligence to prevent fraudulent claims, an approach which had been vindicated by the government's concerns over fraud elsewhere in the country.

Within the HRA, slippage to energy efficiency works was highlighted and detail sought on the cause. The impact of this on the Council's net zero plans was explored, and although there would be an impact, the value of the slippage relative to the Council's overall 10-year budget for energy efficiency improvements to Council homes meant the impact would only be marginal.

Concerning risk, the Panel agreed that in light of the emergence of the Omicron variant, there was value in having a separate 'Covid' risk, rather than it being bundled into broader categories. The Head of Financial Services agreed, but felt that it would be best arranged through the Audit and Governance Committee.

Concerning performance, the fact that rough sleeping had seen a red rating for consecutive quarters was noted. It was agreed that a question as to whether enough was being done, or whether the target was actually achievable, should be put to the Housing department for comment. The other performance issue discussed was the underperformance relating to local SMEs, which was deemed partially a factor of spending profiles, but also influenced by the slow-down in business for ODS during the pandemic. It was expected that local SME spend would recover to target levels.

The Panel **NOTED** the report and made no recommendations to Cabinet.

Addendum to the minutes – response relating to the question over rough sleeping numbers:

The rough sleeping KPI was set as a milestone on the way to our goal of eliminating the need for anyone to rough sleep. However a single measure of this kind is not a useful way of monitoring a very complex work area, in the absence of any other measures or information.

Rough Sleeping numbers increase and decrease significantly at different times often for reasons that are beyond the council's control. Short term changes in numbers will not lead to an immediate change in the approach to managing the situation. Plans for rough sleeping are drawn up over the longer term, and regularly reviewed to take account of new and emerging trends.

Currently the system of supported accommodation for people who are homeless is under pressure due to the need to exit from Everyone In accommodation. Some of this pressure will be relieved as we start to move people into new units of Housing First accommodation.

We are in the process of reviewing the rough sleeping KPI. Whilst its important to know the number of people rough sleeping, a potential better measure of how its being addressed might be the number of people rough sleeping without an offer of accommodation.

30. Treasury Management Mid-Year Report

Bill Lewis, Financial Accounting Manager, presented to the Panel the Cabinet's Treasury Management Mid-Year Report.

Most importantly, the Council had complied with all its treasury and prudential indicators in the year to date. A number of causes – such as lower external borrowing, increased investment and lower minimum revenue provision-levels – meant that the overall the Council was expected to have £211k more from Treasury investments than budgeted. Performance in property funds had recovered since the start of the pandemic, with NCLA being higher than its pre-pandemic level and Lothbury approaching that level. Investments in multi-asset funds were showing dividend returns at expected levels.

The Panel's Scrutiny explored issues around broadening the asset base for treasury investments, though the suggestions made typically did not constitute treasury investments but capital spends. The Panel noted that that the Council had been sent a breakdown of the ethical, social and governance policies of their investments and

requested that that information be shared with members. A progress update on the Council's £7.5m holding in Barclays was requested and it was confirmed that the money had been withdrawn. This was due to the accounts being replaced with ones paying significantly lower rates of interest. To date a suitable replacement had not been found. Finally, discussion was held over the resilience of the Council's finances with changes to how property funds should be accounted for. Government changes could technically make it harder it to set a balanced budget in the event of a significant slide in property values. However, having seen good levels of capital appreciation since purchase a significant buffer existed to protect the Council from this situation.

The report was **NOTED** and no recommendations made to Cabinet.

31. Asset Management Strategy

Mike Scott, Senior Estates Surveyor, presented to the Panel the Cabinet report on the Asset Management Strategy, supported by Emma Gubbins, Senior Estates Surveyor.

The Strategy would cover the next 10 years, a change in approach from previously, where the Council had had five year plans. The key difference would be that the new arrangements would allow delineation between strategic objectives, and the plans how to achieve those objectives, enabling the Council to have a more flexible and dynamic approach. In terms of its contents, the strategy engaged with new issues, such as the impacts of Covid on the commercial property market, but was generally an evolution from previous iterations. An investment of £20m in regenerative activities would help dilute the Council's high concentration of property within the retail sector. Another issue more prominent in the Strategy compared to previous documents was the activity of the Council in seeking to address the Climate Emergency. Cost-wise, the Strategy was already included within the Medium Term Financial Plan, meaning the costs formed part of the Council's existing budget.

Issues discussed by the Panel in response to the report presented included; exploring issues around alternative diversification possibilities, particularly housing and logistics; the importance of integration of biodiversity into projects rather than just including it in designated sites; noting the value of taking a policy view on whether to support boats as homes in the City in order to maximise the utility of the Council's waterway assets; the comparative attractiveness of the city centre as a shopping destination; the level of resource available for the implementation of the Strategy, and the degree of cross-working between Council departments to deliver it and the issues arising from the need to work within the constraints of the Local Plan.

Discussion was held by the Panel over the importance to the Council's net zero ambitions of phasing out gas use over the medium to long term. The Panel was in agreement with the Asset Management Strategy, which stated in s 7.4 that 'The Council's strategic response to these challenges are not to be seen as 'nice to have' but as 'must have' if it is to deliver on our carbon goals for our operational property assets, as set out in our Carbon Management Plan.' Given this importance, the Panel felt that the phasing out of gas use in the medium to long term was sufficiently strategic as to warrant inclusion within the Asset Management Strategy. The Panel **AGREED** to make the following recommendation to Cabinet:

That the Council includes within the Strategy a commitment to working towards phasing out the use of gas within its non-domestic properties over the medium to long term.

32. Budget 2022/23

The Panel considered a list of questions for pre-submission to Heads of Service to inform its discussions as part of the Budget Review Group. The existing questions were **AGREED**. It was further **AGREED** that additional questions would be submitted outside the meeting to the Scrutiny Officer for inclusion.

33. Dates of next meeting

The dates of the next meetings were **NOTED**, including dates of the Budget Review Group on 04, 06 and 10 January 2022.

The meeting started at 6.00 pm and ended at 7.45 pm

Chair

Date: Monday 24 January 2022

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.

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