

To: Cabinet

Date: 12 August 2020

Report of: Head of Financial Services
Head of Business Improvement

Title of Report: Integrated Performance Report for Quarter 1 2020/21

Summary and recommendations	
Purpose of report:	To update the Cabinet on Finance, Risk and Corporate Performance matters as at 30 th June 2020.
Key decision:	No
Executive Board Member:	Councillor Ed Turner
Corporate Priority:	Efficient and Effective Council.
Policy Framework:	Corporate Plan
Recommendation(s): That the Cabinet resolves to:	
1.	Note the projected financial outturn as well as the current position on risk and performance as at 30 June 2020.
2.	Recommend to the Council an increase in the capital budget relating to the replacement housing management system of £423k funding as outlined in paragraph 16

Appendices	
Appendix A	General Fund - June 2020 Forecast Outturn
Appendix B	Housing Revenue Account - June 2020 Forecast Outturn
Appendix C	Capital Programme – June 2020

Introduction and background

1. This report updates the Cabinet on the financial, corporate performance and corporate risk positions of the Council as at 30th June 2020. Cabinet was updated in June on the impact of COVID on the Council's financial position – this report sets out an update. A brief summary is as follows:

Financial Position

- **General Fund** – the outturn position is forecast to be an adverse variance of £8.991 million against the latest net budget of £23.573 million (37.6%), and £10.951 million against the service area expenditure of £29.969 million (36.1%);
 - **Housing Revenue Account** – The budgeted surplus agreed by the Council in February 2020 was £0.992 million. The outturn position is forecasting an adverse variance of £2.272 million against this;
 - **Capital Programme** – The budget, as approved at Council in February 2020, was set at £142.567 million with carry forward of unspent balances in 2019-20 this was subsequently revised to £163.314 million. During the first quarter each scheme in the Capital Programme has been reviewed and a revised forecast for many of the schemes has been provided. The outturn forecast position is now £96.270 million with slippage of £24.369 million over that previously reported. A standard correction of optimism bias has also been applied to the programme of £15.101 million resulting in a total revised programme of £81.169 million
2. **Performance** – Given the COVID-19 pandemic the approval of the Council's revised Business Plan for the next four year period has been delayed and will not be presented to the Cabinet until September 2020. As such performance indicators against the revised priorities have yet to be agreed. The Council is continuing to monitor service targets through the financial year, and will monitor work streams within the Business Plan rather than specific performance indicators;
 3. **Corporate Risk Management** – There are three red corporate risks at the end of quarter one. These relate to actions taken to ensure housing delivery and supply for the city of Oxford and to enable sufficient house building and investment; local, national or international factors adversely affecting the economic growth of the city and balancing and delivering the financial plan. There are eight amber risks and one green risk. More details of the risks can be found in paragraphs 17 to 18;

Financial Position

General Fund Revenue

4. The overall Net Budget Requirement agreed by the Council in February 2020 was £23.573 million. Since setting the budget, service area expenditure has decreased by a net total of £0.721 million, this is due to a combination of virements within service areas, release from reserves and the pausing of new budget bids for 20/21 as part of the measures to mitigate the losses resulting from the response to the COVID-19 pandemic. The Net Budget Requirement remains unchanged.

5. Virements between service areas, were authorised under delegated powers by the Council's Head of Financial Services totalling £0.339 million, the most notable of which relates to the redistribution of transformation funding to fund the Transformation Team.
6. The release from reserves totals a net movement of £0.295 million, made up of the release from Transformation Funds for ongoing projects and release of external grant funding into the service areas for ongoing expenditure.
7. As at 30th June 2020 the General Fund Service Area expenditure is projecting an adverse variance of £10.951 million against the latest budget of £29.569 million, this is in part mitigated by additional funding received from central government specifically to help out Local Authorities with the financial pressures they are facing following the COVID-19 pandemic. The result is an overall adverse variance of £8.991 million marginally less than the £9.423 million reported to the Cabinet in April 2020 due largely to additional grant funding for the homelessness service. At the Cabinet meeting in April approval was given to fund these overspends from reserves with the adjustments being made at year end depending on outturn. The key variances which are all as a consequence of the response to COVID-19 pandemic either due to additional expenditure or loss of income, by service area are:

- **Business Improvement** – a net adverse variance of £0.280 million which relates to additional cost for telephony services due to most staff working from home and a higher usage of telephones for call and use of data heavy applications such as Teams and Zoom. There is also a notable cost for data usage and storage over and above the contract price with the data centre provider. There are also costs associated with the purchase of new phones and laptops to enable staff to work at home more effectively. These additional costs are mitigated to some extent by a favourable variance in the training budget which is unlikely to be fully spent this year.
- **Community Services** – an adverse variance of £2.204 million. This is made up of reduced income projections from community centre rents and Town Hall events mitigated by savings on utilities, waste collection, and other costs associated with holding such events, the net loss from this source is almost £0.850 million.

The service area has also seen additional costs relating to leisure services and the setting up and running of the locality hubs. All leisure centres have been closed since the beginning of lockdown and throughout the first quarter of this financial year. The management fee payable to the Council has been waived and residual costs have been paid for the maintenance of the centres during this period. Total additional cost is estimated at around £700k for the 2020/21 financial year. Work is ongoing with Fusion to work towards reopening of some facilities and the costs associated with this.

Setting up and running of the locality hubs has included the cost of food parcels, transportation and additional staffing costs to support vulnerable people during COVID-19 pandemic.

- **Regeneration & Economy** –(Commercial property income) 73% of the Q1 income invoiced in March has been paid to date and 55% of the Q2 income invoiced in June has been paid, the lower collection rate reflecting the impact of the COVID-19 pandemic. Much of the rent collection has been from very large tenants and collections have tracked ahead of many retail and ‘entertainment’ based landlords. The Council expects coming quarters to be ever more difficult as a V shaped recovery looks less likely. The Council has throughout this period been liaising with its commercial tenants across its property portfolio listening to their views and establishing the levels of hardship experienced and potential impact on their future trading and whether the various sources of government support have assisted and been utilised. It remains to be seen how trading will pick up as the lockdown eases but indications are that footfall in the city is worryingly low and many of the Council’s tenants are reporting having to consider redundancies as the tail off of the furlough scheme approaches. The Council will continue to liaise with tenants and consider requests for help on an individual basis, while also having regard to the long term vitality and viability of the city centre. The current forecast position is allowing for losses in the short and medium term and is being reviewed on an ongoing basis in view of the substantial uncertainty of outcome.
 - **Housing Services** – adverse variance of £0.940 million, £0.532 million relates to the cost of providing accommodation and food to rough sleepers for the 3 months to June 2020, and £0.408 million relates to health and safety and compliance works that are required across the property portfolio where specific reserves would previously have been used but will no longer be available.
 - **Regulatory Services and Community Safety** – adverse variance of £0.306 million due to loss of income across street trading licences, building control fees and private sector landlord penalties. These have all declined in the first quarter of the year but expect to start to pick up as lockdown eases.
 - **Oxford Direct Services Client** – adverse variance of £4.005 million, £2.800 million relates to projected loss of car parking income for the year, where the actual loss to date is approximately £1.500 million. The use of car parks is expected to increase over the coming months but may take some time to return to previous levels; £1.155 million relates to the reduction of expected dividend payment to be received from Oxford Direct Services (ODS) due to them unable to carry out much of their repairs work during lockdown, other income streams within ODS have also been impacted such as Motor transport and commercial waste. The company will continue to review its business plan and look to contain the losses and commence recovery.
8. Within the Corporate accounts there is a forecast variance of £0.093 million, this relates to loss of interest receivable on some of the investments that the Council was planning to undertake this year which we are now no possible due to the COVID-19 pandemic. Bank base rates at an all-time low of 0.1% continues to deliver minimal returns to the Council

9. To mitigate some of these losses the Council has received Government funding which includes Emergency (COVID) Fund of £1.622 million; Rough sleepers fund £0.032 million, furlough grant approx. £0.100 million and funding from Oxfordshire County Council of £0.300 million to assist with expenditure on services for the homeless. On the 16th July the Government announced the Councils allocation of £500 million of Emergency COVID funding to local authorities as £267,788. The allocation has been based on individual authorities population and areas of deprivation.
10. At the same time the Government issued a further funding for lost income from sales fees and charges and changes to allocate tax deficits that would normally be charged to 2021-22 to be spread over 3 years. The scheme details also included :
 - Councils will absorb losses up to 5% of their budgeted sales, fees and charges income for 2020-21, with the government compensating them for 75p in every pound of relevant loss thereafter;
 - The scheme compensates for income that local authorities generate independently which is defined as a sale, fees and charges – for example, car parking charges or receipts from cultural asset charges;
 - The scheme will cover transactional income from customer and client receipts (excluding rents and investment income) which is generated from the delivery of services which was budgeted for in 20/21;
 - commercial revenues, including rental amounts are not considered relevant losses and will not be compensated for under this scheme ;
 - The Section 151 officer will be responsible for self-certifying the accuracy and reasonableness of their claim against the principles and guidance provided and the Government will sample check claims;
 - The Government will release more detailed guidance in due course to support local authorities in the claims that they will be able to make under the scheme
11. Although the ‘devil will be in the detail’ an initial assessment of the amount of additional support which the authority may receive is in the region of £3 million. Whilst this is welcome news this still falls short of the estimated £24 million increased cost that the Council is forecasting for the next 4 year period.
12. Appendix D provides additional information on the Council’s key income streams that have been most affected by COVID-19, and the table below shows a summary of this position.
13. Service based income is only at 42% of its expected levels as at the end of quarter 1. Each of these areas have been discussed in paragraphs 4-8 above. Income is boosted by £2.8 million of cash received in respect of commercial rent income representing approximately 52% of the June quarter. Council tax and Business Rates are currently at a level of 91% collection which is surprisingly high for this time of the year. Collection of council house rental continues to be problematic and mitigating action is being taken to bring this into check.

Summary	Budgeted income 2020-21	Actual Cash collected April 2020-21	Actual Cash collected May 2020-21	Actual Cash collected June 2020-21	Total Cash collected 2020-21	Profiled income	Percentage of profile collected
	£	£	£	£	£	£	%
Service Based Income	24,367,731	467,510	528,183	2,918,862	3,914,555	9,223,845	42
Collection Fund	148,675,990	18,080,784	12,127,183	13,111,190	43,319,157	47,364,708	91
Housing	44,471,671	3,342,544	4,163,970	3,219,768	10,726,282	11,117,918	96
Total	217,515,392	21,890,838	16,819,336	19,249,820	57,959,994	67,706,470	32

Housing Revenue Account (“the HRA”)

14. The HRA budgeted surplus agreed by the Council in February 2020 was £0.992 million. The outturn position is forecasting an adverse variance of £2.272 million against this, £1.7 million relates to additional costs and loss of income directly relating to the COVID-19 pandemic, the additional £0.500 million relates to feasibility work required for the development work to be carried out within the HRA. Explanation for some of these variations include:

- Dwelling Rent - £0.500 million adverse variance due an increase in void properties and not being able to turn these around as quickly during the lockdown;
- Management & Services - £0.945 million adverse variance due to support the Welfare Reform Team to assist tenants through the difficulties that lockdown has brought about and additional costs such as Personal Protective Equipment (PPE) and additional services being provided to support vulnerable tenants;
- Miscellaneous Expenditure (not stock related) - £0.456 million relating to additional expenditure on feasibility studies for housing development work to be carried out in the HRA;
- Bad Debt provision – £0.500 million adverse variance due to rent arrears that are emerging due to the COVID-19 pandemic;

Capital

15. The budget, as approved by the Council at its meeting in February 2020, was set at £142.567 million. Since that date the budget has been increased by £20.747 million to take account of unspent balances rolled forward from 2019-20, giving a budget of £163.314 million as reported to the Cabinet in June 2020 as part of the April update. Further adjustments since then have been made which reduce the budget by £42.285 million to £121.028 million. The main adjustments made relate to the removal of the budget for additional spend on commercial property of £42 million whilst the scheme is reviewed in line with the proposed central government consultation which is likely to remove the use of PWLB for borrowing for the purchase of commercial property, and slippage of £1 million for the Osney Mead Innovation Quarter into 2020/21.

16. Further net slippage of £24.369 million since last reported results in a forecast outturn of £96.270 million. The main items which are being re-timetabled or where there are over/underspends are:

General Fund

- Museum of Oxford – this scheme is forecasting an overspend due to delays resulting from the COVID-19 pandemic and the additional cost of fire doors;

- East Oxford Community Centre – this scheme has been paused due to the COVID-19 pandemic and the forecast spend in the current year is sufficient to take the project to RIBA Stage 4 for all elements of the project, this is expected to be achieved by Sept 2020.
- Major Capital Works at the Covered Market – all planned works have been delayed due to the COVID-19 pandemic but they are expected to start again as the lockdown eases;
- Housing Company loans and Barton Park schemes – further work has been done to reschedule the work to be undertaken and completed by the Oxford Housing Company Ltd, which has led to a reforecast of the current loan requirements. Work is ongoing to revise the Housing Company Ltd business plan which will be presented to the Cabinet in September ;
- Housing Management System – there have been a number of delays to this project caused by late delivery of key software from the supplier and the recent COVID-19 pandemic crisis, the go live is now planned for September 2020. There is also a forecast overspend associated with this delay, due to additional costs of the project team and Aareon Consultancy, the original budget was £1.6 million and is now forecast to be c £2.0 million, this overspend of £423k will be covered by a virement from the Grey Fleet budget which is no longer required for the 50% element of General Fund spend with the remaining 50% funded by HRA. There are annual savings of c£165k on the completion of this project due to 4 core applications no longer being required, it is also expected see improved efficiencies across the service areas and greater transparency of customer data. This value is above the threshold of £250k which can be approved by the Head of Financial Services under the Councils Constitution. Consequently the Cabinet is asked to approve the virement and recommend to the Council the increase in budget of £423k;
- Seacourt Park and Ride – there have been a number of delays to the project during the year due to adverse weather and supply change delays due to the COVID-19 pandemic which has led to a forecast overspend of this project of £220k. This overspend will be covered by a virement from the Grey Fleet budget, which is no longer required, and can be approved using the delegated power given to the Head of Finance. Despite this overspend the business case for the scheme still indicates an Internal Rate of Return for the scheme of 5.96%.
- Affordable Housing Supply – this scheme has been reallocated from the HRA to the general fund due to it being funded from Section 106 receipts which are General Fund in nature;
- Grey Fleet – £1.8 million The latest review of the business case for this scheme indicates that this is not viable at this time, therefore this budget will be removed from the programme;
- Oxford and Abingdon Flood Alleviation Scheme - £0.250 million re-timetabled, the contribution is delayed until Kennington Bridge is replaced, therefore the spend is unlikely to be prior to 2021/22 financial year;
- Car Park resurfacing – of the £492k included in the capital programme around £350k is required for urgent works to a number of car parks including

Godstow Road and Blackbird Leys Leisure Centre. Undertaking these works will result in £150k of this budget being placed on pause;

Optimism Bias

Project Managers are often thought to be overly optimistic about the delivery of projects and this has resulted in significant programme slippage over the last few years. Recognising this fact officers were asked to revisit the total available budget inclusive of the carry forward from 2019-20 to determine a more realistic budget for 2021-22. Project Managers were asked to risk rate each of their projects on the basis of potential for delay and allocate a % slippage ranging from 10% to 50%. Taking account of this assessment would reduce the forecast outturn of £96.27 million to £81.169 million, allowing for optimism bias of £15.101 million.

Housing Revenue Account

- The HRA planned maintenance programme has been paused during lockdown because the Building Services Team has been unable to access properties. This work is now starting to be scheduled in, but a large amount of slippage has been built into the capital programme since it won't be possible to catch up fully during this financial year. It is intended to carry out 21 months of work over 24 months, and therefore be back on schedule at the end of 2021/22
- Barton Regeneration – this scheme is behind schedule but is working to get back on site as soon as possible;
- East Oxford Development – delays linked to East Oxford Community Centre above;
- Acquisition of additional units – acquisition of nine units has been agreed with the developer, further spend has been delayed;
- Blackbird Leys Regeneration – delays to the project due to the COVID-19 pandemic restrictions, but project is progressing.

Corporate Risk

17. 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 borrowing headroom, . This has become more challenging in the short term due to the

Covid-19 pandemic which has paused many housing delivery projects by around 6-9 months

- Economic Growth** – this relates to local, national or international factors adversely affecting the economic growth of the City. The economic impact of the Covid-19 pandemic will affect the livelihoods and jobs of thousands of people in Oxford. Social distancing and partial re-openings affect consumption on the high street and the viability of some retail, hospitality and catering businesses. The wider economy is not immune with redundancies being announced by larger employers in other sectors as well as damaging impacts to education, transport, and property, creative and cultural sectors. Economic output could reduce by 15 - 20% or more and business numbers by a similar proportion. This potentially equates to £1Bn of output in Oxford. Delivery of a city and county wide Economic Recovery & Resilience Plan with actions across a range of services and functions is being developed. This will be a phased restart through to long term recovery and renewal over a minimum 3 year period.
- Balancing & Delivery of the Financial Plan** – this risk has become red due to the adverse financial impacts arising from the Covid-19 pandemic and the economic aftermath. The pandemic and the resulting actions necessary to deal with it has led to far reaching economic impacts. Experts believe that the economy will take years to recover. There is therefore considerable financial uncertainty around the current estimates especially around income streams which is compounded by additional expenditure needed to support the community through the crisis. The short term impact can be mitigated through the use of balances, however these are one-off and a full reset of budgets is needed which will be reported to the Cabinet in December 2020.

18. The table below shows the level of Red, Amber and Green current risks over the last 12 months:

Current Risk	Q2 2019/20	Q3 2019/20	Q4 2019/20	Q1 2020/21
Red	3	1	1	3
Amber	8	9	10	8
Green	1	2	1	1
Total Risks	12	12	12	12

Financial implications

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

Legal issues

20. There are no legal implications arising directly from this report.

Level of risk

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

Equalities impact

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

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Background Papers: None

Please note in the table below the version number of your report that was finally cleared at each stage

Report Stage	Version Number
First Draft: <i>Commissioned and cleared by Director</i>	V1
Second Draft: <i>Cleared by Legal and Finance</i>	
Organisational Draft: <i>Cleared by the Chief Executive</i>	
Final Draft: <i>Cleared by the Board Member</i>	
Final Report: <i>Cleared by Labour Group</i>	