

**To:** City Executive Board

**Date:** 9 July 2015

**Report of:** Head of Financial Services

**Title of Report:** INTEGRATED PERFORMANCE REPORT FOR -  
QUARTER 4 2014/2015

## Summary and Recommendations

**Purpose of report:** To update Members on Finance, Risk and Performance as at the end of Quarter 4, 31<sup>st</sup> March 2015

**Key decision:** No

**Executive lead member:** Councillor Ed Turner

**Policy Framework:** Corporate Plan Priority - Improving value for money and service performance

**Recommendation(s):**

**The City Executive Board is requested to:**

1. Note the financial outturn and performance of the Council for the year 2014/15 and also the position on risks outstanding as at 31 March 2015;
2. Note the transfers to General Fund earmarked reserves detailed in the report and Appendix E5;
3. Note the transfers to the Housing Revenue Account (HRA) earmarked reserves as detailed in paragraph 16;
4. Agree the carry forward requests outlined at paragraph 8 and detailed in Appendix E4;
5. Note the capital carry forwards as detailed in Appendix E2

## Appendices

**Appendix A1** – Corporate Integrated Report Dials

**Appendix A2** – Corporate Integrated Report Narrative  
**Appendix B1**– City Regeneration Integrated Report Dials  
**Appendix B2** – City Regeneration Integrated Report Narrative  
**Appendix C1**–Organisational Development and Services Integrated Report Dials  
**Appendix C2** – Organisational Development and Services Integrated Report Narrative  
**Appendix D1**–Community Services Integrated Report Dials  
**Appendix D1** – Community Services Integrated Report Narrative  
**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 31<sup>st</sup> March 2015

## Executive Summary

1. This report updates the Board on the financial and performance position of the Council as well as risks faced as at 31<sup>st</sup> March 2015. A brief summary of the outturn position for 2014/15 is as follows: -
  - **General Fund** – the outturn position prior to audit is a net underspend of £1.808 million (due to good performance on income and the delivery of savings) which is 7.5% of gross budgeted expenditure and has been transferred to earmarked reserves (as detailed in paragraph 7). 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 prior to audit is a net underspend of £2.565 million which is 6% of gross budgeted expenditure and has been transferred to earmarked reserves (as detailed in paragraph 16). The HRA working balance remains at £4 million;
  - **Capital Programme** – the outturn spend was £48.7 million (97% of the latest budget and 77% of the original budget plus prior year carry forwards);
  - **Performance** – 70% of Corporate performance targets were either delivered as planned or were exceeded with 25% not meeting their target and 5% with no data; 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 were 5 amber risks which are listed at paragraph 27 and detailed in Appendix A.

## Background

2. Finance, Performance and Risk information is reported in an integrated format to City Executive Board on a quarterly basis.

3. Reports as at 31<sup>st</sup> March 2015 are attached at Appendices A to E. The reports use a Red, Amber and Green (RAG) reporting methodology. These reports are available to Members online via the intranet.

### Financial Dials

4. The following tolerances apply to the financial dials in the summary reports:
- Green**– Forecastoutturn is within 100% of the latest approved budget.  
**Amber**– Forecastoutturn is within 100% - 105% of the latest approved budget.  
**Red**– Forecastoutturn is over 105% of the latest approved budget.  
 Performance in this area is a potential concern and will be commented on within the report.

### General Fund Revenue Variance

- 5 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 £1.808 million which is considered in more detail in appendices A to D. £1.678 million relates to service variances and £0.130 million to a corporate variance around pension costs.
6. Any of these variances that are on-going and have not yet been included in the budget for 2015/16 will be picked up as part of the refresh of the Medium Term Financial Plan later in the year.

### General Fund Earmarked Reserves and Working Balances

7. Please note that the year-end variance of £1.808 million has been transferred to earmarked reserves as follows: -

	£ million
Oxfutures Reserve *	0.300
Dry Recyclate Reserve **	1.400
Capital Financing ***	0.108
	1.808

\* This reserve is linked to the EU funded Oxfordshire Total Refit (OTR / OxFutures) project to fund potential project pressures that may arise

\*\* This will provide funding to ameliorate the future cost pressure of the Council disposing of its recyclates, including the possibility of building and operating a waste transfer station.

\*\*\* This will provide resources to finance the Council's future Capital Programme and is in line with the Council's Medium Term Financial Plan.

### Budget Carry Forwards

- 8 Unspent budgets recommended for carry forward into 2015/16 are detailed in Appendix E4 and summarised below:

	<b>Amount Requested £</b>	<b>New Scheme £</b>	<b>Slipped Scheme £</b>	<b>Total £</b>
General Fund	1,313,621	116,000	1,197,621	1,313,621

- 9 Of these carry forward requests, £0.061 million (relating to ward member budgets underspend) has been assumed in the service outturn with the balance of £1.253 million being shown against the relevant service in Appendix E1. All of the carry forward requests are assumed within the overall General Fund outturn variance figure of £1.808 million detailed above and in the appendices. The requests have been analysed to show where they relate to a slipped budget (“Slipped Scheme”) or are a request for a “New Scheme”.
- 10 The Board are asked to review and agree the carry forward requests. If any of the requests are not approved, the associated funding will be transferred into other earmarked reserves.

#### Earmarked Reserves

- 11 At 1<sup>st</sup> April 2014, overall levels of General Fund earmarked reserves were £28.351 million, rising to £31.297 million by 31<sup>st</sup> March 2015. These are analysed individually in Appendix E5.
- 12 Total movements on earmarked reserves in year can be summarised as follows: -

	<b>Opening Balance 1/4/2014 £000's</b>	<b>Transfers</b>		<b>Closing Balance 1/4/2015 £000's</b>
		<b>From</b>	<b>To</b>	
		<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
HRA	8,464	8,202	5,804	6,066
General Fund	28,351	17,406	20,352	31,297
Insurance Funds	1,461	165	-	1,296
<b>Total</b>	<b>38,276</b>	<b>25,773</b>	<b>26,156</b>	<b>38,659</b>

- 13 These movements include the year end transfers shown at paragraph 7 above and the carry forward requests shown at paragraph 8 above and appendix E4.

#### Working Balances

- 14 In addition to earmarked reserves, the Council also maintains a General Fund working balance. The General Fund working balance brought forward at 1<sup>st</sup> April 2014 was £3.622 million and the proposed transfers to

earmarked reserves maintain this level of working balance as at 31<sup>st</sup> March 2015.

### **Housing Revenue Account**

- 15 The Housing Revenue Account is showing a favourable variance against budget of £2.565 million which is considered in more detail in appendices A, D and E3. £2.459 million relates to service variances and £0.106 million to corporate variances.

### **Housing Revenue Account Earmarked Reserves and Working Balances**

- 16 Please note that the year-end variance of £2.565 million has been transferred to / (from) earmarked reserves as follows: -

	£ million
HRA Capital Reserve (for slipped capital scheme funding)	1.510
Direct payment project arrears reserve	(0.052)
Additional Funding for the Tower Block scheme	0.957
Albert House Sinking Fund Reserve	0.060
Green Deal Reserve Contribution	0.090
	<hr/>
	2.565
	<hr/> <hr/>

- 17 At 1<sup>st</sup> April 2014, the HRA held £8.464 million in earmarked reserves. As at 31<sup>st</sup> March 2015 this had reduced to £6.066 million, £5.510 million being in the HRA Capital Funding Reserve.
- 18 In addition to earmarked reserves, the Council also maintains a level of HRA working balances. The HRA working balance brought forward at 1st April 2014 was £4.0 million and, after transfers to earmarked reserves, the level of working balance as at 31st March 2015 remains at £4.0 million.

### **Capital**

- 19 Capital Programme expenditure for 2014/15 was £26.750 million on the General Fund and £21.961 million on the HRA giving a total spend of £48.712 million. This is the highest level of spend on capital schemes in recent years (£22 million in 2013/14; £16.3million in 2012/13 and £22 million in 2011/12).
- 20 The Council has implemented a Capital Gateway process which means that the Council's capital processes are more robust. As the process becomes more embedded over the next few years, the Council should expect that its actual capital spend will align even more closely with its initial capital proposals.
- 21 The expenditure is shown on a scheme by scheme basis at Appendix E2. The Appendix also shows the detail of capital slippage. The total variance

to the latest budget and a summary of the levels of slippage and under / over spends is shown below:

	<b>Outturn Variance due to Slippage</b>	<b>Outturn variance due to Over/ Under(-) spend</b>	<b>Total Outturn Variance to Latest Budget</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
General Fund	(0.834)	0.106	(0.728)
HRA	(0.170)	(0.545)	(0.715)
Total	<u>(1.004)</u>	<u>(0.439)</u>	<u>(1.443)</u>

The main areas of variation are: -

- £0.323million on Council Properties
- £0.096million on Leisure & communities schemes
- £0.183 million on ICT schemes
- £0.293million on various car parking schemes
- £0.165 million on Kitchens and Bathrooms
- £0.319 million on Major Voids
- £0.125 million on Great Estates

### **Financial Implications**

- 22 The Council's finances continue to be robust as reported by the Head of Financial Services in the budget report. However there are continuing pressures over the medium to long term including additional savings of around £3 billion from the public sector, details of which will be announced in the Governments Emergency Budget on the 8<sup>th</sup> July 2015. This has the potential to impose very major financial pressures on the Council, both directly, in terms of government funding, and indirectly, as the consequence of decisions taken by central government and the County Council, putting additional pressure on services. Whilst the General Fund Medium Term Plan is currently balanced to 2018/19, this is no time for complacency; there is a significant increase in backdated business rate appeals which has pushed the Council into a safety net position in 2014/15 and may have a significant effect on the Council's business rates income in future years. There will be budget pressures related to recycling in 2015/16, currently estimated at £0.45 million for this year alone; in the longer term the Council will seek to mitigate against these costs by developing a longer term solution, potentially by building a dry recycle facility. However the shorter term pressures remain.
- 23 During the budget process for 2015/16 budget setting, additional schemes were put in place in the HRA which utilised all HRA business plan forecast

balances over the next ten years. That balanced position is already being put under pressure:

- The Tower block contract is costing more than the original budget. The financing of this is reliant on setting aside resources from the outturn for 2014/15 into earmarked reserves;
- The Government’s proposal to introduce Right to Buy to Housing Associations is linked to Councils being required to sell off their most expensive stock when it becomes vacant. The exact detail will not be fully known until the draft legislation is published, however it is clear that the proposal will place additional pressures on the Council’s HRA which will undermine the HRA business plan.

24 All of these issues will need to be picked up in the refresh of the Medium Term Financial Strategy and the HRA Business Plan.

**Performance**

25 There were no red risks outstanding at the year-end relating to 2014/15.

**Risk**

26 Corporate and Directorate risks are reported within Appendices A to D. Risks are measured according to the matrix shown below:

		<b>Probability</b>					
>90%	Almost Certain	5	5	10	15	20	25
50-90%	Likely	4	4	8	12	16	20
30-50%	Possible	3	3	6	9	12	15
10-30%	Unlikely	2	2	4	6	8	10
<10%	Rare	1	1	2	3	4	5
			1	2	3	4	5
	<b>Impact</b>		Insignificant	Minor	Moderate	Major	Catastrophic

27 There were no red Corporate Risks outstanding at the 2014/15 year end. There are 5 amber Corporate Risks which are listed below with more detail contained in Appendix A:

- Resilience of the Information and Communications Technology (ICT) function
- Management of capital projects and contracts
- Health & Safety of People
- Risk of fraud against the Council
- Risk of breaching the Data Protection Act

**Legal Implications**

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

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