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OXFORD CITY COUNCIL

To:	**City Executive Board**
Date:	**9 March 2017**
Report of:	**Head of Financial Services**
	Head of Business Improvement
Title of Report:	**Integrated Performance Report for Quarter 3 2016/17**

Summary and recommendations	
Purpose of report:	To update Members on Finance, Risk and Performance as at 31 December 2016.
Key decision:	No
Executive Board Member:	Cllr Ed Turner, Finance, Asset Management and Public Health
Corporate Priority:	Efficient and Effective Council.
Policy Framework:	None
Recommendations: That the City Executive Board resolves to:	
1.	**Note** the projected financial outturn and current position on risk and performance as at the 31 December 2016
2.	**Note** the transfer to HRA reserves of £0.700 million as at the 31 December 2016

Appendices	
Appendix A	Corporate Integrated Dials
Appendix B	General Fund - Dec 2016 Forecast Outturn
Appendix C	Capital Programme - Dec 2016 Forecast Outturn
Appendix D	HRA - Dec 2016 Forecast Outturn

Introduction and background

1. This report updates the Board on the financial, corporate performance and corporate risk positions of the Council as at 31 December 2016. A brief summary is as follows:

Financial Position

a. **General Fund** – the outturn forecast is a favourable variance of (£0.191) million against the Net Budget Requirement of £19.853 million, as shown in Appendix B;

b. **Housing Revenue Account** – the outturn forecast is a favourable variance of (£0.115) million, as shown in Appendix D ;

c. **Capital Programme** – the outturn forecast is (£2.253) million, as shown in Appendix C.

Performance – 87% (13) of the Council's corporate performance targets are being delivered as planned and 13% (2) are below target but within acceptable tolerance limits, as shown in Appendix A.

Corporate Risk Management – There are three red corporate risks at the end of quarter two. These are detailed below and shown in Appendix A.

General Fund Revenue

2. The Net Expenditure Budget agreed at Council in February 2016 was £19.853 million. This has increased by £1.614 million to £21.467 million as at 31 December 2016 primarily due to transfers from earmarked reserves in respect of agreed carry forwards from 2015/16 and a transfer to reserves of £1.5 million to the Capital Financing Reserve As agreed by City Executive Board on 15 December 2016.

3. Virements in Q3, authorised under delegated powers by the Council's Head of Financial Services totalling £0.932 million have also been actioned. The most notable of which (£0.927 million) relates to the movement of the Organisational Development budgets into Business Improvement, to combine the teams together.

4. At 31 December 2016 the General Fund is projecting a favourable variance of £(0.191) million. The variances are explained below.

- **Planning and Regulatory** - A projected adverse variance of £0.281 million is due largely to staffing pressures in the current year of £0.126 million to support improvements in the quality of service. The ongoing pressure of the restructure, approx. £0.070 million is incorporated within the Medium Term Financial Plan. Income targets across the service also show shortfalls, in: housing enforcement £0.020 million; Building Control fees £0.070 million; Street Trading licences £0.025 million and Food Hygiene Courses £0.040 million, the Medium Term Financial Plan has also been updated to ensure these are achievable in future years.

- **Community Services** – A projected favourable variance of (£0.089 million) is due to vacancies and savings on expenditure within the Town Hall and Facilities team (£0.055 million); energy cost savings and additional FIT tariff income from the photo-voltaic cells fitted to Leisure Centres (£0.030 million); Vacancies within the Localities team (£0.040 million) and the Community Safety team (£0.054 million) these are offset by pressures relating to loss of rent at Rose Hill Community Centre and staffing pressures at Barton Community Centre, £0.090 million

- **Business Improvement -** A projected adverse variance of £0.100 million has arisen within this service area, this is the net position after offsetting underspends elsewhere in the service area and contract discussions with suppliers.
- **Housing And Property** – a projected favourable variance of (£0.401 million) is due to unspent budgets within the Homelessness prevention area. This has arisen due to service under-utilisation and performance as per the contractual agreements with service providers in this area. A separate report on this agenda is seeking to request that this underspend be carried forward into next year, to allow us to provide for the uncertainties ahead.
- **Direct Services –** a projected favourable variance of (£0.800 million) has arisen due to overachievement of income in Motor Transport (£0.100 million); Commercial Waste (£0.200 million); Off street parking (£0.350 million) and Engineering Services (£0.150 million).
- **Financial services –** a projected adverse variance of £0.100 million which has arisen from reduced Court Cost income within the Revenues team due to more proactive debt collection and less cases going to Court.
- **Corporate Accounts –** An adverse variance of £0.621 million is forecast in the Corporate Accounts due to a favourable variance of £0.195 million additional investment interest which reflects the diversity of our investments made to yield a higher return, averaging 1.07% for the period. This is offset against an adverse variance of £0.816 million in relation to Housing Benefit Expenditure. This follows the recent External Audit of Housing Benefit Subsidy which has increased the amount of overpaid housing benefit expenditure due to local authority error, resulting in an increased loss of subsidy for 2015-16 in the order of £265k.
- Overpaid housing benefit expenditure arising from local authority error is eligible for 100% subsidy up to certain thresholds. Once the thresholds are exceeded no subsidy is payable. The Council's Housing Subsidy Claim from 2015/16 assumed the thresholds were not exceeded but errors found during the audit changed this position. In 2016-17 it is likely that these thresholds will again be exceeded and a further £0.801 million cost will arise. The authority has already budgeted for a cost of £250k for 2016-17 and therefore the additional cost above budget will be £0.816 million. The Council currently holds £0.804 million in earmarked reserves which can be used to offset this pressure, and this will be considered at year end should we be required to do so, if it is not used for this purpose then it will be made available for something else.

  Total expenditure is in the order of £60 million per annum and the legislation is complicated and subject to continuous change so an element of error is inevitable. Prior to this financial year the authority had been within the thresholds where expenditure would have been eligible for subsidy. Going forward significant changes have been put in place in place to mitigate the issue including :

  - Additional training for all staff members
  - A reduction in the use of temporary staff and resilience contractor staff in exchange for staff on fixed term contracts to provide better control and management

- Increased Quality checks of 4% of all transactions
- Increased performance measures for all staff embedded into individual appraisals

- **Contingencies and Transfers from Reserves -** The balance of contingencies currently sits at £0.388 million following the transfer of £1.5 million to the Capital Financing Reserve. This transfer was agreed by City Executive Board on 15th December 2016, due to all efficiencies currently projected to be met and therefore the contingency set against these not being required.

Housing Revenue Account

5. The HRA is currently forecasting a surplus outturn position of (£0.125) million, this is a favourable variance of (£0.115) million against the latest budget of (£0.010) million. It is anticipated that this surplus will be transferred to reserves to meet future expenditure requirements. Major variations include:

   - **Dwelling Rent** is projected to show a favourable variance of (£0.782million), this is due to fewer Right To Buy sales in the first quarter of the year than originally projected. Additional rental income (£0.400) million, is also being received from the 75 units that are being used as Temporary Accommodation and 36 void properties being moved to higher formulae rent during the first two months of the year.
   - **Service Charges** is projected to show a favourable variance of (£0.300) million, due to changes in the budgeted charges.
   - **Management and Services (Stock Related)** is projected to show a favourable variance of (£0.225) million which is due staff vacancies.
   - **Misc Expenditure (Non Stock Related)** is projected to show an adverse outturn of £0.216 million, this relates to the cost of the Regeneration Projects Team, which has been set up to look at regeneration sites across the HRA which could be used for redevelopment by the Housing company and cost associated with additional utility charges for the temporary accommodation units.
   - **Responsive and Cyclical Repairs** is projected to show an adverse variance of £0.551 million due to a shortfall in the electrics budget arising from regulation changes which stipulate that the remedial replacement programme reduces from 7 years down to 5. Planned maintenance for flooring in communal areas, and additional expenditure on day to day responsive repairs will also exceed budget
   - **Interest Paid** is projected to show a favourable variance of (£0.219) million due to recent changes in interest rates
   - **Investment Income** is projected to show an adverse variance of £0.103 million also due to recent changes in interest rates.
   - **Other HRA Reserve Adjustment** is showing adverse variance of £1.002 million, which represents the transfer to reserves for future capital expenditure. This contribution reflects previously declared surpluses in respect of additional rent and underspends due to vacancies.

- **Transfer to/from Major Repairs** is projecting a favourable variance of (£0.400) million, which represents the transfer from capital funding to Major Repairs to allow an increase to Responsive repairs for planned maintenance for the flooring in communal areas, which is now included within the revenue budgets.

Capital

6. The projected outturn on the Capital Programme is £36.966 million a favourable variance of (£2.253) million against the latest budget. The following are the significant schemes which make up this variance:

Slippage

i. Quarry Pavilion – (£0.230) million slipped into future years due to project delays
ii. Tower Blocks – (£1.000) million – expenditure slipped into 2017/18, work is progressing well on this project but slippages have been identified relating to mobile masts and landscaping;
iii. Extensions and Major Adaptions – (£0.200) million - expenditure slipped into 2017/18 for future projects;
iv. Great Estates – (£0.400) million – slippage into 2017/18 due to some of the works starting in December and running into future years;
v. Barton Regeneration – (£0.350) million – expenditure slipped into 2017/18 due to delays on planning permission.

Performance Management

7. There are fifteen corporate performance measures that are monitored during the year. Thirteen (87%) are being delivered as planned (Green) and two (13%) are below target but within acceptable tolerance limits (Amber).

8. The two amber indicators are detailed below:

   a. Implementation of measures to reduce the Council's carbon footprint by 5% each year – various schemes are underway and further work is being undertaken to monitor the energy usage in St Aldates Chambers;

   b. Delivery of the Council's cost savings and income targets – the budgeted procurement saving is not expected to be achieved in year

9. We do not have any measures that are not meeting their targets and therefore this is an improvement on the previous quarter, where two were showing as not performing and these are now being delivered as planned. Of the thirteen that are being delivered as planned, three relate to Vibrant and Sustainable Economy, three relate to Meeting Housing Need, two to Cleaner Greener Oxford, two to an Efficient and Effective Council and three to Strong and Active Communities.

Corporate Risk

10. Following a desktop review of the Corporate Risk Register, a new register has been compiled and ten risks have been identified. These risks were reviewed at the end of Quarter 3 and one has been identified as green, six as amber and three as red risks, these red risks are detailed below:

   c. **Devolution -** Potential changes to Local Government structures could result in Oxford City potentially ceasing to exist in its current form. This is currently having a major drain on time and resources internally and impacting on relationships with other stakeholders. The Council's preferred outcome is one which ensures devolution to enable investment and continued focus on Oxford City.

d. **Climate Change** - Oxford has been subject to a number of significant flooding and extreme weather events resulting in widespread disruption and damage. Mitigation arrangements and plans have been put in place but there is a risk that they could be insufficient to deal with major future flooding or extreme weather. Flood alleviation schemes are underway and being investigated.

e. **Innovative arrangements and models** – The Council is exploring and implementing new models of service delivery, for example Joint Ventures and Companies. There is a risk that the implications of these are not understood and communicated, politically and operationally, including the impact it will have on roles and governance arrangements. External advisors are being engaged on the establishment of the company and its governance arrangements.

Financial implications

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

Legal issues

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

Level of risk

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

Equalities impact

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

Report authors	Nigel Kennedy Helen Bishop
Job title	Head of Financial Services Head of Business Improvement
Service area or department	Financial Services/Business Improvement
Telephone	01865 252708
e-mail	nkennedy@oxford.gov.uk/hbishop@oxford.gov.uk

Background Papers: None