

Agenda

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Finance and Performance Panel (Panel of the Scrutiny Committee)

This meeting will be held on:

Date: **Thursday 3 December 2020**

Time: **6.00 pm**

Place: **Zoom - Remote meeting**

For further information please contact:

Tom Hudson, Scrutiny Officer

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Members of the public can attend to observe this meeting and.

- may register in advance to speak to the committee in accordance with the [committee's rules](#)
- may record all or part of the meeting in accordance with the Council's [protocol](#)

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Please contact the Committee Services Officer to register to speak; to discuss recording the meeting; or with any other queries.

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Committee Membership

Councillors: Membership 4: Quorum 2: substitutes are not permitted.

Councillor James Fry (Chair)

Councillor Chewe Munkonge

Councillor Craig Simmons

Councillor Roz Smith

Apologies and notification of substitutes received before the publication are shown under *Apologies for absence* in the agenda. Those sent after publication will be reported at the meeting.

Agenda

	Pages
1 Apologies Substitutes are not allowed.	
2 Declarations of interest	
3 Finance and Performance Panel Work Plan For the Panel to note and agree its work plan, which can be adjusted to reflect the wishes of the Panel.	7 - 8
4 Notes of previous meeting The Panel is recommended to approve the record of the meeting held on 29 September 2020, having raised any necessary questions or amendments.	9 - 14
5 Treasury Management Mid –Year Report The Panel is recommended to consider the Treasury Management Mid-year Report and make any recommendations to Cabinet accordingly. Bill Lewis, Financial Accounting Manager, will be available to present the report and answer any questions.	15 - 30
6 Integrated Performance Report 2020/21 Q2 The Panel is recommended to consider the Integrated Performance Report Q2, detailing the main issues around finance, performance and risk, and to make any recommendations to Cabinet accordingly. Nigel Kennedy, Head of Financial Services, and Anna Winship, Management Accountancy Manager, will be available to present the report and respond to questions.	31 - 50
7 Written Questions for Budget Review Group	

The Panel is asked to consider the proposed list of questions submitted to Directors and Heads of Service for written responses as the starting point for discussion in the forthcoming Budget Review Group. The Panel is recommended to agree the list having made any necessary amendments.

NB The list of questions and proposed draft budget pack will be issued separately as a supplement.

8 Date of next meeting

Meetings are scheduled as follows:

- 27 January 2021

The Panel is also asked to note the dates of the Budget Review Group:

- 04 January 2021
- 06 January 2021
- 11 January 2021

All meetings begin at 6.00pm.

9 Confidential Session

Should the Panel consider it necessary to go into confidential session, it will be necessary to pass a resolution 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 this item 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.

10 Boswells Department Store

The Panel is recommended to consider the proposals for the site of the former Boswells store and make any recommendations to Cabinet accordingly.

Jane Winfield, Head of Commercial, and Emma Gubbins, Senior Surveyor, will be available to present the report and respond to questions.

51 - 74

11 Further discussion - Integrated Performance Report Q2 (Commercial Property)

75 - 112

The Panel is recommended that if it wishes to consider in detail the recommendation of the Integrated Performance Report Q2 concerning the Council's Commercial Property Strategy, it do so here. The advice of the Council's agents is included for further information.

Councillor Ed Turner, Cabinet Member for Finance and Asset Management and Jane Winfield, Head of Commercial Property will be present to answer questions.

Information for those attending

Recording and reporting on meetings held in public

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- Not to edit the recording in a way that could lead to misinterpretation of the proceedings. This includes not editing an image or views expressed in a way that may ridicule or show a lack of respect towards those being recorded.
- To avoid recording members of the public present, even inadvertently, unless they are addressing the meeting.

Please be aware that you may be recorded during your speech and any follow-up. If you are attending please be aware that recording may take place and that you may be inadvertently included in these.

The Chair of the meeting has absolute discretion to suspend or terminate any activities that in his or her opinion are disruptive.

Councillors declaring interests

General duty

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?

Disclosable pecuniary interests relate to your* employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licenses for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Declaring an interest

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest. If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". The matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

*Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

Finance and Performance Panel Work Plan to April 2021

03 December 2020 - reports

Agenda item	Cabinet item	Description	Cabinet portfolio	Lead officer
Treasury Management Mid – Year Report	Yes	A report to report on the performance of the Treasury Management function for the 6 months to 30 September 2020	Deputy Leader - Finance and Asset Management	Bill Lewis, Financial Accounting Manager
Quarterly Integrated Performance 2020/21– Q2	Yes	A report to update Members on Finance, Risk and Performance as at 30 September 2020.	Deputy Leader - Finance and Asset Management	Anna Winship, Management Accountancy Manager
Boswells Department Store	Yes	Joint venture between developer and City Council to enable the building to be redeveloped for hotel use	Deputy Leader (Statutory) - Finance and Asset Management	Jane Winfield, Regeneration and Major Projects - Team Manager / Director Housing Companies
Budget Review Group	No	To agree the written questions to be submitted to Directors and Heads of Service for the Budget Review Group		Tom Hudson, Scrutiny Officer

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27 January 2021 - provisional reports

Agenda item	Cabinet item	Description	Cabinet portfolio	Lead officer
Treasury Management Strategy 2021/22	Yes	A report to present the Council's Treasury Management Strategy for 2021/22.	Deputy Leader - Finance and Asset Management	Bill Lewis, Financial Accounting Manager
Capital Strategy 2021-22	Yes	A report to present the Capital Strategy for 2021/22 approval.	Deputy Leader - Finance and Asset Management	Bill Lewis, Financial Accounting Manager
Budget Review Group	No	To review the draft of the Budget Review Group paper		Tom Hudson, Scrutiny Officer

Remote meeting

Notes of a meeting of the Finance and Performance Panel (Panel of the Scrutiny Committee) on Tuesday 29 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

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
2020

Date: Thursday 3 December

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To: Cabinet
Date: 09 December 2020
Report of: Head of Financial Services
Title of Report: Treasury Management Mid-Year Review for April – September 2020

Summary and recommendations	
Purpose of report:	To report on the performance of the Treasury Management function for the 6 months to 30 September 2020
Key decision:	No
Executive Board Member:	Councillor Ed Turner, (Deputy Leader) Finance and Corporate Assets
Corporate Priority:	All
Policy Framework:	Council Strategy 2020-24
Recommendations: That Cabinet resolves to:	
1. Note the performance of the Treasury Management function for the six months to 30 th September 2020	

Appendices	
Appendix 1	List of investments as at 30 th September 2020
Appendix 2	Risk Register

Introduction and Background

- This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury and has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, covering the following:
 - An economic overview for the first part of the 2020/21 financial year
 - A review of the Council's investment portfolio for 2020/21
 - A review of the Council's borrowing strategy for 2020/21

- A statement of compliance with Treasury and Prudential Limits for 2020/21
2. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in suitable counterparties, providing adequate liquidity and security initially before considering optimising investment return.
 3. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Economic Overview

4. On 19th March 2020 the Bank of England cut the base rate to 0.10% to help control the economic shock of the Coronavirus. The rate looks likely to stay at this level until inflation is sustainably meeting the Bank of England's target levels.
 - Bank of England has squashed any idea of using **negative interest rates**, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be "less effective as a tool to stimulate the economy" at this time when banks are worried about future loan losses. It also has "other instruments available", including Quantitative Easing (QE) and the use of forward guidance.
 - **The pace of recovery** is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

Interest and Interest Rate Forecasts

5. The Council's treasury advisor, Link Group, provided the following forecasts (PWLB rates are certainty rates, gilt yields plus 180bps):

Link Group Interest Rate View										
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 Month average earnings	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
6 Month LIBID	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-
12 Month LIBID	0.20	0.20	0.20	0.20	0.20	0.20	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

6. The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate from 0.75% to 0.25% on 11th March 2020 and then subsequently to 0.10% on 19th March 2020, it left the Bank Rate unchanged at its meeting on 6th August and subsequently 16th September. It also indicated that there would not be any use of negative interest rates in, at least, the next six months while the Bank carries out research work with high street banks on the potential impact on them of negative rates. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also stated that it has “other instruments available”, including QE and the use of forward guidance. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.
7. From the local authority borrowing perspective, HM Treasury imposed two changes of margins over gilt yields for PWLB rates in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all Public Works Loans Board (PWLB) period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July 2020. It seems clear that HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).
8. Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows: -
 - PWLB Standard Rate is gilt plus 200 basis points (G+200bps)
 - PWLB Certainty Rate is gilt plus 180 basis points (G+180bps)
 - PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)
 - PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)
 - Local Infrastructure Rate is gilt plus 60bps (G+60bps)

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

9. As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21. ,

Investment Portfolio and Performance

10. The budgeted investment income for 2020/21 is £1.223 million. As at the 30th September 2020, forecast investment income for 2020/21 is £1.044m. Many of the Council's current investments were placed at higher levels of interest before the Base rate was reduced in March 2020, the Council has also taken advantage of better rates where possible
11. The Treasury Management Strategy for 2020/21 was approved by this Council in February 2020; to date the Strategy has been fully adhered to.
12. As part of its Strategy, the Council aims to maintain a diversified investment portfolio whilst ensuring there are no policy and procedure breaches. Security of investments is always the primary concern when arranging investments with liquidity and yield being secondary, but key considerations.
13. The Council operates an approved counterparty listing which details all institutions with whom the Council may invest, the maximum amount which may be invested with any single counterparty group at any given point and the maximum duration period. The counterparty list is set in association with recommendations from Link Asset Services although ultimate authorisation of approved counterparties rests with the Section 151 Officer. The list is actively managed and reviewed on a weekly basis or more regularly if required.
14. Monthly monitoring meetings are held with the Section 151 Officer, Financial Accounting Manager and Treasury staff to discuss investments in terms of counterparties and maturity dates, cash flow, interest and borrowing rates and Treasury operational and Strategic strategies.
15. The strategy also adopts an ethical approach to investments, stating that:
“The Council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the Council’s mission and values. This would include, inter alia, avoiding direct investment in institutions with material links to:
 - *Human rights abuse (e.g. child labour, political oppression)*
 - *Environmentally harmful activities (e.g. pollutants, destruction of habitat, fossil fuels)*
 - *Socially harmful activities (e.g. tobacco, gambling)”*
16. The Council has been able to take advantage of some further green deposit notice accounts offered by Barclays Bank who are working in association with

Sustainalytics, a leading global provider of environmental, social and corporate governance research and ratings, to achieve a positive environmental impact. Their green framework covers the following environmental areas:

- Energy efficiency projects and renewable energy
- Sustainable food agriculture and forestry
- Waste management
- Greenhouse gas emission reduction
- Sustainable water

17. The Council currently has £7.5 million in these accounts.

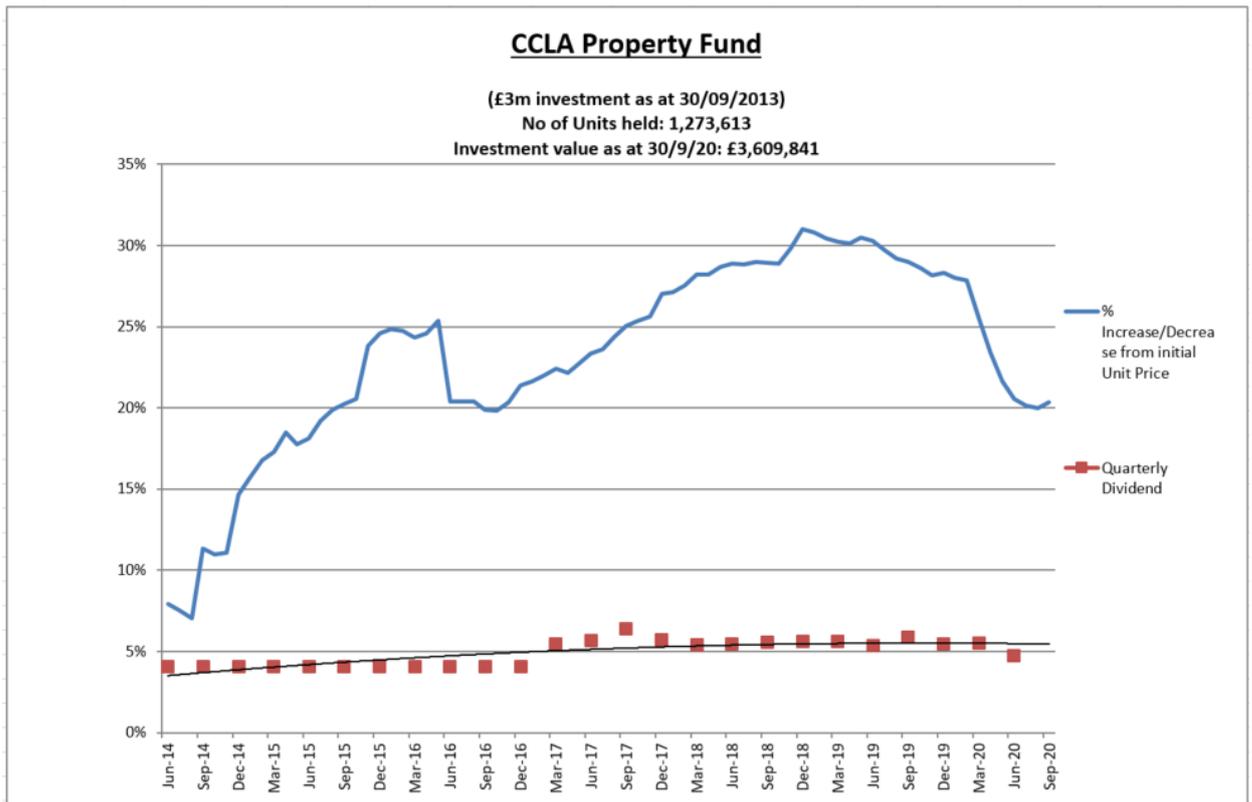
Pooled Investment Funds

18. At present, the Council has placed investments with two property funds; CCLA Investment Management, which is a property fund that limits its investors to Charities, Churches and Local Authorities and Lothbury Investment Management, a specialist UK property fund manager with a range of funds providing high quality exposure to different property sectors. Due to the Covid-19 pandemic, property prices have a lot of uncertainty about them and capital values have fallen. However, both our respective fund managers have reassured us that their investments are well placed to recover and over the longer term capital values will pick up. In the short term Dividends are still being paid at similar levels to pre-Covid times and are still giving us a good return on our investments. Both property funds have reduced their retail holdings which de-risks the capital value they hold.

CCLA Investment Management Limited

19. The Council has held a £3m investment in the CCLA fund since September 2013. The investment has produced quarterly returns ranging between 5% and 6% and it is expected that the Fund will continue to achieve rates in this region.

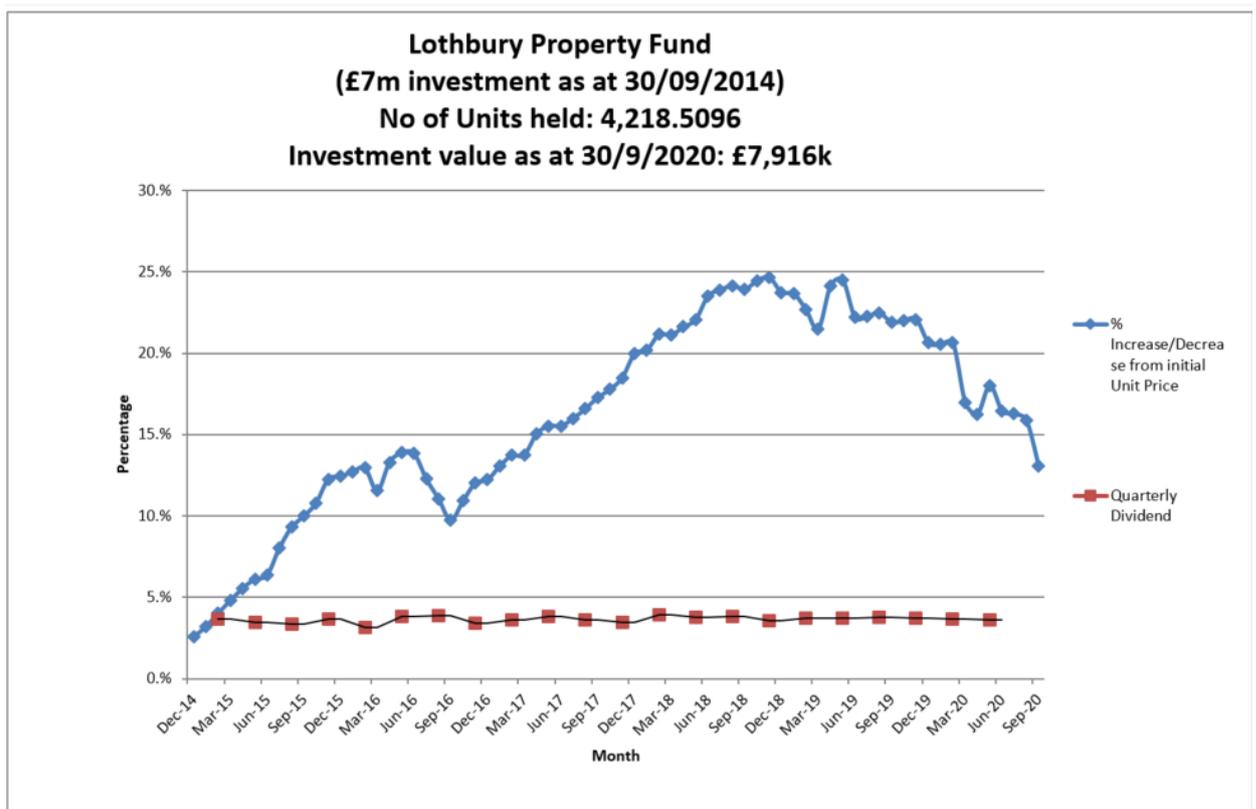
20. Additionally, the value of the Council's investment with CCLA has appreciated from £3m to £3.6m as at 30th September 2020, equating to growth of 20.33% to date from inception. However, the values of the individual unit prices have fluctuated over time and the effect of capital appreciation (and depreciation) is illustrated in the graph below. There has been pressure on the overall property value but the dividend is being maintained and prices are always going to fluctuate over time. This is seen as a long term investment.



21. Changes to the accounting rules on property funds means that the principal gain or loss will now be charged to the Surplus or Deficit on the Provision of Services, within the Councils Income and Expenditure Account, rather than being held on the balance sheet. However, following consultation by MHCLG the government has introduced a mandatory statutory override for local authorities to reverse out the effect for five years from 1st April 2018 after which surpluses as well as deficit will impact on the Councils revenue position. Even without the statutory override, the Council would have created a reserve to hold the funds until the return was realised due to the potential for fluctuations in the property markets.
22. The investment returns around £40k per quarter.

Lothbury Investment Management

23. During 2014/15, the Council invested £7m in the Lothbury Property fund and the Fund has produced quarterly returns in the range of 3-4%. Furthermore, the Fund has seen a capital appreciation over the period with the value currently standing at £7.916m, compared with £7m at inception, equating to overall growth of 13.08% to date. However, as with CCLA, the values of the individual unit prices have fluctuated over time and the effect of capital appreciation (and depreciation) is illustrated in the graph below. The changes to accounting rules will also affect the Lothbury Property Fund as explained in paragraph 21 above.



The investment returns around £60k per quarter.

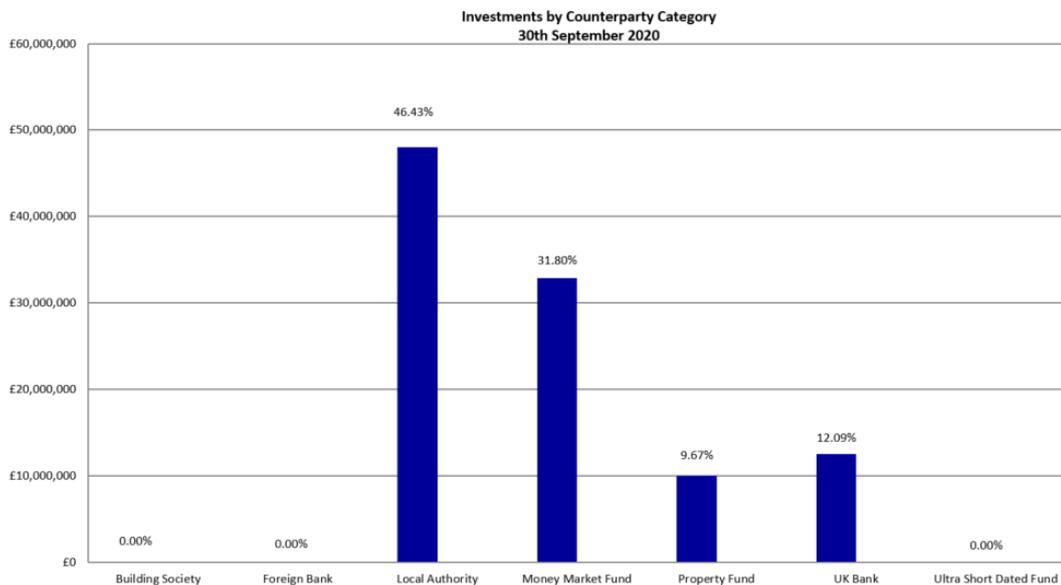
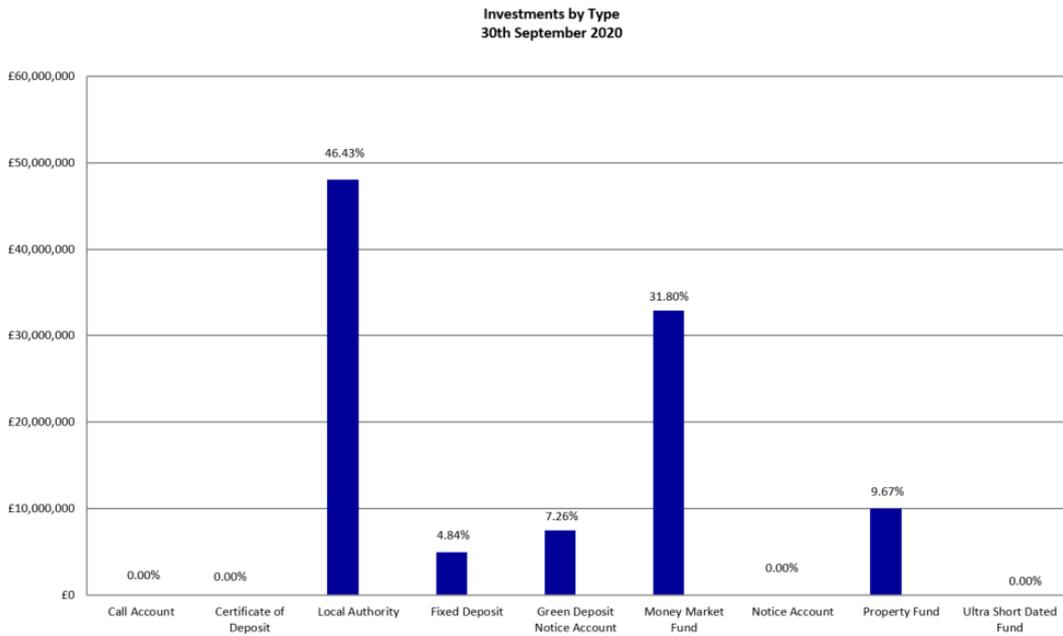
Multi-Asset Fund(s)

24. As agreed in the Treasury Strategy for 2020/21, and included in the budget report for 2020/21, the Council is selecting a multi-asset fund or funds to invest an amount of £10m. The selection process was paused due to the pandemic but has recently been recommenced. The process is nearing conclusion and Council Officers will then liaise with the fund managers regarding the optimum investment point.

Investment Portfolio

25. As at 30th September 2020, the Council's total investment portfolio amounted to £103.4m, with £10m of this being held in property funds and £32.9m being held in instant access cash facilities with the balance being held in banks and building societies

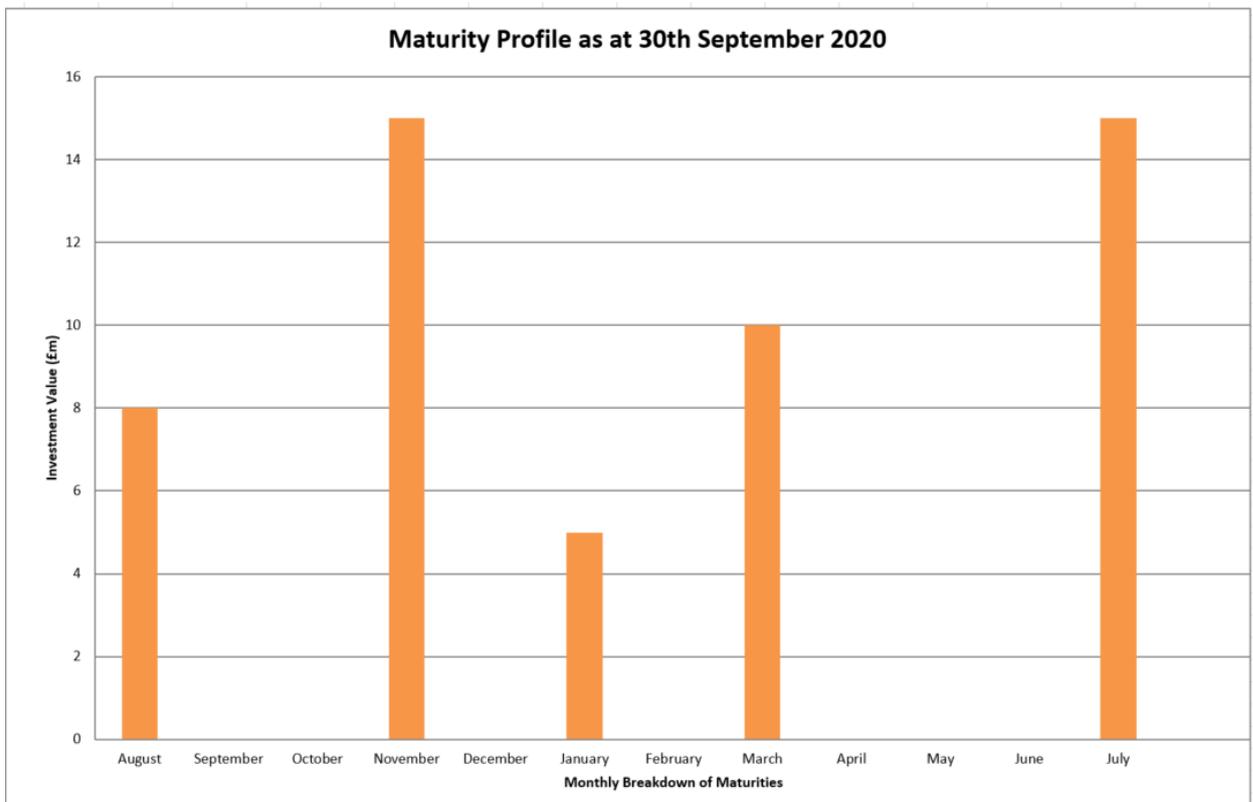
26. The graphs below illustrate how the Council's investment portfolio is distributed, both in terms of the type of investment and counterparty category:



27. Fixed deposits and certificates of deposits both have an agreed start and end date which are arranged where possible, to suit the cashflow requirements. However, as mentioned previously, it is also important to keep a proportion in instant access funds.
28. The Council's Treasury Management Strategy limits non-specified investments to 25% (or £25m whichever is greater) of the previous year's average investment portfolio. This limit is reviewed each year when setting the Strategy in order to

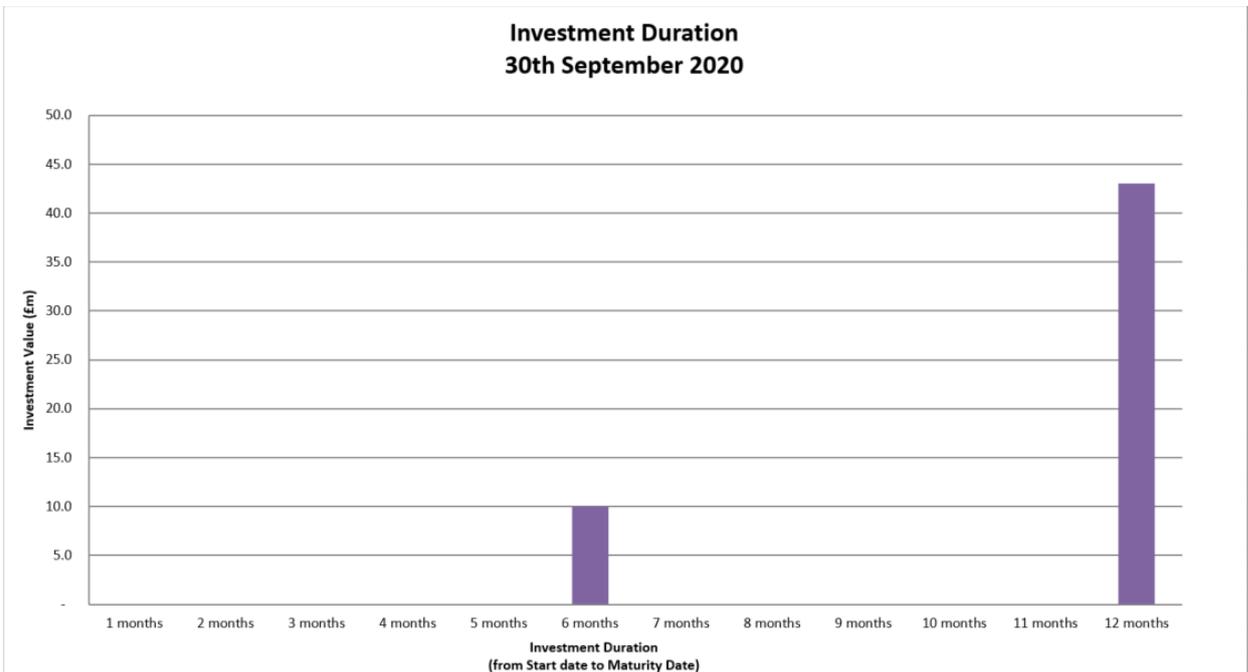
ensure a balanced and diversified portfolio of investments. Property funds and investments in excess of 364 days are classified as non-specified due to the associated risk; property funds by nature are high risk due to the volatility of the market. There are several factors that deem longer term investments to be more risky in nature including the risk of interest rate rises and the commitment of cash for longer periods.

29. £10 million is committed in the CCLA and Lothbury property funds and the Council is currently looking at utilising residual headroom to invest further in some non-specified investments. It should be noted that the £5 million invested in the National Homelessness Property Fund (Real Lettings) is, following discussions with the Council’s external auditors, classified as a service investment undertaken using service delivery powers rather than treasury powers under Section 12 of the Local Government Act 2003. This means the counterparty limit for the £5m invested in the National Homelessness Property Fund is not taken into account when assessing the residual headroom available for investment in non-specified investments.
30. The Strategy defines a specified investment as one that is in sterling, no more than one year in duration or, if in excess of one year can be repaid earlier on request and with counterparties that meet the Council’s credit rating criteria. Additionally, once the duration of a non-specified investment falls below 366 days, it also falls into the Specified category. The maturity profile for the Council’s specified investments (equating to £60.5m when excluding the instant access cash) is illustrated below.



31. The graph below illustrates the same investments by duration period in order to demonstrate duration periods. It is not surprising that the majority of investments have a duration period of six months as this is the limit for most of the banks and

building societies with whom the Council may invest. When the opportunity arises, longer investments are arranged to allow for a greater yield.



Borrowing

32. The Council has not taken on any additional debt during the year to date and so the balance of its external borrowing remains at approximately £198.5 million; this figure relates to funds borrowed from the PWLB to buy out the Housing Revenue Account (HRA) from the subsidy system and relates wholly to Housing with interest repayment being met by the HRA. The Council does not consider that debt restructuring and/or premature repayment would be practical at this time as due to the differential in interest rates, the Council would incur a large premium from the PWLB for doing so. The Council continues to monitor borrowing interest rates and forecasts on a regular basis and will continue to review its position on debt restructuring.
33. The Council anticipates borrowing in the future to meet its capital expenditure requirements, including loans to the Housing Company, but does not anticipate any external borrowing during 2020/21.

Treasury and Prudential Limits for 2020/21

34. The Council has operated all of its Treasury Management activity within the parameters set by the Treasury and Prudential indicators in the Treasury Management Strategy for 2020/21.

Other Key Updates

Changes in Risk Appetite

35. The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy should be brought to members' attention in treasury management update reports. The Council has not

made any significant changes to its investment approach at this time although there is the intention to further invest in property funds in the near future. The risk will continue to be managed by understanding the individual investment vehicles and also by considering the appropriate percentage of non-specified investments that can be held in the overall portfolio.

Treasury Advisor

36. Treasury advice and market information is provided by Link Asset Services. Information provided by Link Asset Services is used to advise Council Officers when making investment decisions.

Financial Implications

37. Any financial implications are contained within the body of this report.

Legal Issues

38. There are no legal implications directly relevant to this report.

Level of Risk

39. There are no risks in connection with the report's recommendations. Risk assessment and management is a key part of Treasury Management activity especially in the selection of counterparties when considering investment opportunities. The Council uses external advisors and counterparty credit ratings issued by the rating agencies to assist in this process.

Equalities Impact

40. There are no equalities impacts arising directly from this report.

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Background Papers: None

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OXFORD CITY COUNCIL LOANS LIST 2020/21

OCC Investments as at:		30/09/2020	103,375,000.00							
Counterparty Group	Group Operational Lending Limit	Counterparty Name	Investment Amount	Interest Rate	Trade Date	Start Date	Maturity Date	Remaining Limit	Broker	
SPECIFIED INVESTMENTS										
Barclays Bank (NRFB)	10,000,000.00									
Fixed Deposits										
Call Account		Barclays Bank BPA (call account)		0.05%	12/11/2019					
6 months maturity limit		Barclays Green Deposits: 65-day Notice Account	2,500,000.00	0.85%	20/02/2019				Direct	
PJ checked 21/01/2020		Barclays Green Deposits: 95-day Notice Account	5,000,000.00	0.95%	03/05/2019			2,500,000.00	Direct	
Lloyds Banking Group (RFB)	15,000,000.00									
Lloyds Bank		175-day notice account	-	0.75%	27/07/2018					
Bank of Scotland										
£15m operational limit agreed by JY 02/08/16										
364-day maturity limit										
PJ checked 21/01/2020								15,000,000.00		
Royal Bank of Scotland Group (RFB)	10,000,000.00									
RBS										
NatWest										
364-day maturity limit										
PJ checked 21/01/2020										
Close Brothers	7,000,000.00									
£7m operational limit agreed by NK 25/11/15			5,000,000.00	0.45%	23/09/2020	24/09/2020	24/03/2021			
6 month maturity limit										
PJ checked 21/01/2020								2,000,000.00		
Goldman Sachs International	9,000,000.00									
6 month maturity limit										
PJ checked 21/01/2020									Tradition	
HSBC Bank plc	10,000,000.00									
12 month maturity limit										
PJ checked 21/01/2020								10,000,000.00		
Santander UK plc	7,000,000.00									
Santander Instant Access Call Account			-	0.80%	13/11/2019					
Corporate Notice Account Statement (35 days)				0.80%						
Corporate Notice Account Statement (95 days)				1.20%						
Corporate Notice Account Statement (180 days)				1.05%						
£7m operational limit agreed by NK 25/11/15										
6 month maturity limit										
PJ checked 21/01/2020								7,000,000.00		
SMBC	7,000,000.00									
£7m operational limit agreed by NK 25/11/15		Sumitomo Mitsui Banking Corporation	-	0.73%	02/05/2018	02/05/2018	02/11/2018			
6 month maturity limit										
PJ checked 21/01/2020								7,000,000.00		
Standard Chartered	7,000,000.00									
£7m operational limit agreed by NK 25/11/15										
6 month maturity limit										
PJ checked 21/01/2020								7,000,000.00		
Svenska Handelsbanken	7,000,000.00									
£7m operational limit agreed by NK 09/06/17		Instant Access Call Account	-	0.65%		19/03/2020				
12 month maturity limit		35-day Notice Account								
PJ checked 21/01/2020								7,000,000.00		
Coventry Building Society	7,000,000.00									
£7m operational limit agreed by NK 25/11/15										
6 month maturity limit										
PJ checked 21/01/2020								7,000,000.00		
Leeds Building Society	7,000,000.00									
£7m operational limit agreed by NK 25/11/15										
100 days maturity limit										
PJ checked 21/01/2020								7,000,000.00		
Nationwide Building Society	10,000,000.00									
6 month maturity limit										
PJ checked 21/01/2020								10,000,000.00		
Skipton Building Society	3,000,000.00									
100 days maturity limit										
PJ checked 21/01/2020								3,000,000.00		
Yorkshire Building Society	7,000,000.00									
£7m operational limit agreed by NK 25/11/15										
100 days maturity limit										
PJ checked 21/01/2020								7,000,000.00		
Treasury Bills	7,000,000.00									
								7,000,000.00		
Local Authorities	18,977,000.00									
£18,977m limit per authority as per 2015/16 Strategy		1314 London Borough of Croydon	5,000,000.00	1.00%	15/05/2020	13/07/2020	12/07/2021	13,977,000.00	Tradition	
		1302 Rugby Borough Council	5,000,000.00	1.00%	24/06/2019	20/01/2020	18/01/2021	13,977,000.00	Tradition	
		1316 Thurrock Council	3,000,000.00	0.91%	22/07/2020	12/08/2020	12/08/2021	15,977,000.00	R P Martin	
		1306 Lancashire County Council	10,000,000.00	0.85%	11/09/2019	15/11/2019	13/11/2020	18,977,000.00	Tradition	
		1313 Birmingham City Council	10,000,000.00	1.20%	26/02/2020	31/03/2020	30/03/2021	8,977,000.00	Tradition	
		1312 Rotherham Metropolitan Borough Council	5,000,000.00	1.00%	20/02/2020	07/05/2020	09/11/2020	13,977,000.00	Imperial	
		1313 Lancashire County Council	10,000,000.00	0.35%	22/07/2020	24/07/2020	23/07/2021	18,977,000.00	R P Martin	
Money Market Funds	75,000,000.00									
Limited set to match Treasury Strategy 23/3/20		Legal and General Investment Management	-		18/09/2020					
£25m operational limit per MMF agreed by NK 23/03/20		Federated Investors	7,880,000.00		29/09/2020					
		Aberdeen Standard	24,995,000.00		03/06/2020					
								42,125,000.00		
Cash Plus Funds	15,000,000.00									
£15m operational limit of Fund agreed by JY 02/08/16		Royal London Cash Plus	-		15/01/2018					
								15,000,000.00		
NON-SPECIFIED INVESTMENTS (Discuss with BL before arranging non-specified investments)										
Property Funds	24,000,000.00	CCLA	3,000,000.00		30/04/2013	30/04/2013				
		Lothbury	3,500,000.00		06/08/2014	06/08/2014				
			3,500,000.00		04/09/2014	04/09/2014				
Unrated Building Societies (100 days maturity limit)										
Local Authorities (2 years maturity limit)										
								14,000,000.00		
Total Investments as at	30 September 2020		103,375,000.00							

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Risk ID	Risk						Gross Risk		Current Risk		Residual Risk		Risk Mitigation
	Risk Title	Opportunity/Threat	Risk Description	Risk Cause	Consequence	Date raised	I	P	I	P	I	P	
1	Loss of capital investment due to a counterparty collapsing	T	The Council loses its principal investment or an investment becomes impaired.	Counterparty collapses or hits a financial crisis rendering it unable to repay investments.	The Council may lose money or repayment of funds could be significantly delayed which could have an adverse impact on operational funding levels	5-Aug-16	5	3	5	3	5	3	Reducing risk by limiting the use of high risk counterparties. Imposing a maximum investment value on approved counterparties in order to spread and reduce risk. Controls and procedures are in place to ensure investment and durations limits with approved counterparties are not exceeded. Counterparties are also monitored and reviewed on a weekly basis at least, or more regularly if considered necessary to do so.
2	Property fund investments lose value	T	The value of the Council's units held in property fund investments decreases.	Uncertainty in the commercial property market following Brexit and slowdown in general economic activity.	Capital depreciation will decrease the overall value of the investment.	5-Aug-16	4	3	3	3	3	2	The Council receives monthly valuations from the property fund managers detailing the indicative redemption value of the individual units. These are reported to the Head of Finance on a monthly basis. The Council has the option to sell its units if there is a concern that the fund value is likely to decrease for a prolonged period.
3	Decline in interest rates	T	Interest rates continue to fall with very little prospect of upward movement in the next 12 months.	Economic growth forecasts remain subdued leading to low interest rates. Consequently lower risk counterparties tend to offer low investment rates.	The Council may not achieve its target level of interest.	5-Aug-16	2	3	2	3	2	3	In the current economic climate where rates tend to be static, arranging investments over a longer period of time where possible will allow the Council to capitalise on a higher rate of return without there being an opportunity cost. The Council continually monitors base rate and rates being achieved against budget to ensure it has secured the best value possible in a difficult economic climate.
4	Fraudulent activity	T	Potential fraud by staff	Fraudulent activity	Loss of money for the Council Disciplinary action for the staff involved	5-Aug-16	3	3	2	1	2	1	Segregation of staff duties, reviewing and monitoring of internal controls to ensure the correct protocol is being followed. Ensuring all insurance policies and the fidelity guarantee are fully up to date.
5	Money laundering	T	Money laundering by external parties	External parties pay a transaction by cash and subsequently request a refund	Fine and/or imprisonment	5-Aug-16	4	2	4	1	4	1	Ensuring the money laundering policy is reviewed and up to date. Checking refunds back to source. Raising awareness of this issue amongst staff and reviewing the financial regulations.
6	Network failure/Barclays.net being inaccessible	T	The Council is unable to carry out its daily treasury functions due to a network failure	Barclays.net is unavailable or the Council's network has failed	Daily Treasury functions will not be carried out	5-Aug-16	2	3	1	2	1	2	Invoke the business continuity plan to minimise the effects of a network issue.
7	Revenue Budgets	T	Revenue budgets are unable to meet borrowing costs of capital schemes	Revenue budgets come under pressure from restricted government funding or non delivery of programmed savings	The Council may not be able to execute some desired projects.	5-Aug-16	3	3	2	2	2	2	Revenue budgets monitored on monthly basis and future year forecasts undertaken. Reserve some capital receipts to cover borrowing costs in the short term. Monthly financial reports and forecasts.
8	Lack of suitable counterparties	T	The Council does not have enough "space" with approved counterparties to place investments/deposit surplus cash balances.	Rising cash balances and a restricted counterparty list	Use of counterparties not paying best value rates.	5-Aug-16	3	4	3	3	3	3	The Council continually monitors its approved counterparty listing in conjunction with cash balances. Any potential new investment opportunities are discussed at Treasury Management performance meetings. The Council utilises money market and enhanced cash funds to deposit surplus cash balances in the event of no space with other counterparties and also to ensure there is always cash instantly available in order to meet payment obligations when they fall due. However, there are also limits on the amounts deposited to such funds. The Council has a facility to deposit cash with the Debt Management Office should all other investment options be exhausted.

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To: Cabinet

Date: 09 December 2020

Report of: Head of Financial Services
Head of Business Improvement

Title of Report: Integrated Performance Report for Quarter 2 2020/21

Summary and recommendations	
Purpose of report:	To update the Cabinet on Finance, Risk and Corporate Performance matters as at 30 th September 2020.
Key decision:	No
Executive Board Member:	Councillor Ed Turner
Corporate Priority:	All
Policy Framework:	Council Strategy 2020-24
Recommendations: That Cabinet resolves to:	
1.	Note the projected financial outturn as well as the current position on risk and performance as at 30 September 2020; and
2.	Note the un-pausing of the Commercial Property capital project of £42million to allow for the purchase of properties for regeneration.

Appendices	
Appendix A	General Fund - September 2020 Forecast Outturn
Appendix B	Housing Revenue Account - Sept 2020 Forecast Outturn
Appendix C	Capital Programme – September 2020
Appendix D	Income Streams – September 2020

Introduction and background

1. This report updates the Cabinet on the financial, corporate performance and corporate risk positions of the Council as at 30th September 2020.

Financial Position

- **General Fund** – the outturn position is forecast to be an adverse variance of £2.433 million against the latest net budget of £23.396 million (9.6%), and £11.622 million against the service area expenditure of £27.895 million (41.6%);
 - **Housing Revenue Account** – The budgeted surplus agreed by the Council in February 2020 was £0.992 million. The outturn position is forecasting an adverse variance of £1.222 million against this;
 - **Capital Programme** – The budget, as approved at Council in February 2020, was set at £142.569 million and with carry forward of unspent balances in 2019-20 this was subsequently revised to £163.314 million. During the first half year each scheme in the Capital Programme has been reviewed and a revised forecast for many of the schemes has been provided. The outturn forecast position is now £104.348 million with a variance of 23k against the latest budget of £104.325 million.
2. **Performance** – Given the COVID-19 pandemic the approval of the Council's revised Business Plan for the next four year period has been delayed and as such performance indicators haven't yet been identified. The Council is continuing to monitor service targets through the financial year, and will monitor work streams within the Business Plan rather than specific performance indicators;
 3. **Corporate Risk Management** – There are three red corporate risks at the end of quarter two. These relate to actions taken to ensure housing delivery and supply for the city of Oxford and to enable sufficient house building and investment; local, national or international factors adversely affecting the economic growth of the city and balancing and delivering the financial plan. There are nine amber risks and no green risks. More details of the risks can be found in paragraphs 18 to 19;

Financial Position

General Fund Revenue

4. The overall Net Budget Requirement agreed by the Council in February 2020 was £23.573 million. Since setting the budget, service area expenditure has decreased by a net total of £2.395 million, from £30.290 million to £27.895 million this is due to a combination of virements and transfers to and from reserves. All growth bids in 2020/21 have been paused as part of the measures to mitigate the losses resulting from the response to the COVID-19 pandemic. These budgets totalling around £1 million have been moved into contingencies and will be used to fund the forecast deficit. The Net Budget Requirement remains unchanged.
5. Virements between service areas, were authorised under delegated powers by the Council's Head of Financial Services, the most notable of which relate to the

redistribution of transformation funding to fund the Transformation Team and redistribution of Community grants to Housing Needs.

6. The release from reserves totals a net movement of £1.255 million, made up of the release from Transformation Funds for ongoing projects and release of external grant funding into the service areas for ongoing expenditure. Further releases from reserves will be required at year end to balance the budget in the light of financial pressures arising from COVID
7. As at 30 September 2020 the General Fund Service Area expenditure is projecting an adverse variance of £11.622 million against the latest budget of £27.895 million, this is in part mitigated by additional funding received from central government specifically to help out Local Authorities with the financial pressures they are facing following the COVID-19 pandemic totalling £8.257 million. Within this figure is an estimate of £5 million in respect of the councils claim for compensation in respect of Sales, Fees and Charges based on 95% of loss above a 5% threshold which will not be confirmed until year end
8. The key variances across the services which are all as a consequence of the response to COVID-19 pandemic either due to additional expenditure or loss of income, by service area are:
 - **Business Improvement** – a net adverse variance of £0.406 million across the service area. A large proportion of this variance is within ICT and relates to staffing costs above budget, additional cost for telephony services due to most staff working from home and a higher usage of telephones for calls and use of data heavy applications such as Teams and Zoom. There is also a notable cost for data usage and storage over and above the contract price with the data centre provider. A small saving of £10k has been identified on printing costs due to staff predominately working from home. Within HR & OD there is a net favourable variance which is made up of an adverse variance relating to expenditure in relation to maintenance and development of i-trent, which has been offset by savings on the training budget. Savings from vacant posts and underspends in the training budget totalling £80k have been utilised to fund the ongoing work on the People Strategy.
 - **Community Services** – an adverse variance of £1.765 million, which is a reduction (i.e. reduced adverse variance) of £0.440 million from last quarter. This is made up of reduced income projections from community centre rents and Town Hall events mitigated by savings on utilities, waste collection, and other costs associated with holding such events. The net loss from this source is now estimated at over £0.900 million. This loss is expected to be compensated through the sales, fees and charges claim referred to in paragraph 11.

The service area has also seen additional costs relating to leisure services and the setting up and running of the locality hubs. An agreement has been made with Fusion on the amount of funding to open all leisure centres with the exception of Barton, on a reduced capacity as well as around the management fee. This is forecast to result in a financial pressure in the current year of around £0.700 million.

Setting up and running of the locality hubs has included the cost of food parcels, transportation and additional staffing costs to support vulnerable people during COVID-19 pandemic.

- **Regeneration & Economy** (Commercial property income) adverse variance of £4.2 million. A number of businesses occupying property owned by the Council have gone into liquidation and others may follow suit. This variance is a prudent forecast of reduced income and this position remains challenging and is materially affecting the Council's financial position.
 - **Housing Services** – adverse variance of £0.818 million, £0.300 million relates to the cost of providing accommodation and food to rough sleepers for the 3 months to June 2020, however there has been grant funding and contributions received to cover these costs which is shown in the funding section of the report. £0.518 million adverse variance relates to health and safety and compliance works that are required across the property portfolio where specific reserves would previously have been used but will no longer be available.
 - **Regulatory Services and Community Safety** – adverse variance of £0.306 million due to loss of income across street trading licences, building control fees and private sector landlord penalties. These have all declined in the first quarter of the year but expect to start to pick up as lockdown eases.
 - **Oxford Direct Services Client** – adverse variance of £4.005 million, £2.800 million relates to projected loss of car parking income for the year, where the actual loss to date is approximately £2.0 million. The use of car parks is starting to increase and the Council is expecting this to continue to improve during the second half of the year; £1.155 million relates to the reduction of expected dividend payment to be received from Oxford Direct Services (ODS) due to the inability to access council housing property to carry out much of their repairs work during lockdown, other income streams within ODS have also been impacted such as Motor transport and commercial waste. The company will continue to review its business plan and look to contain the losses and commence recovery.
9. Within the Corporate accounts there is a forecast variance of £0.093 million, this relates to loss of interest receivable on investments. Bank base rates remain at an all-time low of 0.1% and investments continue to deliver minimal returns to the Council
10. To mitigate some of these losses the Council has received Government funding which includes Emergency (COVID) Fund of £2.465 million; Rough sleepers fund £0.032 million, furlough grant approx. £0.214 million and funding from Oxfordshire County Council of £0.300 million to assist with expenditure on services for the homeless.
11. At the same time the Government issued a further funding for losses of income from sales fees and charges and changes to allocate tax deficits that would normally be charged to 2021-22 to be spread over 3 years. The scheme details also included :

- Councils will absorb losses up to 5% of their budgeted sales, fees and charges income for 2020-21, with the government compensating them for 75p in every pound of relevant loss thereafter;
- The scheme compensates for income that local authorities generate independently which is defined as a sale, fees and charges – for example, car parking charges or receipts from cultural asset charges;
- The scheme will cover transactional income from customer and client receipts (excluding rents and investment income) which is generated from the delivery of services which was budgeted for in 20/21;
- commercial revenues, including rental amounts are not considered relevant losses and will not be compensated for under this scheme ;
- The Section 151 officer will be responsible for self-certifying the accuracy and reasonableness of their claim against the principles and guidance provided and the Government through the engagement of external auditors will sample check claims;

12. The Council has completed the first claim and through this and its initial assessment the Council believes the additional support which the authority may receive is in the region of £5 million. Whilst this is welcome news this still falls short of the estimated £14 million increased cost that the Council is forecasting for the next 3 year period.

13. Appendix D provides additional information on the Council's key income streams that have been most affected by COVID-19, and the table below shows a summary of this position.

14. Service based income is at 70% of its expected levels as at the end of quarter 2, this is an improvement on the position at the end of Quarter 1. Council tax and Business Rates are currently at a level of 87% collection which is surprisingly high for this time of the year although there is a sense that this position may worsen.

	Budgeted income 2020- 21 £	Actual Cash Collected in Q1 £	Actual Cash Collected in Q2 £	Total Cash collected 2020- 21 £	Profiled income £	Percentage of profile collected £
Service Based income	23,407,731	3,727,804	4,456,301	8,184,105	11,703,866	70%
Collection Fund	148,675,990	43,319,157	38,830,067	82,149,224	94,729,416	87%
Housing	44,471,671	10,726,282	11,002,006	21,728,288	22,269,586	98%
Total	216,555,392	57,773,243	54,288,374	112,061,617	128,702,868	87%

15. Members should note that the movement in the General Fund Budget since last reported to Cabinet at 30 June 2020 is shown in Appendix A as £5.533 million. Whilst the variances are explained in detail above the main reasons for this relate to additional grant monies received and expected from Government of £6.203 million offset by an increase in the provision of income losses of £1.2 million and additional ICT costs relating to home working.

Housing Revenue Account (“the HRA”)

16. The HRA budgeted surplus agreed by the Council in February 2020 was £0.992 million. The outturn position is forecast a £0.220 million deficit, an adverse variance of £1.222 million. Of this variance £1.0 million relates to additional costs and loss of income directly relating to the COVID-19 pandemic.

Explanations for some of the significant variations include:

- Income - £0.418 million favourable variance due to reduced number of Right to Buy (RTB) sales compared to budgeted position and an additional 76 properties that have moved to formulae rent since the budget was set;
- Management & Services - £1.156 million adverse variance due to additional support for the Welfare Reform Team to assist tenants through the difficulties that lockdown has brought about, additional services being provided to support vulnerable tenants and additional costs such as Personal Protective Equipment (PPE);
- Miscellaneous Expenditure (not stock related) - £0.516 million relating to additional expenditure on feasibility studies for housing development work to be carried out in the HRA;
- Bad Debt provision – £0.300 million adverse variance due to rent arrears that are emerging due to the COVID-19 pandemic;
- Reserve Adjustments - £0.572 million favourable which represents a release of approved 2019/20 carry forwards

17. It should also be noted that the movement in the HRA Budget since last reported to Cabinet at 30th June 2020 is shown in Appendix B as £1.051 million. The variances are explained in detail above but the main reasons for the movement in the last quarter are due to reduced RTBs leading to increased rental income and reducing the bad debt provision that was previously increased due to COVID-19.

Capital

18. The budget, as approved by the Council at its meeting in February 2020, was set at £142.569 million. Since that date the budget has been increased by £20.745 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. The latest budget reported in June was £121.028 million, this movement relating largely to the pausing of expenditure in relation to commercial property investments of around £42.0 million.

19. The latest budget as at end of September is £104.325 million, this has increased by £8.055 million from the forecast position reported as at the end of June 2020. The main movements are an addition of £10 million on HRA developments; £3 million slippage on Motor Transport vehicle purchases and an additional £0.735k for the new Revenues and Benefits replacement system.

20. The current forecast is now £104.348 million. In seeking to address the financial pressure arising from COVID it would seem prudent to un-pause the £42m previously allocated for commercial property purchases at the time of budget setting in February. In the consultation budget additional commercial property income is proposed, and an external report has endorsed the view that additional commercial property purchases can generate income and help the

City Council rebalance its portfolio, although the nature of those purchases will differ slightly compared to the time prior to the pandemic.

21. Project Managers have been asked to provide a risk rating for each of their schemes to identify its deliverability within time and financial spend. The results are shown in Table 1 below

Table 1 : Status of schemes in capital programme			
Risk rating	No of schemes	%	Forecast Outturn
Off Target	11	10%	21,872,611
At Risk	22	19%	23,853,101
On Target	60	53%	58,375,632
Closed	7	6%	0
Completed	7	6%	1,333
On Hold	6	5%	245,808
TOTAL	113	100%	104,348,485

The majority of schemes are on track to be delivered or are in accordance with the current forecast spend profile for 2020-21. Those schemes that are not 'off target or at risk of delivery' largely relate to:

- Schemes that were paused by the Council as part of its budget re-set strategy agreed in August 2020 i.e. Bullingdon Community Centre, East Oxford Community Centre
- Planned maintenance schemes with the HRA where COVID has delayed operatives from ODS entering council houses to undertake the works.

Corporate Risk

22. There are three red risks on the current Corporate Risk Register, which are as follows:

- **Housing** – the Council has key priorities around housing which include ensuring housing delivery and supply for the City of Oxford and enabling sufficient house building and investment. Insufficient housing in Oxford leads to an increase in homelessness which has an impact on residents. There are also health and quality of life issues. The Council is implementing delivery methods for temporary accommodation and accommodation for homelessness prevention which include a rent guarantee scheme, a growth deal to facilitate additional affordable housing and a tranche of property purchases to be delivered via real lettings. In addition the Council's housing companies are in the process of constructing new affordable homes and the Cabinet has approved plans which will result in the Council's Housing Revenue Account ("HRA") purchasing the social housing using its new borrowing headroom, following the removal of the HRA borrowing cap by central government. This has become more challenging in the short term

due to the Covid-19 pandemic which has slowed down delivery in the housing supply.

- Economic Growth** – this relates to local, national or international factors adversely affecting the economic growth of the City. The economic impact of Covid-19 is continuing to affect the livelihoods and jobs of thousands of people in Oxford. Social distancing and economic uncertainties affect consumption on the High Street and the viability of some retail, hospitality and catering businesses. The wider economy is not immune with redundancies being announced by larger employers in other sectors as well as damaging impacts to education, transport, and property, creative and cultural sectors. Economic output is 11.7% below the February rate nationally and the remainder may not be recovered quickly. Delivery of a City and County wide Economic Recovery & Resilience Plan will align with the Oxford Economic Strategy and City Centre Vision and Action Plan, with consultation drafts published in the autumn. The latter plans will commence from early 2021. The phased restart which is now complete, will progress to long term recovery and renewal actions over a minimum 3 year period.
- Balancing & Delivery of the Financial Plan** – this risk has become red due to the adverse financial impacts arising from the covid-19 pandemic and the economic aftermath. The pandemic and the resulting actions necessary to deal with it has led to far reaching economic impacts. Experts believe that the economy will take years to recover. There is therefore considerable financial uncertainty around the current estimates especially around income streams which is compounded by additional expenditure needed to support the community through the crisis. The short term impact can be mitigated through the use of balances, however these are one-off and a full reset of budgets is needed which will be reported to Cabinet in December 2020.

23. The table below shows the level of Red, Amber and Green current risks over the last 12 months:

Current Risk	Q3 2019/20	Q4 2019/20	Q1 2020/21	Q2 2020/21
Red	1	1	3	3
Amber	9	10	8	9
Green	2	1	1	0
Total risks	12	12	12	12

Financial implications

24. All financial implications are covered in the body of this report and the Appendices.

Legal issues

25. There are no legal implications arising directly from this report.

Level of risk

26. All risk implications are covered in the body of this report and the Appendices.

Equalities impact

27. There are no equalities impacts arising directly from this report.

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General Fund Outturn Report 20/21 @ 30 September 2020	Approved Budget (per Budget book)	Paused Bids	Total Virements & Ear Marked Reserve Transfers year to date	Latest Budget	Projected Outturn against Latest Budget	PO Variance	PO Variance (Prev Quarter)	PO Variance Mvt from Previous Quarter
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
S03 - Business Improvement	9,111	(30)	502	9,583	9,989	406	406	
S22 - Community Services	5,005	(26)	(479)	4,500	6,265	1,765	2,205	440
Communities & Customers	14,116	(56)	23	14,083	16,254	2,171	2,611	440
S10 - Regeneration & Economy	(9,412)	(260)	(39)	(9,711)	(5,511)	4,200	3,000	(1,200)
S16 - Planning Services	450		1	451	483	32		(32)
Development	(8,962)	(260)	(38)	(9,260)	(5,028)	4,232	3,000	(1,232)
S01 - Assistant Chief Executive	876	(64)	47	859	859			
Assistant Chief Executive	876	(64)	47	859	859			
S13 - Housing Services	5,433		(1,217)	4,216	5,034	818	940	122
S15 - Regulatory Services & Community Safety	1,286		30	1,316	1,622	306	306	
Housing	6,719		(1,187)	5,532	6,656	1,124	1,246	122
S20 - Environmental Sustainability	1,299	(297)	(196)	806	816	10	10	
S26 - Oxford Direct Services Client	10,117	(166)		9,951	13,956	4,005	4,005	
ODS Development Director	11,416	(463)	(196)	10,757	14,772	4,015	4,015	
S32 - Financial Services	3,245	(50)	36	3,231	3,311	80	80	
S34 - Law and Governance	2,880	(132)	(55)	2,693	2,693			
Corporate Services	6,125	(182)	(19)	5,924	6,004	80	80	
Directorate Total Excl SLA's & Capital Charges	30,290	(1,025)	(1,370)	27,895	39,517	11,622	10,952	(670)
SLA's & Capital Charges	(8,616)		(1,194)	(9,810)	(9,810)			
Corporate Accounts	1,291		1,245	2,536	2,629	93	93	
Contingencies	221	1,025	64	1,310	285	(1,025)		
Total Corporate Accounts & Contingencies	1,512	1,025	1,309	3,846	2,914	(932)	93	
Net Expenditure Budget	23,186		(1,255)	21,931	32,621	10,690	11,045	(670)
S48D - Transfers To/From Earmarked Reserves	387		1,255	1,642	1,642			
Net Budget Required	23,573			23,573	34,263	10,690	11,045	(670)
Funding								
S47B - Council Tax Funding	14,679			14,679	14,679			
S47C - Parish Precept	(271)			(271)	(271)			
Additional Government Funding						8,257	2,054	(6,203)
S47D - NDR Funding	9,165			9,165	9,165			
Total Funding Available	23,573			23,573	31,830	8,257	2,054	(6,203)
(Surplus) / Deficit for the year					2,433	2,433	8,991	5,533

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HRA Report 20/21 @ Sept 2020	Approved Budget (per Budget book)	Latest Budget	Projected Outturn against Latest Budget	Projected Outturn Variance	PO Variance (Prev Quarter)	PO Variance Mvt from Previous Quarter
	£000's	£'000's	£'000's	£000's	£'000's	£'000's
Dwelling Rent	(41,631)	(41,631)	(41,881)	(250)	500	750
Service Charges	(1,814)	(1,814)	(1,914)	(100)		100
Garage Income	(218)	(218)	(218)	()		
Miscellaneous Income	(793)	(809)	(809)	(16)	(16)	()
Right to Buy (RAF)		(52)	(52)	(52)	(52)	
Net Income	(44,456)	(44,524)	(44,874)	(418)	432	850
Management & Services (Stock Related)	9,618	10,002	10,774	1,156	945	(211)
Other Revenue Spend (Stock Related)	1,807	1,928	1,928	121	(73)	(194)
Misc Expenditure (Not Stock Related)	721	737	1,237	516	456	(60)
Bad Debt Provision	741	741	1,041	300	500	200
Responsive & Cyclical Repairs	13,270	13,388	13,388	119	13	(106)
Interest Paid	8,503	8,503	8,503			()
Depreciation	8,892	8,892	8,892	()		
Total Expenditure	43,553	44,192	45,764	2,212	1,841	(371)
Net Operating Expenditure/(Income)	(903)	(331)	891	1,794	2,273	479
Investment Income	(89)	(89)	(89)	()		
Other HRA Reserve Adjustment		(572)	(572)	(572)		572
Transfer (to)/from MR/OR	()					
Total Appropriations	(89)	(661)	(661)	(572)		572
Total HRA (Surplus)/Deficit	(992)	(992)	230	1,222	2,273	1,051

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Capital Budget and Spend as at 30th September 2020											
Cost Centre	Capital Scheme	Progress Update Provider	Project Status	Risk Status	2020/21 Original Budget	Latest Budget	Spend to 30/09/2020	2020/21 Forecast			
								Forecast Variance	Forecast Variance due to Slippage	Forecast Over/Under Spend	2020/21 Forecast Outturn
					£	£	£	£	£	£	£
Communities and Customers Directorate											
C3039	ICT Infrastructure - minor costs	Rocco Labellarte	7. Closed	On Target	-	-	-	-	-	-	0
C3044	ICT Software and Licences	Rocco Labellarte	8. Rolling Programme	On Target	220,000	220,000	241,766	21,766	-	21,766	241,766
C3058	CRM Lagan Replacement	Purnima Gore	2. Feasibility	On Hold	200,000	185,808	8,200	-	-	-	185,808
C3060	End-Point Devices (Desktops/Laptops)	Purnima Gore	5. Delivery	On Target	-	-	240	90,000	90,000	-	90,000
C3066	Telephony Device Refresh	Rocco Labellarte	8. Rolling Programme	On Target	-	-	19,149	60,000	60,000	-	60,000
C3067	Paris Payment System, Replacement / PCI DSS	Niall Barker	5. Delivery	On Target	36,970	48,560	4,800	-	-	-	48,560
C3068	Windows 2008 Server Replacement	Kevin Wigham	4. Pipeline	Off Target	209,200	115,000	34,715	-	-	-	115,000
C3070	Business Process Automation Full Rollout	Purnima Gore	1. Idea	On Target	-	25,489	10,757	-	-	-	25,489
C3071	Idox / Uniform Improvement Project	Niall Barker	5. Delivery	On Target	-	1,544	1,620	76	-	76	1,620
C3072	Council Internet Accessibility Compliance Changes	Purnima Gore?/ Rocco L?	5. Delivery	On Target	-	6,505	1,200	-	-	-	6,505
C3075	Netcall	Rocco Labellarte	1. Idea	On Target	60,450	60,450	4,800	(40,450)	-	(40,450)	20,000
C3077	Info@Work Enterprise Upgrade Rollout	Rocco Labellarte	5. Delivery	On Target	-	-	4,800	4,800	-	4,800	4,800
C3078	Revs and Bens System Replacement	Tanya Bandekar	5. Delivery	On Target	-	735,000	-	(245,000)	(245,000)	-	490,000
Communities and Customers Directorate Total											
					4,331,752	4,921,575	2,043,626	(76,259)	(95,000)	18,741	4,845,315
Development Directorate											
A4853	Cycling Infrastructure Matched Funding	Ian Nicholson	9. Other Capital Spend	On Target	30,000	60,000	-	-	-	-	60,000
B0081	Car Parking Oxpens	Steven Clews	5. Delivery	On Target	243,000	243,000	-	-	-	-	243,000
B0086	Seacourt Park & Ride Extension	Douglas Kerrigan	5. Delivery	On Target	1,426,933	3,529,418	1,669,011	-	-	-	3,529,418
B0110	Covered Market Vacant Unit Works	Julia Castle	5. Delivery	On Target	116,000	107,959	30,177	-	-	-	107,959
B0111	Town Hall Dry Risers	Keith Reynolds/ Nick Brown	3. Design & Technical	On Target	-	152,718	2,500	-	-	-	152,718
B0116	Osney Mead Innovation Quarter	Trudy Godfrey	1. Idea	Off Target	1,086,250	60,000	7,000	-	-	-	60,000
B0117	Commercial Property	0	1. Idea	On Target	42,000,000	-	-	-	-	-	0
B0122	City Cycle Schemes (Growth Deal)			At risk	-	1,000,000	-	-	-	-	1,000,000
B0125	City Centre Restart		5. Delivery	On Target	-	100,000	-	-	-	-	100,000
Development Directorate Total											
					46,068,097	6,851,877	1,826,382	(40,657)	-	(40,657)	6,811,220
Housing Directorate											
B0108	Floyds Row Refurbishment	Polly McKinlay/ Dave	5. Delivery	On Target	47,300	328,874	538,558	-	-	-	328,874
C3057	Housing System Replacement	Dave Shaw	5. Delivery	At Risk	-	450,000	152,551	50,000	-	50,000	500,000

Cost Centre	Capital Scheme	Progress Update Provider	Project Status	Risk Status	2020/21 Original Budget	Latest Budget	Spend to 30/09/2020	Forecast Variance	Forecast Variance due to Slippage	Forecast Over/Under Spend	2020/21 Forecast Outturn
					£	£	£	£	£	£	£
B0100	Gloucester Green Car Park (H&S)	Keith Reynolds/ Nick Brown	5. Delivery	At Risk	76,350	224,908	52,428	-	-	-	224,908
B0101	Major capital works at Covered Market	Katharine Gould/ Nick	5. Delivery	On Target	918,000	450,000	258,559	-	-	-	450,000
B0102	Replace or refurbish Lifts	Nick Brown	8. Rolling Programme	At Risk	-	71,690	-	-	-	-	71,690
B0103	6 Queen Street works	Richard Davison	6. Completed	Completed	-	-	-	-	-	-	0
B0104	Old Gas Works Bridges	James Axford	2. Feasibility	On Target	-	7,008	2,640	62,992	-	62,992	70,000
B0106	Covered Market Roof Works (Capitalised Planned)	Nick Brown	8. Rolling Programme	On Target	325,000	451,498	148,128	-	-	-	451,498
F7007	Woodfarm / Headington Community Centre	Katharine Gould/ Nick	3. Design & Technical	On Hold	20,000	12,000	1,728	-	-	-	12,000
F7011	Headington Environmental Improvements	James Axford	5. Delivery	On Target	-	28,425	30,880	(0)	(0)	-	28,425
M5019	Purchase of Homeless Properties	Dave Scholes	9. Other Capital Spend	Completed	-	-	1,333	1,333	-	1,333	1,333
M5021	Equity Loan Scheme for Teachers	Steve Northey	9. Other Capital Spend	Completed	-	-	-	-	-	-	0
M5025	Barton Park - Purchase by Council	Alan Wylde	7. Closed	On Target	9,869,000	5,844,268	800,897	-	-	-	5,844,268
M5026	Housing Company Loans (excl Barton Park)	David Watt	9. Other Capital Spend	Off Target	16,595,316	17,901,237	8,427,509	-	-	-	17,901,237
M5032	Barton Park - loan to OCHL	David Watt	9. Other Capital Spend	On Target	9,869,000	5,844,268	3,000	-	-	-	5,844,268
M5033	Blackbird Leys Regeneration (GF Element)	0	9. Other Capital Spend	On Target	-	216,000	-	-	-	-	216,000
M5034	Affordable Housing Supply	0	9. Other Capital Spend	On TARGET	-	3,000,000	-	-	-	-	3,000,000
A4845	CCTV Suite Upgrade	Richard Adams	2. Feasibility	On Hold	80,000	30,000	1,322	-	-	-	30,000
E3511	Renovation Grants	Becky Walker	5. Delivery	Off Target	15,000	2,608	(2,372)	-	-	-	2,608
E3521	Disabled Facilities Grants	Becky Walker	9. Other Capital Spend	On Target	1,200,000	1,200,000	427,689	-	-	-	1,200,000
Director of Housing (General Fund Projects)					39,014,966	36,062,784	10,844,852	114,325	(0)	114,325	36,177,109
Transition Director											
E3557	Oxford and Abingdon Flood Alleviation Scheme	Tina Mould	3. Design & Technical	On Hold	-	-	(2,306)	-	-	-	0
E3558	Go Ultra Low Oxford - On Street	Tina Mould	5. Delivery	On Target	530,021	577,886	-	-	-	-	577,886
E3560	Go Ultra Low Oxford - Taxis	Sarah Hassenpflug	3. Design & Technical	On Target	106,968	317,060	7,200	0	0	-	317,060
E3562	OxPops (Electric Vehicle Charging)	Rose Dickinson	6. Completed	On Target	-	6,349	6,349	(0)	(0)	-	6,349
E3563	Clean Bus Technology Grants	Mai Jarvis	9. Other Capital Spend	On Target	-	1,081,795	517,445	-	-	-	1,081,795
E3564	Energy Superhub Oxford	Tina Mould	5. Delivery	Off Target	-	-	-	-	-	-	0
R0005	MT Vehicles/Plant Replacement Programme.	Owain Pearce	8. Rolling Programme	On Target	3,265,350	3,750,318	828,680	-	-	-	3,750,318
R0010	Electric Vehicles	Owain Pearce	8. Rolling Programme	On Target	507,650	507,650	-	-	-	-	507,650
R0011	Grey Fleet	Owain Pearce and Suzanne	8. Rolling Programme	Closed	1,800,000	-	-	-	-	-	0
T2273	Car Parks Resurfacing	Jason Munro/ Suzanne	8. Rolling Programme	On Target	324,287	324,287	-	25,713	25,713	-	350,000
T2277	Food Waste Collection from Flats	0	6. Completed	Closed	-	-	-	-	-	-	0
T2287	Recycling Transfer Station	Oliver Hearn and Jane	1. Idea	On Hold	-	18,000	(4,970)	-	-	-	18,000
T2294	Pest Control Equipment	Ian Henwood	6. Completed	Completed	-	-	-	-	-	-	0
T2299	Controlled Parking Zones	Shaun Hatton	5. Delivery	On Target	-	200,000	197,288	-	-	-	200,000
T2301	Depot Rationalisation	Steven Clews, Oliver Hearn	2. Feasibility	On Target	2,153	564,000	-	-	-	-	564,000
T2302	Redbridge Parking	Steven Clews	1. Idea	On Hold	-	-	-	-	-	-	0
T2306	Mobile Working and Handhelds	Suzanne.White@odsgroup.c	5. Delivery	On Target	15,000	140,778	-	0	0	-	140,778
T2307	Transformation Funding	Suzanne.White@odsgroup.c	5. Delivery	At Risk	400,000	216,867	-	-	-	-	216,867
T2308	Additional Technology Requirements	Suzanne White	8. Rolling Programme	At Risk	1,200,000	468,000	-	-	-	-	468,000
Transition Director Total					8,151,429	8,172,990	1,549,686	25,713	25,713	-	8,198,704
General Fund Total					97,566,244	56,009,225	16,264,546	23,123	(69,287)	92,410	56,032,348
Housing Revenue Account Capital Programme											
N6384	Tower Blocks	Darowen Jones	5. Delivery	Off Target	-	1,280,400	142,733	-	-	-	1,280,400
N6385	Adaptations for disabled	Nick Brown	9. Other Capital Spend	On Target	687,000	574,368	188,501	-	-	-	574,368

Cost Centre	Capital Scheme	Progress Update Provider	Project Status	Risk Status	2020/21 Original Budget	Latest Budget	Spend to 30/09/2020	Forecast Variance	Forecast Variance due to Slippage	Forecast Over/ Under Spend	2020/21 Forecast Outturn
					£	£	£	£	£	£	£
N6386	Structural	Bill Chamberlain/ Nick	8. Rolling Programme	Off Target	636,000	632,066	74,903	-	-	-	632,066
N6387	Controlled Entry	Bill Chamberlain/ Nick	8. Rolling Programme	On Target	345,000	112,500	-	-	-	-	112,500
N6388	Major Voids	Steve Carter/ Nick Brown	8. Rolling Programme	On Target	453,000	453,000	56,121	-	-	-	453,000
N6389	Damp-proof works (K&B)	Chris Scott/ Nick Brown	8. Rolling Programme	On Target	117,000	80,250	16,295	-	-	-	80,250
N6390	Kitchens & Bathrooms	Nick Brown	8. Rolling Programme	Off Target	2,538,000	-	-	-	-	-	0
N7057	Kitchens	0	0	At risk	-	1,270,920	360,896	-	-	-	1,270,920
N7058	Bathrooms	0	0	At Risk	-	876,684	186,549	-	-	-	876,684
N6391	Heating	Nick Brown	8. Rolling Programme	On Target	2,487,000	-	-	-	-	-	0
N6392	Roofing	Gary Long/ Nick Brown	8. Rolling Programme	At risk	194,000	790,000	10,880	-	-	-	790,000
N6395	Electrics	Nick Brown	8. Rolling Programme	On Target	629,000	557,984	224,485	-	-	-	557,984
N6434	Doors and Windows	Gary Long/ Nick Brown	8. Rolling Programme	At risk	312,000	280,800	8,476	-	-	-	280,800
N7020	Extensions & Major Adaptions	Nick Brown	8. Rolling Programme	On Target	265,000	869,610	357,451	-	-	-	869,610
N7026	Communal Areas	Jonathan Stone/ Nick Brown	8. Rolling Programme	On Target	194,000	398,724	17,904	-	-	-	398,724
N7032	Great Estates Programme	Sue Briscoe/ Nick Brown	4. Pipeline	Off Target	1,764,000	1,323,000	460,769	-	-	-	1,323,000
N7033	Energy Efficiency Initiatives	Nick Brown	8. Rolling Programme	Off Target	568,000	400,800	29,317	-	-	-	400,800
N7041	Electric Heating Conversion to Gas	n/a	7. Closed	Closed	-	-	-	-	-	-	0
N7042	Barton Regeneration	Sue Briscoe	4. Pipeline	On Target	1,286,000	492,661	118,766	-	-	-	492,661
N7044	Lift Replacement Programme	Nick Brown	8. Rolling Programme	Off Target	-	157,500	2,260	-	-	-	157,500
N7046	Development at Mortimer Drive	n/a	7. Closed	Closed	-	-	-	-	-	-	0
N7047	Social Rented Housing Acquisitions	Dave Scholes	5. Delivery	On Target	10,298,000	13,360,706	3,712,367	-	-	-	13,360,706
N7048	Fire doors	Chris Scott/ Nick Brown	8. Rolling Programme	At risk	424,000	424,000	48,718	-	-	-	424,000
N7049	Compulsory purchase of property	Dave Scholes	5. Delivery	Completed	-	0	-	-	-	-	0
N7050	East Oxford development	Alan Wylde	3. Design & Technical	At RISK	3,533,000	-	-	-	-	-	0
N7051	Acquisition of Additional Units	Dave Scholes	4. Pipeline	On Target	2,700,000	457,100	15,000	-	-	-	457,100
N7052	HRA Stock Condition Survey	Nick Brown	2. Feasibility	On Target	-	(0)	23,049	-	-	-	(0)
N7053	Development Schemes	Stephen Clarke	9. Other Capital Spend	Closed	-	-	-	-	-	-	0
N7054	Properties Purchased From OCHL	0	0	At risk	11,600,000	12,145,000	-	-	-	-	12,145,000
N7055	Use Of Recycled Capital Grants	0	0	At risk	368,000	368,000	-	-	-	-	368,000
N7056	Affordable Housing Supply	0	0	Closed	3,000,000	-	-	-	-	-	0
N7059	Boilers Only	0	0	At risk	-	1,160,440	543,788	-	-	-	1,160,440
N7060	Heating Systems	0	0	At risk	-	516,624	58,054	-	-	-	516,624
N7061	Northfield Hostel	0	0	On target	-	2,300,000	-	-	-	-	2,300,000
N7062	Lanham Way	0	0	On Target	-	1,050,000	-	-	-	-	1,050,000
N7064	Unallocated Site 1	0	0	On Target	-	1,899,000	-	-	-	-	1,899,000
N7065	Unallocated Site 2	0	0	On target	-	4,000,000	-	-	-	-	4,000,000
N7040	Blackbird Leys Regeneration	Roo Humpherson	3. Design & Technical	On Target	605,000	84,000	15,238	-	-	-	84,000
Housing Revenue Account Total					45,003,000	48,316,136	6,672,520	-	-	-	48,316,136
Grand Total					142,569,244	104,325,361	22,937,066	23,123	(69,287)	92,410	104,348,484

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Income Source	Budgeted income 2020- 21 £	Actual Cash Collected in Q1 £	Actual Cash Collected in Q2	Total Cash collected 2020- 21 £	Profiled income £	Percentage of profile collected £
Services						
Off-street car parking	6,648,048	69,678	278,358	348,036	3,324,024	10%
Planning	1,763,705	329,942	303,590	633,531	881,853	72%
Building control	468,000	83,009	100,026	183,035	234,000	78%
Leisure service payments from leisure providers	476,500	0	0	0	238,250	0%
Community Centre Income	409,523	36,940	25,361	62,301	204,762	30%
Land Charges	213,050	31,679	49,794	81,473	106,525	76%
Licensing - General	-1,225,750	211,988	270,757	482,745	-612,875	-79%
Licensing - Taxi	360,000	52,017	100,626	152,643	180,000	85%
Property rental	10,188,000	2,520,322	2,671,146	5,191,468	5,094,000	102%
Investment interest	1,799,905	329,601	290,784	620,385	899,953	69%
Town Hall Civic Management	1,008,000	53,285	33,426	86,711	504,000	17%
Markets	1,117,000	6,501	329,160	335,661	558,500	60%
Museums	51,750	143	572	715	25,875	3%
Events	130,000	2,700	2,700	5,400	65,000	8%
Sub total	23,407,731	3,727,804	4,456,301	8,184,105	11,703,866	70%
Sub total	7,189,964	851,968	1,249,276	2,101,244	3,594,982	58%
Business Rates	53,916,466	15,168,560	13,280,940	28,449,500	32,188,130	88%
Council Tax	94,759,524	28,150,597	25,549,127	53,699,724	62,541,286	86%
Collection Fund sub total	148,675,990	43,319,157	38,830,067	82,149,224	94,729,416	87%
Housing	44,471,671	10,726,282	11,002,006	21,728,288	22,269,586	98%
Grand Total	223,745,356	58,625,211	55,537,651	114,162,861	132,297,850	86%

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To: Cabinet
Date: 09 December 2020
Report of: Tom Bridgman, Executive Director - Development
Title of Report: Redevelopment of Boswells Department Store, 1-5 Broad Street

Summary and recommendations	
Purpose of report:	To seek approval to enter into an agreement to enable the redevelopment of the Boswells department store to create a new 4* hotel.
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner, Cabinet Member for Finance & Asset Management
Corporate Priority:	Foster an Inclusive Economy
Policy Framework:	Council Strategy 2020-24
Recommendations: That Cabinet resolves to:	
<ol style="list-style-type: none"> Approve the terms negotiated in relation to the redevelopment of the Boswells Department Store as set out in Exempt Appendix 2 - not for publication; and Delegate authority to the Executive Director – Development, in consultation with the Section 151 officer, Head of Law and Governance and the Cabinet Member for Finance and Property, to vary those terms on condition that the revised terms continue to represent the best consideration reasonably obtainable 	

Appendices	
Appendix 1	Appendix 1
Appendix 2	Exempt Appendix 2 – Not for publication
Appendix 3	Exempt Appendix 3 – Not for publication
Appendix 4	Exempt Appendix 4 – Not for publication

Introduction and background

1. Oxford City Council owns the freehold interest in 1-5 Broad Street. This property was leased to Boswells on a 99 year lease, from 1959. The leased property forms part of the Boswells Department Store.
2. The lease to Boswells expires on 23rd June 2058, giving a current unexpired term of less than 38 years. This lease generates an annual income for OCC of £1,950pa. The plan in Appendix 1 shows OCC's freehold ownership outlined in red. The property outlined in blue is owned Freehold by Boswells and together with red and blue land make up the whole of the Boswells site.
3. Boswells undertook to sell its interest in the building and selected developers Reef as part of this process. Reef have now exchanged contracts to acquire Boswells' freehold (shown blue) as well as the Long Leasehold interest over the Councils land (shown red), subject to both planning and agreement with the Council in relation to the matters described in the Exempt Appendix 2.
4. The core of the proposal is to convert the building into a hotel, with flexible café/bar and co-workspace on the ground floor and top floor. As identified in the Oxford Local Plan 2036, Oxfordshire Industrial Strategy and the council's emerging Economic Strategy, proposals which facilitate longer stays will assist in increasing spend in Oxford's shops and restaurants which will in turn boost their viability and Oxford's economy. This is increasingly important in the context of the city's economic recovery from the current pandemic. In addition to tourists, the short-stay accommodation market has been and is expected to continue to be very strong for business travellers in Oxford. As identified in the Local Plan, there is significant unmet demand and potential for growth in all varieties of short-stay accommodation, particularly when compared with those of comparable cities. Although this information pre-dated the current pandemic it remains an important objective to ensure there is sufficient quality accommodation to support business in the city. Increased investment in areas such as high grade hotel stock could be important in our economic recovery, complement Oxford's global brand, and create more accessible, permanent jobs for the wider community. The Local Plan identifies the City Centre as an appropriate location for hotels and short stay accommodation.
5. Reef has submitted its planning application and is anticipating determination in January 2021.

Financial implications

6. These are set out in exempt appendix 2 to this report.

Legal issues

7. These are set out in exempt appendix 2 to this report.

Level of risk

8. Detail of risk management and mitigation is set out in the confidential Appendix 1 to this report. A confidential risk register is attached as Appendix 3 to this document.

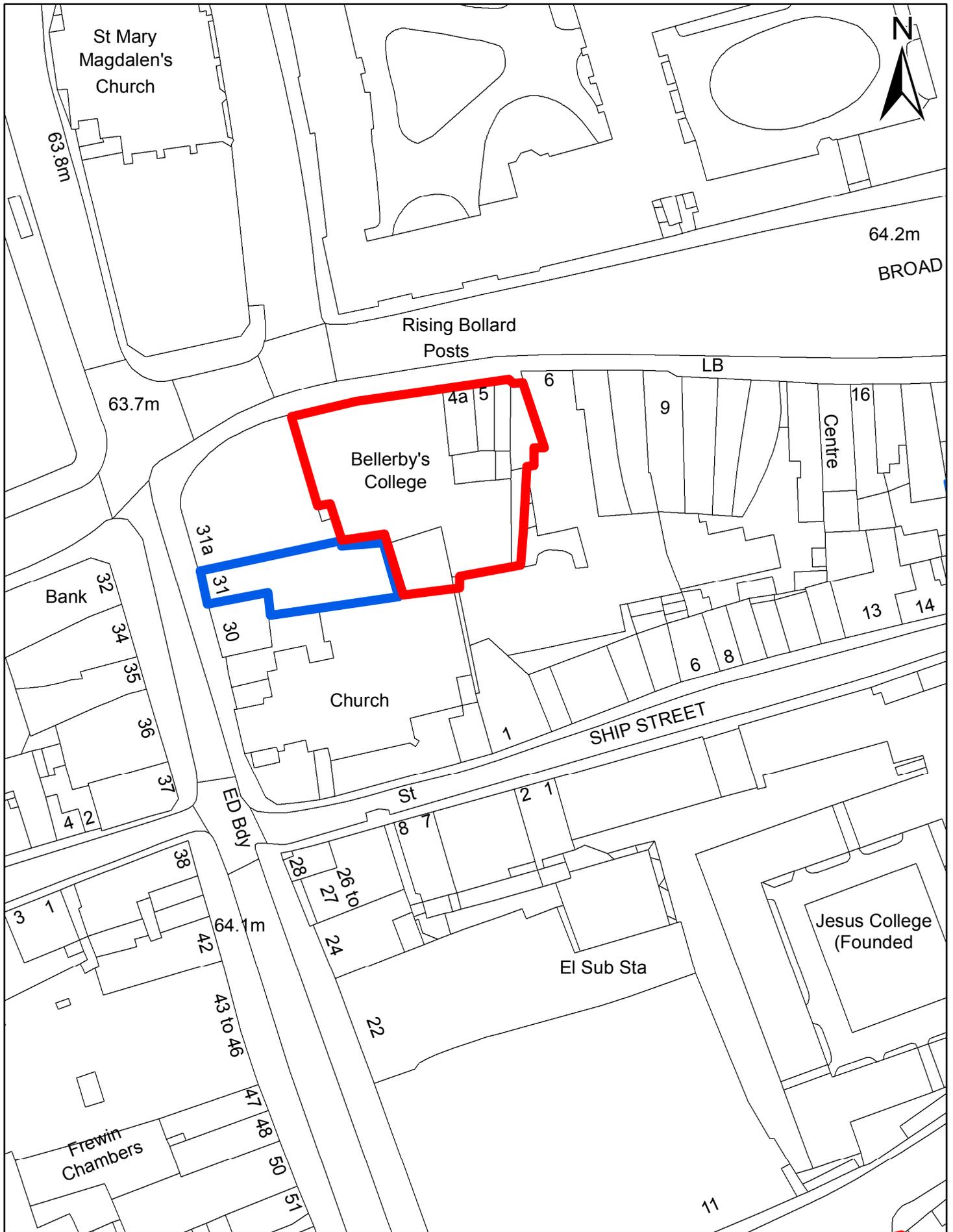
Equalities impact

9. This transaction will generate a return to the General Fund, enabling the Council to provide discretionary services which delivers benefit to the most vulnerable.

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Background Papers: None

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