

**To:** Cabinet  
**Date:** 15 July 2020  
**Report of:** Head of Financial Services  
 Head of Business Improvement  
**Title of Report:** Integrated Performance Report for Quarter 4 2019/20

Summary and recommendations	
<b>Purpose of report:</b>	To update Members on Finance, Risk and Performance as at the end of the financial year.
<b>Key decision:</b>	Yes
<b>Cabinet Member:</b>	Councillor Ed Turner
<b>Corporate Priority:</b>	Efficient and Effective Council.
<b>Policy Framework:</b>	Corporate Plan
<b>Recommendations:</b> That Cabinet resolves to:	
1.	<b>Note</b> the financial outturn and performance of the Council for the year 2019/20 and also the position on risks outstanding as at 31 <sup>st</sup> March 2020;
2.	<b>Agree</b> the carry forward requests in respect of the General Fund of £77,182 as shown in paragraph 7 and on Appendix D;
3.	<b>Agree</b> the transfer to the Capital Financing and NNDR Retention reserve of £2.693 million detailed in paragraph 2 a;
4.	<b>Agree</b> the carry forward requests in respect of the HRA of £722,000 as shown in paragraph 18; and
5.	<b>Agree</b> the transfer to the HRA Contributions to HRA Projects Reserve of £4.809 million detailed in paragraph 2 (c)

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

## Introduction and background

1. This report updates the Cabinet on the performance of the Council for 2019/20 together with the corporate and service risks faced as at 31 March 2020.
2. **Financial Overview**
  - a. **General Fund** – The surplus on the General Fund is £2.770 million (12% of the Net Budget Requirement of £23.205 million and 8% of the gross service expenditure budget of £33.172 million). This figure is prior to any carry forward of unspent budgets, for which £0.077 million is recommended to be approved. A further recommendation is made to transfer the remaining balance of £2.693 million of the surplus to earmarked reserves, of which £1.658 million to the Capital Financing reserve and £1.035 million to the NDR Retention reserve.
  - b. **Efficiencies, Fees and Charges and Service Reduction Targets** – at year end the actual sum of £2.017million in accordance with the budgeted amount.
  - c. **Housing Revenue Account** – The year end surplus on the HRA is a favourable £4.809 million, after allowing for carry forward of unspent budgets of £0.722 million against the original budgeted deficit of £1.205 million. It is recommended to transfer the balance into the HRA projects reserve to fund future capital commitments
  - d. **Capital Programme** – the outturn spend is £42.776 million, a favourable variance of £7.255 million against the latest budget forecast in February 2020. Of this £8.340 million is slippage relating to Museum of Oxford, purchase of homes at Barton Park and loans to the Housing Company, which will be carried forward into future years and £1.103 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** – 58% (7) of the Corporate Performance targets were delivered as planned, 8% (1) was below target but within acceptable tolerance limits and 34% (4) were short of target; individual performance targets are detailed in Appendix F.
4. **Corporate Risk Management** – There is one red corporate risk, ten risks that are Amber risks, and one Green risk, these are detailed in paragraphs 27 and in Appendix E.

## **General Fund Revenue**

5. The General Fund is showing a favourable variance of £2.770 million as set out in Appendix A. Should the carry forwards totalling £0.077 million be approved as detailed in Appendix D, the remaining balance of £2.693 million will be transferred to Earmarked Reserves. The working balance remains unchanged at £3.622 million.
6. The impact of COVID-19 in late March 2020 has cast much uncertainty over the Council's financial position for 2020-21 and beyond and in closing the accounts for 2019-20 the Council has maximised the availability of financial reserves in order to tackle the financial challenges arising from the pandemic.

## **General Fund Earmarked Reserves and Working Balance**

- 7 A number of requests have been made to carry forward unspent sums in respect of previously approved budgets that are started and not completed totalling £0.077 million. Details of these requests are shown in Appendix D
- 8 Subject to Cabinet approval of the carry forwards the General Fund Earmarked Reserves as at the 31 March 2020 would stand at £36.451 million, 24% of which relates to funding of the Capital Programme, 26% relates to Business Rates Retention reserve and 11% relates to External Grants reserve pending their use on projects.
- 9 The most notable net movements on Earmarked Reserves in year are:
  - Capital Financing reserve – £1.367 million net increase into this reserve to fund the capital expenditure in year;
  - NDR Retention reserve – The NDR retention reserve is used to smooth out fluctuations in business rates income over the years. Accounting convention also requires that only income precepted by the Council at the beginning of the year is credited to the Revenue account and any balance arising from variation in income collected is transferred to reserves and adjusted for the following year. In addition the reserve is credited with one off income arising from the Business Rates Distribution Group. In 2019-20 additional business rates income above budget was around £1.035 million which will be transferred to this reserve.
  - Grenoble Road reserve –£0.509 million net increase representing the unspent balance on the project which has been transferred into this reserve to finance any future spend relating to this development.
  - Growth Deal – JSSP reserve – £0.687 million net increase representing the unspent balance of the grant received and transferred into this reserve to fund the JSSP (Oxfordshire Plan 2050) element of the deal.

## **General Fund Variations**

- 10 At the year end the General Fund service areas spend showed an adverse variance of £0.895 million. The most significant of these variances are explained below:

- **Housing Services** – year end favourable variance of £0.118 million, due to a number of variances across the service. Property services ended with an outturn of £0.336m favourable variance due to the capitalisation of some repairs costs associated with the Town Hall and other Council building. Housing Needs has however ended with an adverse variance of £0.177m due to costs associated with the Rent Guarantee Scheme (RGS) being higher than those budgeted for. The Council's Home Choice scheme had a favourable variance from reducing homeless prevention costs and rent allowances and Temporary accommodation properties were all back in use from Quarter 3 providing increased levels of rent income, which combined off set the adverse variance of RGS and provided an overall favourable variance for the service area;
- **Regeneration and Economy** – year end favourable variance of £0.258 million, due to higher levels of commercial property income than originally budgeted for and the ability to recharge additional project and development manager time to their associated capital schemes than originally expected;
- **Oxford Direct Services client** – The Council had budgeted for the delivery of a dividend from Oxford Direct Services of £1.552 million. The impact of COVID19 from March 2020 has resulted in considerable financial challenges for the Company for 2020-21 and beyond and in assessing its financial position for the year end the Board agreed that no interim dividend would be declared for the shareholder in 2019-20. In May 2020 the Company has confirmed this position although this is subject to review later in the financial year as its financial position becomes clearer;
- **Law and Governance** - year end favourable variance of £0.105 million, due to additional unbudgeted income from Oxford City Housing Ltd -OCH(L) service level agreements and vacancies within the team;

## Corporate Accounts, Contingencies and Funding

11 Other variances on Corporate Accounts are due to:

- **Interest Payable** - £0.605 million favourable due to a reduction in borrowing taken out to fund the capital programme;
- **Investment Income** - £0.551 million favourable variance, which represents unbudgeted interest from further loan advances to Oxwed and additional interest from increased cash balances held in the Housing Revenue Account;
- **Vehicle Finance Lease interest** - £0.279 million favourable variance due to an increase in vehicles being leased to ODSL and ODSLTL above those originally budgeted for;
- **Direct Revenue Funding** - £0.823 million favourable variance arising from the changes to the financing of capital expenditure to maximise the council's earmarked reserves;

- **Contingencies** - £0.181 million favourable variance where contingencies set aside for unachieved savings have not been applied;
- **Funding** - £1.035 million favourable variance mainly due to additional income received in year from the Business Rates Distribution Group. This surplus will be transferred to the earmarked reserves to cushion the impact of future fluctuations in Business Rates income which will no doubt be exacerbated by the forthcoming business rates reset scheduled by the Government for 2021-22 and the impacts of the “fairer funding” changes it proposes (which are expected to impact negatively), a date for which is to be confirmed.

## Company Financial positions

- 12 The Council has five wholly owned companies, Oxford Direct Services Ltd (ODSL), Oxford Direct Services Trading Ltd (ODSTL), Oxford City Housing Development Ltd (OCH(D)L), Oxford City Housing Investment Ltd (OCH(I)L) and Holding Company Oxford City Housing Ltd (OCHL) and a joint venture, Oxford West End Development Ltd (OxWed).
- 13 ODSL and ODSTL both made a surplus in 2019/20, however this was less than originally budgeted and led to the companies being unable to pay an interim dividend to the Council. Revenue from external organisations reduced by almost 50% from £10.3 million in 2018/19 to £5.4 million in 2019/20 and subcontractor costs increased in year by £4.5 million.
- 14 OCHL group made an operating loss of £0.060 million for the year 2019/20.
- 15 OxWed made an operating loss of £1.758 million due to financing costs in servicing the loans from the shareholders mainly in respect of land assembly. The company is currently working on the approach to bring the site forward for development.

## Housing Revenue Account

- 16 The HRA is showing a favourable variance on the HRA of £4.089 million above the original budgeted deficit of £1.205 million (Appendix C). This is after allowing for carry forward requests, totalling £0.722 million.
- 17 The carry forward requests for the HRA include £0.080 million for CCTV for the Tower Blocks; £0.153 million for staffing costs in the incomes and tenancy management teams to deal with backlogs due to COVID-19; £0.103 million to fund the QL support team for 6 months from Go Live and £0.300 million to build a team for development within the HRA.
- 18 The HRA working balance remains unchanged at £4.0 million.
- 19 The year end variance is shown as £4.809 million and the major variations include:
  - **Services Charges** – favourable variance of £0.658 million, this is due to the recharges of Major Works undertaken on leaseholder properties;

- **Management and Services (Stock related)** – favourable variance of £0.729 million arising from a number of areas including less expenditure incurred on utilities and expenditure related to capital projects including homelessness / disturbance payments and building related insurance and lower than expected court costs from rent arrears recovery cases;
- **Other Revenue spend (stock related)** – favourable variance of £1.198 million represents an underspend due to regeneration schemes slowing down and therefore less spend on surveys, feasibility work and external consultation, £0.696m of this variance will be carried forward into next year to fund the expenditure as the schemes progress.
- **Depreciation** – favourable variance of £1.572 million due to the value of properties, on which depreciation is calculated, being lower than expected
- **Appropriations** - favourable variance of £0.392 million additional transfers to reserves to finance the future capital programme.

## Capital

- 20 The Cabinet agreed a revised budget for its capital programme on 19 December 2019 of £59.962 million following a thorough review of project spend. The final outturn for capital spend is £42.776 million which is a favourable variance of £17.186 million.
- 21 Slippage of £13.035 million was reported to Cabinet on 11 March 2020, and there has been further slippage since this date of an additional £4.151 million as shown in the table below. Total spend represents 71.4% of the revised budget compared to 40% last year and 69% the previous year.

<b>General Fund projects slipped and report in March 2020</b>	<b>Slippage as at Dec 2019 £'000</b>	<b>Slippage between Dec and March £'000</b>	<b>Total slippage for 2019/20 £'000</b>
Windows 2008 Server Replacement	30	0	30
1-5 George Street	36	0	36
Seacourt Park and Ride Extension	2,049	-166	1,883
Floyds Row Refurbishment	928	-646	282
Planned Building Improvements		-1,048	-1,048
Gloucester street car park ventilation (H&S)	191	0	191
Disabled Facilities Grants and Renovation grants		82	82
Museum of Oxford Development		1,220	1,220
Seacourt Park and Ride	2,049	-167	1,882
Purchase of Homeless properties		100	100
Barton Park – purchase by Council		531	531
Barton Park loan to OCHL		491	491
Major Capital works at Covered Market	114	0	114
Housing Company loans	5,231	560	5,791
Oxford and Abingdon Flood Alleviation Scheme	250	0	250
OxPops (Electric Vehicle Charging)	87	0	87
Go Low Oxford Taxis		210	210
Clean Bus Technology Grants	499	0	499
Motor Transport	1,854	622	2,476
Car Park resurfacing	112	56	168
Depot Rationalisation	396	0	396
Other items of slippage/overspend	-1,914	-194	-2,108
<b>TOTAL</b>	<b>11,912</b>	<b>1,651</b>	<b>13,563</b>
<b>HRA projects slipped and report in March 2020</b>	<b>Slippage as at Dec 2019 £'000</b>	<b>Slippage between Dec and March £'000</b>	<b>Total slippage for 2019/20 £'000</b>
Tower Blocks		1,481	1,481
Structural	180	27	207
Doors and Windows	110	156	266
Communal Areas	200	219	419
Fire Doors	310	-420	-110
Energy Efficiency Initiatives	100	40	140
Extensions & Major Adaptations	305	50	355
Lift Replacement Programme	210	30	240
HRA Stock condition survey	140	29	169
Kitchens and Bathrooms		183	183
Barton Regeneration		207	207
Acquisition of additional units		500	500
Other items of slippage/overspend	-432	-2	-434
<b>TOTAL</b>	<b>1,123</b>	<b>2,500</b>	<b>3,623</b>
<b>GRAND TOTAL</b>	<b>13,035</b>	<b>4,151</b>	<b>17,186</b>

22 The new areas of slippage are detailed below:

### **GENERAL FUND**

- Disabled Facilities Grants and Renovation grants - £0.082 million to be slipped into 2020/21
- Museum of Oxford Development - £1.220 million slippage delays due to asbestos removal works being required

- Purchase of Homeless properties - £0.100 million underspend, as remaining sum insufficient to purchase an additional unit
- Barton Park – purchase by Council - £0.531 million slippage due to delays in hand over of new dwellings
- Barton Park loan to OCHL - £0.491 million slippage due to delays in line with the purchase by Council in connection with the above
- Go Low Oxford Taxis - £0.210 million slippage due to internal resourcing issues
- Motor Transport vehicle replacement programme - £2.476 million slippage due to delays in agreeing the specification for the ordering of diesel and electric vehicles
- Seacourt Park and Ride - £1.88 million of slippages due to adverse weather conditions and the COVID pandemic
- Loans to Housing Company - £5,791 million. The need to socially distance following the outbreak of the COVID pandemic together with problems with ground conditions resulted in delays on a number of schemes including Rose Hill, Elsefield/ Cumberlege, Harts Close, Bracegirdle and the extensions programme.
- Planned building improvements (£1.048) – Capitalisation of planned maintenance works to maximise councils financial position

## HRA

- Tower Blocks - £1.481 million slippage due to delays in agreeing account settlement and additional works with main contractor
- Kitchens and Bathrooms - £0.183 million slippage – project behind schedule carry forward into future years and vire to structural budget
- Barton Regeneration - £0.206 million slippage due to delays in the project
- Acquisition of additional units - £0.500 million slippage, budget re-profiled to reflect the latest development schedule and new Heads of Terms

23 We are continuing to review the capital programme to limit slippage in future years, and are currently undertaking an exercise to re-profile the capital budget for 2020/21. The revised forecast will be reported to Cabinet as part of the Quarter 1 reporting in August.

24 The largest area of slippage in 2019/20 has been in relation to the loans to the Housing Company in respect of housing developments. This is a complex area and planned developments are affected by external forces such as planning issues, poor ground conditions etc. Equally schemes in the Companies programme were slowed following the introduction of social distancing at the back end of March arising from the COVID 19 pandemic. On average schemes will have slipped by around 6-9 months. Council officers are working closely with colleagues in the Housing Company to enable the full implications of such slippages to be factored in to the Councils General Fund and HRA budget, further details on which will be outlined in the next monitoring report to Cabinet in August.



## Performance Management

25 There are twelve corporate performance measures that were monitored during the year (Appendix F). Seven (58%) were delivered as planned, one (8%) was below target but within acceptable tolerance limits and four (34%) fell short of their target.

26 The four that fell short of their target are detailed below:

- a. Number of jobs created or safeguarded in the city as a result of the City Council's investment and leadership - target of 1,100 and a year end result of 830. Many of the jobs supported are those generated by the Council's capital programme spending. Less immediate inward investment and job creation interest coming to the attention of officers, possibly related to Brexit and slowing of economic growth.
- b. Amount of employment floor space permitted for development (m2) – target of 15,000 and a year end result of 6,231. Reduced pipeline of employment creating applications in year 3 and 4 of the Corporate Plan, also a notable loss of employment space to other uses;
- c. The number of people taking part in our youth ambition programme – target of 6,000 and a year end result of 5,530 – Program delivery at the end of March 2020 showed just below target. This outcome was partly influenced by the forced suspension (in mid-March 2020), of delivery sessions for Young People due to the impact of COVID-19.
- d. Number of people from our target groups using our leisure facilities – target of 798,970 with a year end result of 590,100 – Data reported by our leisure provider, Fusion, in February 2020 indicated visits increased by 1.3% for an 11 month reporting period. Fusion were reporting a positive month-on-month direction of travel between January and February 2020. This positive direction of travel was expected to continue into March 2020, however on the 20 March facilities across the physical activity landscape were forced to close due to COVID-19.

## Corporate Risk

27 Corporate risks are reported in Appendix E.

28 There is one Green, ten 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 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.

### **Financial implications**

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

### **Legal issues**

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

### **Level of risk**

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

### **Equalities impact**

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

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**Background Papers:** None