

To: Cabinet

Date: 09 December 2020

Report of: Head of Financial Services
Head of Business Improvement

Title of Report: Integrated Performance Report for Quarter 2 2020/21

Summary and recommendations	
Purpose of report:	To update the Cabinet on Finance, Risk and Corporate Performance matters as at 30 th September 2020.
Key decision:	No
Executive Board Member:	Councillor Ed Turner
Corporate Priority:	All
Policy Framework:	Council Strategy 2020-24
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 2020; and
2.	Note the un-pausing of the Commercial Property capital project of £42million to allow for the purchase of properties for regeneration.

Appendices	
Appendix A	General Fund - September 2020 Forecast Outturn
Appendix B	Housing Revenue Account - Sept 2020 Forecast Outturn
Appendix C	Capital Programme – September 2020
Appendix D	Income Streams – September 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 September 2020.

Financial Position

- **General Fund** – the outturn position is forecast to be an adverse variance of £2.433 million against the latest net budget of £23.396 million (9.6%), and £11.622 million against the service area expenditure of £27.895 million (41.6%);
 - **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 £1.222 million against this;
 - **Capital Programme** – The budget, as approved at Council in February 2020, was set at £142.569 million and with carry forward of unspent balances in 2019-20 this was subsequently revised to £163.314 million. During the first half year 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 £104.348 million with a variance of 23k against the latest budget of £104.325 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 as such performance indicators haven't yet been identified. 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 two. 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 nine amber risks and no green risks. More details of the risks can be found in paragraphs 18 to 19;

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 £2.395 million, from £30.290 million to £27.895 million this is due to a combination of virements and transfers to and from reserves. All growth bids in 2020/21 have been paused as part of the measures to mitigate the losses resulting from the response to the COVID-19 pandemic. These budgets totalling around £1 million have been moved into contingencies and will be used to fund the forecast deficit. The Net Budget Requirement remains unchanged.
5. Virements between service areas, were authorised under delegated powers by the Council's Head of Financial Services, the most notable of which relate to the

redistribution of transformation funding to fund the Transformation Team and redistribution of Community grants to Housing Needs.

6. The release from reserves totals a net movement of £1.255 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. Further releases from reserves will be required at year end to balance the budget in the light of financial pressures arising from COVID
7. As at 30 September 2020 the General Fund Service Area expenditure is projecting an adverse variance of £11.622 million against the latest budget of £27.895 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 totalling £8.257 million. Within this figure is an estimate of £5 million in respect of the councils claim for compensation in respect of Sales, Fees and Charges based on 95% of loss above a 5% threshold which will not be confirmed until year end
8. The key variances across the services 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 £0.406 million across the service area. A large proportion of this variance is within ICT and relates to staffing costs above budget, additional cost for telephony services due to most staff working from home and a higher usage of telephones for calls 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. A small saving of £10k has been identified on printing costs due to staff predominately working from home. Within HR & OD there is a net favourable variance which is made up of an adverse variance relating to expenditure in relation to maintenance and development of i-trent, which has been offset by savings on the training budget. Savings from vacant posts and underspends in the training budget totalling £80k have been utilised to fund the ongoing work on the People Strategy.
 - **Community Services** – an adverse variance of £1.765 million, which is a reduction (i.e. reduced adverse variance) of £0.440 million from last quarter. 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 now estimated at over £0.900 million. This loss is expected to be compensated through the sales, fees and charges claim referred to in paragraph 11.

The service area has also seen additional costs relating to leisure services and the setting up and running of the locality hubs. An agreement has been made with Fusion on the amount of funding to open all leisure centres with the exception of Barton, on a reduced capacity as well as around the management fee. This is forecast to result in a financial pressure in the current year of around £0.700 million.

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) adverse variance of £4.2 million. A number of businesses occupying property owned by the Council have gone into liquidation and others may follow suit. This variance is a prudent forecast of reduced income and this position remains challenging and is materially affecting the Council's financial position.
 - **Housing Services** – adverse variance of £0.818 million, £0.300 million relates to the cost of providing accommodation and food to rough sleepers for the 3 months to June 2020, however there has been grant funding and contributions received to cover these costs which is shown in the funding section of the report. £0.518 million adverse variance 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 £2.0 million. The use of car parks is starting to increase and the Council is expecting this to continue to improve during the second half of the year; £1.155 million relates to the reduction of expected dividend payment to be received from Oxford Direct Services (ODS) due to the inability to access council housing property 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.
9. Within the Corporate accounts there is a forecast variance of £0.093 million, this relates to loss of interest receivable on investments. Bank base rates remain at an all-time low of 0.1% and investments continue to deliver minimal returns to the Council
10. To mitigate some of these losses the Council has received Government funding which includes Emergency (COVID) Fund of £2.465 million; Rough sleepers fund £0.032 million, furlough grant approx. £0.214 million and funding from Oxfordshire County Council of £0.300 million to assist with expenditure on services for the homeless.
11. At the same time the Government issued a further funding for losses of 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 through the engagement of external auditors will sample check claims;

12. The Council has completed the first claim and through this and its initial assessment the Council believes the additional support which the authority may receive is in the region of £5 million. Whilst this is welcome news this still falls short of the estimated £14 million increased cost that the Council is forecasting for the next 3 year period.

13. 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.

14. Service based income is at 70% of its expected levels as at the end of quarter 2, this is an improvement on the position at the end of Quarter 1. Council tax and Business Rates are currently at a level of 87% collection which is surprisingly high for this time of the year although there is a sense that this position may worsen.

	Budgeted income 2020- 21 £	Actual Cash Collected in Q1 £	Actual Cash Collected in Q2 £	Total Cash collected 2020- 21 £	Profiled income £	Percentage of profile collected £
Service Based income	23,407,731	3,727,804	4,456,301	8,184,105	11,703,866	70%
Collection Fund	148,675,990	43,319,157	38,830,067	82,149,224	94,729,416	87%
Housing	44,471,671	10,726,282	11,002,006	21,728,288	22,269,586	98%
Total	216,555,392	57,773,243	54,288,374	112,061,617	128,702,868	87%

15. Members should note that the movement in the General Fund Budget since last reported to Cabinet at 30 June 2020 is shown in Appendix A as £5.533 million. Whilst the variances are explained in detail above the main reasons for this relate to additional grant monies received and expected from Government of £6.203 million offset by an increase in the provision of income losses of £1.2 million and additional ICT costs relating to home working.

Housing Revenue Account (“the HRA”)

16. The HRA budgeted surplus agreed by the Council in February 2020 was £0.992 million. The outturn position is forecast a £0.220 million deficit, an adverse variance of £1.222 million. Of this variance £1.0 million relates to additional costs and loss of income directly relating to the COVID-19 pandemic.

Explanations for some of the significant variations include:

- Income - £0.418 million favourable variance due to reduced number of Right to Buy (RTB) sales compared to budgeted position and an additional 76 properties that have moved to formulae rent since the budget was set;
- Management & Services - £1.156 million adverse variance due to additional support for the Welfare Reform Team to assist tenants through the difficulties that lockdown has brought about, additional services being provided to support vulnerable tenants and additional costs such as Personal Protective Equipment (PPE);
- Miscellaneous Expenditure (not stock related) - £0.516 million relating to additional expenditure on feasibility studies for housing development work to be carried out in the HRA;
- Bad Debt provision – £0.300 million adverse variance due to rent arrears that are emerging due to the COVID-19 pandemic;
- Reserve Adjustments - £0.572 million favourable which represents a release of approved 2019/20 carry forwards

17. It should also be noted that the movement in the HRA Budget since last reported to Cabinet at 30th June 2020 is shown in Appendix B as £1.051 million. The variances are explained in detail above but the main reasons for the movement in the last quarter are due to reduced RTBs leading to increased rental income and reducing the bad debt provision that was previously increased due to COVID-19.

Capital

18. The budget, as approved by the Council at its meeting in February 2020, was set at £142.569 million. Since that date the budget has been increased by £20.745 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. The latest budget reported in June was £121.028 million, this movement relating largely to the pausing of expenditure in relation to commercial property investments of around £42.0 million.

19. The latest budget as at end of September is £104.325 million, this has increased by £8.055 million from the forecast position reported as at the end of June 2020. The main movements are an addition of £10 million on HRA developments; £3 million slippage on Motor Transport vehicle purchases and an additional £0.735k for the new Revenues and Benefits replacement system.

20. The current forecast is now £104.348 million. In seeking to address the financial pressure arising from COVID it would seem prudent to un-pause the £42m previously allocated for commercial property purchases at the time of budget setting in February. In the consultation budget additional commercial property income is proposed, and an external report has endorsed the view that additional commercial property purchases can generate income and help the

City Council rebalance its portfolio, although the nature of those purchases will differ slightly compared to the time prior to the pandemic.

21. Project Managers have been asked to provide a risk rating for each of their schemes to identify its deliverability within time and financial spend. The results are shown in Table 1 below

Table 1 : Status of schemes in capital programme			
Risk rating	No of schemes	%	Forecast Outturn
Off Target	11	10%	21,872,611
At Risk	22	19%	23,853,101
On Target	60	53%	58,375,632
Closed	7	6%	0
Completed	7	6%	1,333
On Hold	6	5%	245,808
TOTAL	113	100%	104,348,485

The majority of schemes are on track to be delivered or are in accordance with the current forecast spend profile for 2020-21. Those schemes that are not 'off target or at risk of delivery' largely relate to:

- Schemes that were paused by the Council as part of its budget re-set strategy agreed in August 2020 i.e. Bullingdon Community Centre, East Oxford Community Centre
- Planned maintenance schemes with the HRA where COVID has delayed operatives from ODS entering council houses to undertake the works.

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. This has become more challenging in the short term

due to the Covid-19 pandemic which has slowed down delivery in the housing supply.

- Economic Growth** – this relates to local, national or international factors adversely affecting the economic growth of the City. The economic impact of Covid-19 is continuing to affect the livelihoods and jobs of thousands of people in Oxford. Social distancing and economic uncertainties 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 is 11.7% below the February rate nationally and the remainder may not be recovered quickly. Delivery of a City and County wide Economic Recovery & Resilience Plan will align with the Oxford Economic Strategy and City Centre Vision and Action Plan, with consultation drafts published in the autumn. The latter plans will commence from early 2021. The phased restart which is now complete, will progress to long term recovery and renewal actions 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 Cabinet in December 2020.

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

Current Risk	Q3 2019/20	Q4 2019/20	Q1 2020/21	Q2 2020/21
Red	1	1	3	3
Amber	9	10	8	9
Green	2	1	1	0
Total risks	12	12	12	12

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

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