

To: Cabinet
Date: 10 July 2019
Report of: Head of Financial Services
 Head of Business Improvement
Title of Report: Integrated Performance Report for Quarter 4 2018/19

Summary and recommendations	
Purpose of report:	To update Members on Finance, Risk and Performance as at the end of the financial year.
Key decision:	Yes
Executive Board Member:	Councillor Ed Turner
Corporate Priority:	Efficient and Effective Council.
Policy Framework:	Corporate Plan
Recommendations: That the Cabinet resolves to:	
1.	Note the financial outturn and performance of the Council for the year 2018/19 and also the position on risks outstanding as at 31 st March 2019;
2.	Agree the carry forward requests in respect of the General Fund as shown in paragraph 6 and on Appendix D;
3.	Agree the additional transfer to the General Fund Repairs and Maintenance Reserve of £0.610 million detailed in paragraph 2 a;
4.	Agree the carry forward requests in respect of the HRA as shown in paragraph 14 and on Appendix D;
5.	Agree the additional transfer to the HRA Contributions to HRA Projects Reserve of £3.716 million detailed in paragraph 2(c);
6.	Recommend to Council the inclusion of an additional £1.53m budget within the HRA in 2019-20 for completion of the Tower Block refurbishment scheme;
7.	Agree to delegate authority to the Chief Executive to agree the terms of the Towers contract final account with Fortem based on the principles detailed in Appendix G; and

8. **Recommend** to Council the inclusion of £200k in 2019-20 in respect of costs to establish a citizens' assembly together with associated staffing costs for reporting and research.

Appendices

Appendix A	General Fund Outturn
Appendix B	Capital Programme Outturn
Appendix C	HRA Outturn
Appendix D	Carry Forward Requests
Appendix E	Corporate Risks
Appendix F	Corporate Performance Outturn
Appendix G	Tower Block project – final account. Exempt

Introduction and background

1. This report updates the Cabinet on the performance of the Council for 2018/19 together with the corporate and service risks faced as at 31 March 2019. A brief summary is as follows:
2. **Financial Position**
 - a. **General Fund** – The surplus on the General Fund is £0.611 million (2.76% of the Net Budget Requirement of £22.097 million and 2.13% of the gross service expenditure budget of £28.734 million), after allowing for carry forwards to reserves of £0.084 million. The Council is currently updating its condition surveys in respect of corporate buildings and there are already significant repairs that require undertaking, including £0.600 million of repairs to the Town Hall ceilings. A recommendation is made to transfer this £0.610 million surplus to an earmarked reserve for repairs and maintenance of corporate buildings to cover these expected commitments.
 - b. **Efficiencies, Fees and Charges and Service Reduction Targets** – at year end the actual sum is on target at £0.521million, which equates to overall savings made over the last four years of £6.916 million.
 - c. **Housing Revenue Account** – The year end surplus on the HRA is a favourable £3.716 million, after allowing for carry forwards of £0.202 million against the original budgeted deficit of £1.440 million. It is recommended to

transfer the £3.716 million into the HRA projects reserve to fund future capital commitments

- d. **Capital Programme** – the outturn spend is £42.533 million, a favourable variance of £10.398 million against the latest budget forecast in February 2019. Of this £10.489 million is slippage relating to ICT projects, purchase of homes at Barton Park and loans to the Housing Company, which will be carried forward into future years and £0.092 million relates to small net overspends on a number of schemes, the funding for which has been covered by use of revenue funding and capital reserves.
3. **Performance** – 77% (10) of the Corporate Performance targets were delivered as planned and 23% (3) were short of target; individual performance targets are detailed in Appendix F.
4. **Corporate Risk Management** – There is one red corporate risk, nine risks that are Amber risks, and two Green risks, these are detailed in paragraphs 20-21 and in Appendix E.

General Fund Revenue

5. The General Fund is showing a favourable variance of £0.610 million as set out in Appendix A, after carry forward requests. The revenue balance remains unchanged at £3.622 million.

General Fund Earmarked Reserves and Working Balance

6. A number of requests have been made to carry forward unspent sums in respect of previously approved budgets that are started but not completed totalling £0.084 million. Details of these requests are summarised in the table below, and further details shown in Appendix D:

Description	Total
	£
Assistant Chief Executive	23,122
Environmental Sustainability	9,000
Community Services	44,782
Business Improvement	7,257
General Fund	84,161

7. In addition to the above requests for carry forwards the Council has a need to progress the work in establishing a Citizens' Assembly in September 2019 following a backing by Full Council in January 2019 of a Motion to declare a Climate Emergency. Costs to undertake the necessary work are estimated at around £200k for which budgetary provision funded from the overall underspends will need to be made. As well as commission research on a number of areas work will also include :
 - Assembly contributors research, identify, support, briefing of speakers

- Scoping clearly the areas that OCC controls to deliver emissions reductions
- Issue papers on areas that OCC controls e.g. Housing, own stock new build and existing
- Commissioning research
- Liaison with key partners in Oxford – Universities
- Liaison with internal departments within Oxford City Council
- Assembly reporting process
- Assembly hosting and independent facilitation
- Payments to Assembly participants in lieu of expenses incurred in attending the meetings – in line with best practice

The Cabinet is asked to review and agree the carry forward requests together with the additional spend on climate emergency as identified above.

8. Subject to Cabinet agreeing the recommended carry forwards, General Fund Earmarked Reserves as at the 31st March 2019 would stand at £33.892 million, 23% of which relates to funding of the Capital Programme, 15% relates to Business Rates Retention reserve and 9% relates to Grants reserve.
9. The most notable net movements on Earmarked Reserves in year are:
 - Capital Financing reserve – £0.902 million net release from this reserve to fund the capital expenditure in year;
 - Grants reserve – £0.681 million net increase for grants received in previous years for which expenditure has incurred in year;
 - IT Infrastructure reserve –£0.654 million net release from this reserve to fund in year ICT Infrastructure expenditure.
 - Business Transformation Project – £0.400 million additional funding has been added to this reserve to enable transformation projects to develop in the future.
 - Vehicle purchase reserve – net increase of £800k

General Fund Variations

10. At the year end the General Fund service areas spend showed an adverse variance of £0.583 million, £0.667 million after carry forward requests. The most significant of these variances are explained below:
 - **Assistant Chief Executive** – year end favourable variance of £0.064 million, due to recharging salary costs to the Growth Board offset by some additional expenditure on consultation portals. Carry forward requests for £0.008 million for the unspent branding budget and £0.016 million for Covered Market lanterns have been submitted;
 - **Housing Services** – year end adverse variance of £0.106 million, due to pressures on garage rental income and the home choice scheme;

- **Regeneration and Economy** – year end favourable variance of £0.532 million, due to additional commercial property income relating to two large payments being received in Q4 for the surrender of leases and dilapidations;
- **Planning, Sustainable Development & Regulatory** – year end adverse variance of £0.595 million, £0.357 million is due to the net expenditure on South Oxford Science Village, which is Oxford City Council's share of the project costs to date; £0.160 million due to Building Control additional spend on agency staff and £0.042 million to create a financial penalties reserve . There is also a request for a carry forward of £0.009 million which relates to a slipped scheme for funding an Ecology post within the team;
- **Direct Services Client** –year end variance of £0.621 million which largely relates to reduced income from car parking income at Oxpens and Worcester Street car parks and also increases in business rates expenditure. Oxford Direct Services delivered its dividend back to the Council of £1.247million which was in line with the budget.
- **Business Improvement** – year end adverse variance of £0.053 million, due to small overspends across the services and a number of carry forward requests have been made totalling £0.007 million, these relate to customer services training;

Corporate Accounts, Contingencies and Funding

11. Other variances on Corporate Accounts are due to:

- Local Cost of Benefits - £0.317 million adverse variance due to insufficient budget allocated at the beginning of the year. This represents 0.6% of total spend;
- Corporate and Democratic Core - £0.106 million favourable, which represents an underspend on early retirement and pension costs. This represents 3.5% of spend;
- Interest - £0.190 million favourable - Reduced net interest paid arising from reduced borrowing mainly in relation to Housing Company loans;
- Business Rate (NNDR) achieved an overall increased income of £2.744 million, this is partly due to the increase in Business rates collectable from the Westgate Shopping Centre, which was forecast but also due to one off unbudgeted income of around £1.8 million arising from the Business Rates Distribution Group relating to the Council's share of growth in Business Rates income arising across Oxfordshire. The income from the Distribution Group depends on growth in business rates income in other authorities across Oxfordshire and is not guaranteed. Inclusion in the Council's base budget would therefore not be prudent. Business rates income is volatile and baseline levels of base income are due to be reset by Government with effect from April 2020. Due to the

uncertain nature of Business Rates in future years this additional income has been transferred to the earmarked reserves to provide resilience in this area.

Housing Revenue Account

12. The HRA is showing a favourable variance on the HRA of £3.716 million above the original budgeted deficit of £1.440 million (Appendix C). This is after allowing for carry forward requests, totalling £0.202 million.

13. The HRA working balance remains unchanged at £4.0 million.

14. The year end variance is shown as £3.716 million and the major variations include:

- Dwelling Rent – favourable variance of £0.120 million to reflect the increased income following the decline in Right to Buy disposals and the movement of 171 properties to formulae rent since the budget was set;
- Services Charges – favourable variance of £0.184 million, following those properties that have moved to formulae rent for which the service charge has increased;
- Other Revenue spend (stock related) – favourable variance of £0.363 million represents an underspend across a number of areas but all of which are due to the reductions in spend on the capital programme and their incidental revenue costs not materialising;
- Responsive and Cyclical repairs – favourable variance of £0.417 million due to less work being carried out on the maintenance element of the service contracts, however £0.154 million has been submitted as a carry forward for some of these costs.
- Total appropriations – favourable variance of £2.423 million due to the reduced funding required for the Capital Programme.

15. The tower block refurbishment is drawing to a close. The project has been subject to a number of delays, the majority relating to the need for additional fire safety works relating to cladding following the tragic fire at Grenfell tower in Kensington and Chelsea. Most of the works have been completed but some remain in progress or are shortly to start with an anticipated completion for all works of December 2019. In order to complete the project a further budget provision of £1.53 million is estimated to be required to fund further works, the details of which are contained within Appendix G but also an allowance for potential further improvements to the new fire alarm systems. The anticipated final account for the contract with Fortem Energy Services is £21.15 million. This will be funded from the Major Projects Reserve into which all underspends in 2018-19 will be recommended to Council, to be transferred.

Capital Programme

16. The outturn on the Capital Programme is £42.533 million with a favourable variance of £10.398 million against the latest outturn estimate forecast in February as shown in Appendix B. The variance of £10.398 million largely relates to slippage in ICT projects specifically the implementation of the replacement Housing Management System and the roll out of end users devices, slippage in the housing development

at Mortimer Drive and Bracegirdle Road, reduced spend in loans given the Housing Company and slippage in the Horspath Sports Path Scheme.

17. The total slippage from the original budget is £63.168 million which represents a spend of 40% of the original budget compared to 69% last year and 78% the previous year. Revisions to the overall Capital Allocation and Monitoring process which aim to increase the robustness in terms of the development and costing of capital projects before their inclusion in the capital programme and the subsequent monitoring of the programme, have recently been implemented. This, together with additional resources approved by members in the order of £400k with effect from 1st April 2019, is aimed at increasing the level of spend to at least 80% for 2019-20.

18. Details of the £63.168 million slippage are shown below:

GENERAL FUND

- **Housing company loans** – Substantial loans to the housing company were included in the Capital Programme, but after the decision of the government to lift the HRA borrowing cap, the Council took time to review its approach to housing delivery, meaning that the £38.748 million of loans were not made in the 2018/19 financial year;
- **ICT projects (various)** – £0.600 million slippage in total largely relating to Customer Relationship Management System (CRM) £0.2 million and End User Devices £0.300 million which have yet to commence
- **Oxpens** - £4.1 million adverse variance – purchase of land slipped from previous year 2017-18
- **Major capital works at Oxford Covered Market** – £0.215 million slippage on work carried out in year to split some units and further work to improve the interior to be carried out in 2019/20; £0.231 million slippage on the Covered Market Roof, the project spans over four years and started in January 2019;
- **1 – 5 George Street** – £3.183 million slippage into 2019/20 whilst the scheme is under review;
- **Cave Street** - £2.046 million underspend - scheme not currently progressing;
- **Phase 1 Affordable Housing at Barton Park** - £6.062 million slippage, Hills development has started to deliver with 22 homes transferred in 18/19 and further properties to transfer in April 2019;
- **Purchase of homeless properties** - £0.510 million slippage into 19/20 to fund future purchases;
- **Barton Community Centre** - £1.064 million adverse variance to original budget carried forward from previous year 2017-18. Project completed in April 2019;
- **Horspath Sports Park** – £0.600 million adverse variance due to delays starting the work at the junction and original budget carried forward from previous year 2017-18;

- **Recycling waste transfer station** – slippage of £2.115 million as the design work is now on hold pending the impact of the Depot rationalisation project;
- **Bullington Community Centre** – slippage of £0.356 million into 19/20;
- **East Oxford Community Centre** – slippage of £3.978 million into future years
- **Seacourt Park and Ride** - £3.236 million slipped into future years due to delays on the project;
- **Go Low Ultra/Taxis** - £0.908 million slippage across the two schemes, due to delays in progress of the schemes;
- **Purchase of Homes for homeless families** - £2.500 million adverse variance due to slippage of purchase from 2017-18
- **Westgate Public Realm** - £1.134 million adverse variance due to slippage of payment of Section 106 monies from 2017-18
- **Disabled Facilities Grants** - £0.574 million of slippage on spend into future years

HRA

- **Roofing** – £0.100 million slippage, final phase of 18/19 to be completed in early 2019/20;
- **Doors and windows** - £0.180 million slippage, budget being held and rolled forward for possible fire door works in 19/20;
- **Lift replacement programme** - £0.147 million underspend on the scheme;
- **Compulsory purchase of property** - £0.612 million slippage, three extension projects are awaiting building survey works to be completed;
- **Barton Regeneration** - £0.705 million slippage into future years to continue to meet stakeholder expectation with the development;
- **Blackbird Leys Regeneration** – £1.600 million slippage, to enable to continue to meet stakeholder expectations of works currently placed in differing stages;
- **Development at Mortimer Drive & Bracegirdle**- £1.012 million slippage, scheme is at design stage, with planning permission granted
- **East Oxford Housing Development** – £5.3 million slippage linked to development of Community Centre.

Performance Management

19. There are thirteen corporate performance measures that were monitored during the year (Appendix F). Ten (77%) were delivered as planned (Green) and three (23%) fell short of their target.

20. The three indicators are detailed below:

- a. Amount of employment floor space permitted for development –target of 15,000 and a year end result of 12,747. A target of 90,000 was set over the four year period and we may see elements come forward in the final year and we will continue to work with the major development promoters to bring these forward in a way that delivers for the local community and economy.
- b. Net increase in number of businesses operating in the city – target of 200 and a year end result of 40. This indicator is not within the control of the City Council and will be replaced in the next iteration of service plans with a measure that records the level of engagement with and support provided to local businesses;
- c. The level of self-service transactions as a percentage of total contact with the council – target of 40% and a year end result of 37%; overall online transactions were down 3% on 17/18 and calls up by 2.46% and visits up by 7.36%. a full assessment of potential areas for new online services has been made with a prioritised plan for action over the next three years. In addition, the Council is considering the implementation of GovDelivery, an email promotion service with a good track record in other councils, to improve the marketing of online services.

Corporate Risk

21. Corporate risks are reported in Appendix E.

22. There are two Green, nine Amber risks and one Red risk, the red risk is detailed further below:

- a. **Housing** – the Council has key priorities around housing which include ensuring housing delivery and supply for the City and enabling sufficient house building and investment. Insufficient housing in the City 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 following the removal of the HRA borrowing cap by the Government the Council has recently agreed proposals to fund the purchase of new build affordable housing from by its HRA from developments within its wholly owned Housing Company OCHL

Financial implications

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

Legal issues

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

Level of risk

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

Equalities impact

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

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Background Papers: None