

To: City Executive Board

Date: 3 July 2014

Report of: Head of Finance
Head of Business Improvement and Technology

Title of Report: Integrated Performance Report for -Quarter 4
2013/2014

Summary and Recommendations

Purpose of report: To update Members on Finance, Risk and Performance as at the end of Quarter 4, 31st March 2014

Key decision: No

Executive lead member: Councillor Ed Turner, Board Member for Finance, Asset Management and Public Health

Policy Framework: Improving value for money and service performance

Recommendations: That the City Executive Board:

- a) Note the financial outturn and performance of the Council for the year 2013/14 and also the position of risks outstanding as at 31st March 2014;
- b) Note the transfers to General Fund earmarked reserves detailed in the report (including for expenditure on the Partnership Payment, Flooding, Capital Programme, Gladiators and a contingency against future property investment losses) and Appendix E5;
- c) Note the transfers to the Housing Revenue Account (HRA) earmarked reserves as detailed in paragraphs 15 and 16 and Appendix E5;
- d) Agree the recommended carry forward requests outlined at paragraph 9 and detailed in Appendix E4;
- e) Note the capital slippage as detailed in Appendix E2; and.

f) Recommend to Council to include a budget of £162,000 in the capital programme in respect of highways vehicles outlined in paragraph 22.

Appendices

Appendix A – Corporate Integrated Report

Appendix B – City Regeneration Integrated Report

Appendix C – Organisational Development and Services Integrated Report

Appendix D – Community Services Integrated Report

Appendix E – Finance Performance Report 2013/14

Appendix E1 – General Fund Outturn

Appendix E2 – Capital Programme Outturn

Appendix E3 – HRA Outturn

Appendix E4 – Carry Forward Requests

Appendix E5 - Earmarked Reserves as at 31st March 2014

Executive Summary

1. This report updates the Board on the financial and performance data of the Council as well as risks faced as at 31st March 2014. A brief summary of performance for 2013/14 is as follows: -
 - **General Fund** – the outturn position prior to audit is a net underspend of £5.371 million. It is recommended this is transferred to earmarked reserves (as detailed in paragraph 9). The General Fund working balance remains at £3.622 million;
 - **Efficiencies, Additional Income, Service Reduction Targets** – At year end all targets were delivered albeit some substitution of original efficiency savings was required as previously reported;
 - **Housing Revenue Account** – the outturn position shows a surplus of £0.302 million which has been transferred to the HRA working balance. The working balance now stands at £4 million;
 - **Capital Programme** – the outturn spend was £22 million (93% of the latest budget);
 - **Performance** – 77% of Corporate performance targets were either delivered as planned or were exceeded; individual service area performance is detailed in Appendices A to D;
 - **Risk Management** – there were no red risks outstanding at the year end. However, there are some matters that need to be considered going forward which are identified at paragraphs 20 to 23.

Background

2. Throughout the year, Finance, Performance and Risk have been reported in an integrated format to City Executive Board on a quarterly basis..
3. The Corporate and Directorate Integrated Performance reports as at the 31st March 2014 are attached at Appendices A to D. The reports have been produced from CorVu, the Council's performance management system and incorporate a Red, Amber and Green reporting methodology.

Performance

4. Corporately the Council's performance against its corporate targets was good with 17 (77%) delivering as planned and five (23%) not meeting their target. For City Regeneration Directorate as a whole, 17 (89%) of performance measures met their targets with 2 (11%) missing their target. For Community Services Directorate as a whole, 36 (77%) of performance measures met their year-end target, with 8 (17%) missing their target. For the Organisational Development and Corporate Services Directorate as a whole, 19 (54%) of targets of performance measures were met with 16 (46%) not achieved.

Financial Dials

5. The following tolerances apply to the financial dials in the summary reports:

Green – Forecast outturn is within 100% of the latest approved budget.

Amber – Forecast outturn is within 100% - 105% of the latest approved budget.

Red – Forecast outturn is over 105% of the latest approved budget.

Performance in this area is a potential concern and will be commented on within the report.

6. Detailed financial analysis and narrative is provided at Appendix E of the attached Integrated Report.

General Fund Revenue Variance

- 7 After taking account of general transfers to / from earmarked reserves (for unspent grants, ring-fenced accounts, etc.), the General Fund is showing a favourable variance against budget of £(5.371) million. The variance can be summarised as follows, and is shown in more detail in Appendix E1:

	£ million
Service Variances	1.004
Net Interest Receivable arising largely from increased interest on HRA internal borrowing	0.679
Corporate Budgets (i.e. Inflation, minimum revenue provision, recharges and capital charges)	0.530
Unspent Corporate Contingencies for redundancy and homelessness	1.974
Increased surplus arising from HRA non-dwelling asset transfer	1.322
Funding Variance in NNDR and RSG	(0.138)
	<u>5.371</u>

It is possible that some of these variances will be on-going but this will be picked up as part of the refresh of the Medium Term Financial Plan in due course.

General Fund Earmarked Reserves and Working Balances

8 Please note that the year-end variance transferred to earmarked reserves is as follows: -

	£ million
Partnership payments *	0.200
Flooding Provision **	0.200
Capital Financing ***	4.320
Indirect Property Fund Reserve ****	0.401
Contribution towards Gladiators Club Purchase *****	0.250
	5.371
	5.371

* This will facilitate the Partnership Payment due to staff for 2013/14 in accordance with the local pay agreement.

** This will enable the Council to facilitate the development of a flood relief channel to the West of Oxford

*** This is in accordance with the Council's Medium Term Financial Plan assumptions as agreed by Council in February particularly in 2014/15 where the budgeted programme (including slippage) now exceeds £63 million.

**** In accordance with the Council's Treasury Management Strategy the Council has recently invested in property funds to improve returns. To mitigate the risk involved in these types of investments, an earmarked reserve has been set up

***** This will facilitate the possible acquisition of this facility as part of a partnership in line with the proposals submitted to the Council for consideration.

Budget Carry Forwards

9 Unspent budgets recommended for carry forward into 2014/15 are detailed in appendix E4 and summarised below:

	Amount Requested £	New Scheme £	Slipped Scheme £	Total £
General Fund	234,973	100,000	134,973	234,973
HRA	272,452	15,300	257,152	272,452
Total	507,425	115,300	392,125	507,425
	507,425	115,300	392,125	507,425

10 All of the above carry forward requests are assumed within the outturn figures detailed above and Appendices E1 and E3 respectively. The requests have been analysed to show where they relate to a slipped budget ("Slipped Scheme") or are a request for a "New Scheme".

Earmarked Reserves

- 11 At 1st April 2013, overall levels of earmarked reserves were £15.629 million, rising to £28.350 million by 31st March 2014. These are analysed individually in Appendix E5. A significant component of this increase is a £7.000 million transfer from HRA to the General Fund as explained in paragraph 15 below. This reserve will specifically be used for the purchase of property to give an on-going revenue income stream to the Council's General Fund. Currently officers are considering the purchase of the lease on St Aldates Chambers administrative building and a proposal has been received on which advice is being taken.
- 12 Total movements on earmarked reserves in year can be summarised as follows: -

	Opening	Transfers		Closing
	Balance	From	To	Balance
	1/4/2013			1/4/2014
	£000's	£000's	£000's	£000's
HRA	1,245	553	7,772	8,464
General Fund	15,633	11,321	24,042	28,354
Insurance Funds	1,674	213	-	1,461
Total	18,552	12,087	31,814	38,279

These movements include the year end transfers shown at paragraph 8 above and the carry forward requests shown at paragraph 9 above and appendix E4.

Working Balances

- 13 In addition to earmarked reserves, the Council also maintains a level of General Fund working balances. The General Fund working balance brought forward at 1st April 2013 was £3.622 million and the proposed transfers to earmarked reserves maintain this level of working balance as at 31st March 2014.

Housing Revenue Account

- 14 The HRA outturn position shows a surplus of £0.302 million. It is important to note that "significant" changes have occurred during the year and reflected in this position in response to large slippages in the new build capital programme that is predominately funded from revenue. Furthermore, RTB disposals and in-year revenue spend associated with capital schemes have required budget movements, as well as the large budget implications arising from both the cash and non-dwelling asset transfers approved by CEB in September 2013. It is these changes that have resulted in the ability to make such a large contribution to earmarked reserves.

Housing Revenue Account Earmarked Reserves and Working Balances

- 15 At 1st April 2013, the HRA held £1.438 million in earmarked reserves and £7 million in the Major Repairs Reserve. Legislation allowed the Council to transfer the £7 million from HRA reserves into the General Fund and the Council took the opportunity to do this. This was a one-off opportunity and the legislative ability to make this transfer was removed during 2013/14. As at 31st March 2014 the HRA held £8.464 million in earmarked reserves, predominantly in the HRA Capital Funding Reserve (£7.772 million).
- 16 In addition to earmarked reserves, the Council also maintains a level of HRA working balances. The HRA working balance brought forward at 1st April 2013 was £3.698 million and, after transfers to earmarked reserves, the level of working balance as at 31st March 2014 is £4 million.

Capital

- 17 Capital Programme expenditure for 2013/14 was £11.121 million on the General Fund and £10.882 million on the HRA giving a total spend of £22.003 million.
- 18 The expenditure is shown on a scheme by scheme basis at Appendix E2. The Appendix also shows the detail of capital slippage requests. The total variance to the latest budget and a summary of the levels of proposed slippage is shown below:

	Outturn Variance due to Slippage	Outturn variance due to Over/ Under(-) spend	Total Outturn Variance to Latest Budget
	£ million	£ million	£ million
General Fund	-1.446	0.046	-1.400
HRA	-0.545	0.212	-0.332
Total	-1.991	0.258	-1.732

- 19 The Capital Programme for 2014/15 is £63.380 million, after capital slippage is taken into account. This compares to an outturn spend of £22.003 million for 2013/14. The original total capital budget for 2013/14 was £44.279 million.
- 20 There were notable slippages and variations in the Programme from the original budget on :

- Delayed start on site New competition pool - £4.9 million
- Delay in negotiating Property acquisitions - £1.5 million
- New build affordable housing - £5.4 million
- New burial space - £1 million
- Homelessness Property Acquisitions - £5 million
- Homes at Barton - £0.6 million
- Other HRA improvements and refurbishments - 0.8 million
- Section 106 funded scheme £0.8 million

21 The Council has recognised that processes need to be improved to ensure the delivery of agreed Capital Projects going forward. Consequently, officers have recently implemented a new Capital Gateway process which will ensure greater clarity re timescales for projects being brought forward as well as closer monitoring of delivery.

22 Highways purchase of vehicles

A business case has recently been approved by Officers in relation to Highways and Engineering which has capital budget implications requiring approval by Council. The business case focuses on the trading success of the team during 2013/14 with turnover of around £4.5 million and also the significant workload within the Councils forthcoming capital programme. In order to continue this success in the market place the approved business case was for the team to expand and to purchase additional equipment to reduce the reliance on subcontractors. The additional equipment purchases are detailed below and will be financed by prudential borrowing the revenue implications for which, including running costs, will be more than offset by additional income targets.

	£,000
2 No 7.5 ton Lorry	102
3.5 ton pick-up	26
Hi-Lux	20
Transit Van	14
TOTAL	£162

Potential Future or Emerging Risks

23 There were no red risks outstanding at the year end relating to 2013/14, however there are some matters that need to be considered going forward which are considered below.

Business Rates Retention Income

24 The system of local government finance relating to Business Rates changed on the 1st April 2013. This has placed additional risk on local authorities in relation to estimating:

- Numbers of rateable properties, including estimates of growth
- Business rates valuation appeals (undertaken by the valuation office)
- Business rates revaluation now due in 2017 (deferred from 2015)

For 2013/14, the Business Rates collection fund shows a deficit of approximately £1.5 million. Oxford City Council's share of this deficit is in the region of £0.6 million. The deficit has occurred due to the net impact of a higher level of rateable properties than anticipated and the one-off impact of an estimated £3.2 million backdated valuation appeals.

Emerging Priorities

25 The Council has identified a number of emerging priorities that will be the subject of future detailed reports to CEB. A summary of the proposals is detailed below:

1. Homelessness Property Acquisitions

The Council's approved capital programme has committed the authority to spending £2 million in 2015/16, £4 million in 2016/17 and £4 million in 2017/18 on homeless property acquisitions. It is now under consideration to bring forward £2 million of the approved budget to 2014/15, with a re-phasing of the remaining budget in future years. This would allow the Housing Service to suitably respond, armed with a variety and growing list of temporary accommodation options, to assist homeless applicants. These changes would have cash flow implications for the funded of the programme which would be accommodated accordingly.

2. Purchase of Gladiators Club

The Council is seeking to purchase the freehold of the premises at 263 Iffley Road jointly with the two occupying organisations one of which is the Gladiators Club. Once purchased the premises would be leased back to the organisations. The Council's contribution to the purchase will be funded from the earmarked reserve as indicated above. Should the bid be unsuccessful the earmarked reserve will be used to fund the capital programme.

Legal Implications

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

Name and contact details of author:-

Name: Nigel Kennedy, Jane Lubbock

Job title: Head of Finance, Head of Business Improvement and Technology

Service Area / Department: Finance, Business Improvement and Technology

Tel: 01865 252708 e-mail: nkennedy@oxford.gov.uk, jlubbock@oxford.gov.uk

List of background papers: