

To: Cabinet

Date: 19 December 2019

Report of: Head of Financial Services
Head of Business Improvement

Title of Report: Integrated Performance Report for Quarter 2 2019/20

Summary and recommendations	
Purpose of report:	To update Cabinet on Finance, Risk and Corporate Performance matters as at 30 th September 2019.
Key decision:	No
Executive Board Member:	Councillor Ed Turner
Corporate Priority:	Efficient and Effective Council.
Policy Framework:	Corporate Plan
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 2019;
2.	Recommend the Council to vire £0.500 million from Compulsory purchase of property (N7049) to Extensions & Major Adaptions (N7020) to cover the work of four extensions within the Housing Revenue Account Capital programme as set out in paragraph 10 of the report; and
3.	Recommend to Council to approve the revised Capital Programme budget to be £59.962 million in line with the latest forecast following the major review carried out by officers.

Appendices

Appendix A	Corporate Integrated Dials
Appendix B	General Fund - Sept 2019 Forecast Outturn
Appendix C	HRA - Sept 2019 Forecast Outturn
Appendix D	Capital Programme – Sept 2019

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 2019. A brief summary is as follows:
2. **Financial Position**
 - **General Fund** – the outturn position is forecast to be an adverse variance of £0.149 million against the latest net budget of £23.205 million (0.64%), and £1.044 million against the service area expenditure (3.67%);
 - **Housing Revenue Account** – The budgeted surplus agreed by the Council in February 2019 was £0.492 million. A revision to the Housing Revenue Account (“HRA”) budget and Business Plan was reported to Cabinet on 20 May 2019 which outlined the reason for and requested approval of the change in budget to reflect the impact of the dwellings to be acquired for Oxford City Housing Ltd (“OCHL”). The revised budget resulted in a surplus of £1.205 million and the outturn position is forecasting a favourable variance of £320k against this;
 - **Capital Programme** – The budget, as approved at Council in February 2019, was set at £101.526 million. This area has been subject to a major review, to get to a deliverable and well-timetabled programme. Between setting the budget in February and the end of the financial year a further £12.966 million was retimetabled to 2019-20. The latest forecast outturn is £59.962 million, which takes account of this re-profiling work that has been undertaken across the Council. This represents a favourable variance of £38.791 million against a latest budget of £98.753 million, of which £32.311 million relates to retimetabling and £6.480 million relates to a net underspend across a number of schemes. It is recommended that Council approves this revised programme.
3. **Performance** – 57% (8) of the Council’s corporate performance targets are being delivered as planned, 7% (one) is showing as below target but within acceptable tolerance limits, 21% (3) are currently at risk. However there are 14% (2) that are showing as no data available, as described in paragraphs 18 to 21;
4. **Corporate Risk Management** – There are three red corporate risks at the end of quarter two, which relate to housing, and ensuring housing delivery and supply for the city and enabling sufficient house building and investment; Economic Growth, local, national and international factors that could adversely affect the economic growth of Oxford and Balancing and Delivery of the Financial plan, the Council is currently updating its Medium Term Financial Plan for publication of its Consultation

Budget in December 2019. More details of risks can be found in paragraphs 22 to 23;

Financial Position

General Fund Revenue

5. The overall Net Budget Requirement agreed by the Council in February 2019 was £23.205 million. Since setting the budget, service area expenditure has increased by a net total of £0.132 million, this is a combination of virements within service areas and release from reserves. The Net Budget Requirement remains unchanged.
6. Virements between service areas, were authorised under delegated powers by the Council's Head of Financial Services totalling £0.170 million, the most notable of which relate to the realignment of the training budget and release of contingency to cover Non-Domestic Rates pressures.
7. The release from reserves totals a net movement of £0.038 million, made up of the release from Transformation Funds for ongoing projects, such as the Rent Guarantee model; Team Oxford Communications; the Corporate Scanning project; Idox upgrade; Business Process Automation pilot and release of grant funding into the service areas for ongoing expenditure.
8. At 30th September 2019 the General Fund Service Area expenditure is projecting an adverse variance of £1.044 million against the latest budget of £28.547 million, this is in part offset by a release from the General Fund Repairs and Maintenance reserve and capital financing reserve, of £0.975 million resulting in an overall adverse variance of £0.149 million against the latest Net Budget Requirement of £23.205 million. The key variances are:
 - **Housing Services** - £0.975 million – adverse variance due to unbudgeted expenditure relating to surveys for the Town Hall, Asbestos and Health and Safety and works to the Town hall ceilings, these costs have been mitigated by use of reserves in year and therefore have no net impact on the overall deficit.
 - **Business Improvement** – £0.025 million – favourable variance in relation to telephony of £0.050 million off set by an adverse variance of £0.025 million relating to spend on equalities work.
 - **Law & Governance** - £0.066 million - favourable variance due to unbudgeted SLA income due to be received from the Housing Company.
 - **Oxford Direct Services** - £0.160 million – adverse variance due to savings predicated on the development of the Recycling Transfer Station not materialising in year due to the scheme not yet being implemented.
 - **Transfer to /from Earmarked Reserves** - £0.975 million – use of the General Fund Repairs and Maintenance reserve to cover the expenditure relating to Town Hall surveys and works.

Housing Revenue Account

9. The budgeted surplus agreed by the Council in February 2019 was £0.492 million. A revision to the HRA budget and Business plan was approved by Cabinet on 29 May 2019 following the financial impact of dwellings acquired by the HRA from the Councils housing company in terms of rental income, maintenance spend, interest payments and debt redemption. The revised budgeted surplus was £1.205 million, and was approved by Council on the 22 July 2019. The Housing Revenue Account is currently forecasting a favourable variance of £0.320 million against this surplus, this will be moved into reserves to fund future capital projects. However some budget variations have been made to realign budgets across the HRA and the most notable are:

- Dwelling Rent, Service Charges and Miscellaneous income – favourable variance of £0.800 million due to slower than expected Right To Buy sales and properties being used for temporary accommodation therefore generating additional income;
- Management & Services, other revenue spend and responsive & cyclical repairs – adverse variance of £0.682 million due to one off pressures for legal costs associated with the tower blocks, feasibility costs for phase 2 of the OCHL development programme, decant costs associated with the ongoing developments and consultancy fees relating to the implementation of a new QL Housing system.
- HRA Reserve Adjustment – favourable variance of £0.202 million relating to the release of amounts of unspent budget carried forward from 2018-19.

Capital

10. The budget, as approved by Council in February 2019, was set at £101.526 million. This area has been the subject of major review, with the aim of getting a capital programme which is deliverable and well-timetabled. Between setting the budget and the end of the financial year a further £12.966 million has been retimetabled from the 2018/19 budget. The latest forecast outturn is £59.962 million, which takes account of this re-profiling work that has been undertaken across the Council. This represents a favourable variance of £38.791 million, of which £32.311 million relates to retimetabling and £6.480 million relates to a net underspend across a number of schemes. The main items which are being retimetabled or where there are underspends are:

- Customer Relationship Management System (Lagan) replacement (£0.200 million) retimetabled: the project is on hold whilst a review of requirements takes place;
- 1-5 George Street (£8.960 million) has been removed from the capital programme - The scheme will not progress as 1-5 George Street as this is no longer considered a viable scheme and a new lease has been let on number 5 George Street. A new scheme is currently being considered for 1-3 George Street and this will be brought forward for inclusion in the budget, once a business case has been agreed;
- Covered Market vacant unit works (£0.283 million) retimetabled: works have been carried out on some units and further options are being considered to

work up schemes to improve other units, storage and the entrance, but these are unlikely to be during this financial year. The physical and historic constraints of the market both known and unknown along with high costs and tying in works with any future potential capital spend and the leasing strategy are causing delays;

- Go Ultra Low Oxford (£0.514 million) across the On Street Chargers and Taxi Scheme. Trial installations and commissioning has been completed with a report being considered on the next steps to come forward in 2020/21; the on Street Charging Scheme has been assessed for next steps, the major challenge for Taxi Charging infrastructure is finding appropriate land space for installation. Electric Vehicle charging is a fast paced and rapidly changing market. Dialogue with OLEV is ongoing;
- Pedestrianisation of Queen Street (£0.500 million) removed from the capital programme as no scheme is currently able to be implemented;
- Floyds Row refurbishment (£1.786 million) funding has been included to complete phase 1 and phase 2 of the project as approved by Council in October 2019;
- Phase 1 Affordable Housing at Barton Park (£0.963 million): retimetabled due to delays by the developers of Barton Park;
- Housing company loans (£24.238 million) retimetabled in line with the expectation of borrowing from the housing company, this is due to external factors delaying the start of the schemes such as planning clarification issues, tender specifications and resident consultations. The schemes affected are Between towns Road, Edgecombe Road, Elsefield, Cumberlege, Harts Close, Rose Hill, Warren Crescent, 2 Dynham Place and 26 Valentia Road;
- Barton Park – Purchase by Council (£1.565 million) brought forward to be in line with the Phase 1 Affordable Housing at Barton Park;
- Stage 2 Oxford Museum (£0.729 million) retimetabled due to some delays on the project relating to asbestos survey results and decisions on scoping of courtyard works;
- East Oxford Community Centre (£3.732 million) retimetabled – The quantity surveyors have been appointed and they have provided an outline programme for the phasing of the project which needs to be reviewed and agreed. This project is unlikely to commence before 1st April 2020; this also reflects the need for extensive community consultation;
- Jericho Community Centre (£0.200 million) retimetabled, no confirmation or control of when the spend will take place as this is in conjunction with a 3rd party developer;
- Bullingdon Community centre (£1.159 million) retimetabled, the business case and feasibility report are being written and will be submitted to review group and Development Board shortly for approval to move to delivery phase; this also reflects the need for extensive consultation with stakeholders to take place;

- Car Parking Oxpens (£0.243 million) retimetabled, there are several factors which are affecting the dismantling and erection of the decking.
- Seacourt park and ride extension (£1.227 million) retimetabled, the scheme has started and some of the works were reprogrammed due to i) the need to undertake ecological investigations to ensure that no new badger sets had been established ii) consideration of how to address an area of land containing some waste materials and iii) discussions concerning the Botley Road Improvement Scheme;
- Recycling Transfer Station (£1.198 million) retimetabled, design work is now on hold pending the impact of the depot rationalisation project, the business case for which is in preparation;
- Investments at Redbridge (£0.514 million) retimetabled; This project is part of the depot rationalisation project the business case for which is in preparation;
- Redbridge parking (£1.685 million) retimetabled; This project will be incorporated into the depot rationalisation feasibility project the business case for which is in preparation;
- R&D Feasibility (£0.446 million) retimetabled of unallocated funds into future years. The remaining budget of £111k has been allocated against schemes in feasibility. There are a number of current development schemes which require feasibility studies to be completed in early 2020. This will lead to significant spending on capital works for 2020/21;
- HRA capital schemes (£1.870 million) retimetabled and (£5.019 million) of underspends, this includes Development at Mortimer Drive being removed from the HRA capital programme and included within the OCHL development plan and slippage of construction of dwellings at East Oxford in line with progress of General Fund Community Centre scheme due to interdependencies.
- Compulsory purchase of property (N7049) is projected to underspend by £500k, as there are no schemes available to apply these monies. It is intended that this budget be vired to Extensions & Major Adaptions (N7020) to cover the work on four extensions within the HRA. Under the Councils Constitution virements of between £250k and £500k require the approval of Cabinet, a recommendation for which is included above ;

11. The Council's current capital programme assigns a status to each capital scheme, in line with the Councils Capital Gateway. The programme is split into:

- a. **One off projects** – These are split into idea, feasibility, design, delivery and completion
- b. **Rolling programme** – These items relate to schemes which are ongoing in nature ie HRA planned maintenance; vehicle replacements and ICT software and hardware
- c. **Other Capital Spend** – This largely consists of the General Fund Loans to the housing company

12. Of the one off projects approximately 50% are in the delivery stage with a further 35% being in design & technical specification.

Status of capital project/scheme	2019/20 Budget Book	Carry Forwards	Slippage/New approvals Since 19/20 Budget	Latest Budget	Spend to 30/09/2019	Forecast Outturn	Forecast Variance	Variance due to Slippage	Variance due to Over/ Under spend
Idea	2,695,140	38,803	-468,803	2,265,140	26,214	1,589,690	-875,450	-844,450	-31,000
Feasibility	19,196,528	889,742	-15,733,548	4,352,722	201,599	1,030,564	-3,122,158	-1,874,067	-1,248,091
Design & Technical Specification	12,004,509	356,263	-2,471,521	9,889,250	350,654	5,827,675	-4,061,575	-3,975,575	-86,000
Delivery	4,892,458	2,473,612	2,291,846	9,657,916	1,887,456	7,813,777	-1,844,139	-1,349,139	-495,000
Completed	15,000	172,245	-8,281	178,964	71,353	71,353	-107,611	-7,085	-100,526
Sub Total	38,803,635	3,930,665	-16,390,307	26,343,992	2,537,276	16,333,059	-10,010,933	-8,050,316	-1,960,617
Rolling Programme	15,963,251	1,428,245	1,104,456	18,495,952	5,334,889	17,755,952	-740,000	-1,240,000	500,000
Other Capital Spend	46,759,141	7,606,824	-453,000	53,912,695	4,365,233	25,872,596	-28,040,369	-23,021,115	-5,019,254
Sub Total	62,722,392	9,035,069	651,456	72,408,647	9,700,122	43,628,548	-28,780,369	-24,261,115	-4,519,254
Total Capital Programme	101,526,027	12,965,734	-15,738,851	98,752,639	12,237,398	59,961,607	-38,791,302	-32,311,431	-6,479,871

13. In recent months the process for seeking budget approval from Council for capital projects has undergone significant change. Commencing with an 'idea' approvals are sought initially from the Development Board to progress the project to feasibility stage. Invariably this requires an amount to be approved from the 'Feasibility' budget approved by the Council and included in the Capital Programme. Once feasibility has been established the fully costed project can move to outline or Full Business Case and if approved by the Development Board the project can be submitted for budget approval by the Cabinet and the Council through the normal process and subsequently through detailed design and technical specification and delivery.
14. This revised process to be overseen by the Project Management Office will ensure that projects submitted for approval to the Development Board have robust costings and are subject to detail scrutiny in advance.
15. In past years some projects have been submitted for budget approval before this robust process has been undertaken and this has led to inaccurate costings, bid for additional budget resources even before commencement of the project as well as significant slippage in the capital programme.
16. To some degree the Council is 'retro fitting' these revised processes rather than undertaking wholesale change which could have significant financial implications for the Council's Medium Term Financial Plan. Schemes that have previously been included in the programme such as depot transformation are being subject to significantly more scrutiny before any work commences and as a result if and when it is finally approved to move to delivery stage, will require additional budgetary provision due to the passage of time. These changes will have to be dealt with via separate reports to the Cabinet and to the Council as the need arises.
17. In line with the new processes there are several projects that have been allocated money from the approved feasibility budget by the Development board and in order to keep Cabinet members sighted on such schemes a summary is given below. When and if the business cases for each of these projects are approved these will be brought forward for formal budget approval in the normal way.

Schemes with allocated Feasibility funding			
Scheme	Gateway Stage	Estimated Feasibility	Agreed Budget
Depot Rationalisation	1. Idea	£82,500	£13,000,000.00
Walton Bridge Mooring Development	1. Idea	£2,500	£0.00
Rope Ham Mooring Development	1. Idea	£2,500	£0.00
Port Meadow Moorings	1. Idea	£7,000	£0.00
New Cemetery Project	1. Idea	£14,000	£0.00
New Theatre redevelopment	1. Idea	£71,500	£0.00
ODEON redevelopment	1. Idea	£82,500	£0.00
P0029-D-2019 : Cave Street Standingford House	1. Idea	£82,500	£0.00
Diamond Place redevelopment	1. Idea	£88,000	£0.00
Oxford City Station and Interchange	1. Idea	£110,000	£0.00
1-3 George Street	1. Idea	£110,000	£0.00
Barton Howards	1. Idea	£165,000	£0.00
P0031-D-2019 : Covered Market Redevelopment	1. Idea	£192,500	£0.00
East Oxford Community Centre redevelopment	2. Feasibility	£229,000	£4,000,000.00
P0016-D-2019 : Blackbird Leys Regeneration	2. Feasibility	£291,000	£3,200,000.00
P0017-D-2019 : East Oxford Housing Development	2. Feasibility	£0	£5,300,000.00
P0020-D-2019 : Decommission Oxpens car parking	2. Feasibility	£22,000	£243,000.00
P0022-D-2019 : Bullingdon Community Centre	3. Design & Technical Specification	£142,000	£1,203,048.00
Total		£1,694,500	£26,946,048.00

Performance Management

18. There are fourteen corporate performance measures that are monitored during the financial year. 57% (8) of the Council's corporate performance targets are being delivered as planned, 7% (1) is showing as below target but within acceptable tolerance limits, 21% (3) are currently at risk.
19. However there are 2 (14%) of the measures that are currently showing no data available, as they have not been updated this quarter.
20. Of the eight measures that are being delivered as planned, one relates to Cleaner Greener Oxford, two to Meeting Housing Needs, one relates to Strong and Active Communities and four to an Efficient and Effective Council.
21. The measures that are not meeting their targets are as follows:
 - **Number of people from our target groups using our leisure facilities** – Target of 399,500 and an actual of 374,439 for the first half year. Targets set for the reporting year were ambitious and the leisure provider is working in an increasingly challenging and competitive market. The Council is working with Fusion to continuously improve its targeted outreach work across the city's communities.
 - **Number of new homes granted permission in the city** – Target 200 and an actual of 133. This includes 8 C3 and net loss of 1 C2.
 - **Amount of employment floor space permitted for development (m2)** – Target 7500 and an actual of 352. Loss across B and slight gain against B class.

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.
- **Economic Growth** – local, national and international factors adversely affect the economic growth of Oxford. The terms of and impact of the UK's exit ("Brexit") from the European Union and European Single Market could result in the termination or suspension of investment decisions. Structural changes and economic uncertainties are affecting consumption on the high street. Regular Brexit update reports are received by the Council from central government. The impact on local businesses and new investment is being monitored by the Council and a database of vacant units and ownership interest is being developed.
- **Balancing and Delivery of the Financial Plan** – The Council is currently updating its Medium Term Financial Plan for publication of its Consultation Budget in December 2019. The recent 1% increase in Public Works Loan Board rates announced by the Government is unwelcome and will have significant financial implications for the Council's current and future spending plans for both the HRA and General Fund although it is believed that these effects can be mitigated.

23. There are eight amber risks and one green risk.

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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Background Papers: None