

To: Cabinet

Date: 10 March 2021

Report of: Head of Financial Services
Head of Business Improvement

Title of Report: Integrated Performance Report for Quarter 3 2020/21

Summary and recommendations	
Purpose of report:	To update the Cabinet on Finance, Risk and Corporate Performance matters as at 31 st December 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 31 December 2020.

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

Introduction and background

1. This report updates the Cabinet on the financial, corporate performance and corporate risk positions of the Council as at 31st December 2020.

Financial Position

- **General Fund** – the outturn position is forecast to be an adverse variance of £2.899 million against the latest net budget of £23.573 million (12.3%), and £12 million against the service area expenditure of £25.015 million (47.9%), this is in comparison to an outturn position 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%), which was reported at Q2;
 - **Housing Revenue Account** – The budgeted surplus agreed by the Council in February 2020 was £0.992 million. The outturn position forecast indicates a surplus of £0.660 million which is an adverse variance of £0.332 million, this is in comparison a forecast outturn position of an adverse variance of £1.222 million;
 - **Capital Programme** – The budget, as approved at Council in February 2020, was set at £142.569 million. With carry forward of unspent balances in 2019-20 this was subsequently revised to £163.314 million. The latest capital budget is £86.245 million with a revised forecast of £80.651 million which is a favourable variance of £5.594 million. This is mainly due to slippage on Social Rented Housing Acquisitions scheme (£2.5m) and Affordable Housing Supply scheme (£3m), further explanations on which are given in paragraph 21. .
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 seven amber risks and two green risks. More details of the risks can be found in paragraphs 22 and 23;

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 £5.276 million, from £30.291 million to £25.015 million this is due to a combination of virements and transfers to and from reserves. Around £1.0 million of growth bids in 2020/21 were paused in June 2020 and although a small number were released in December most have been rolled forward into 2021-22 or deleted. The underspend will support the deficit

arising in 2020/21. The Net Budget Requirement remains unchanged. Some of these paused bids will be released in Q4 of this financial year.

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 £3.082million, made up of the release from Transformation Funds for ongoing projects and release of external grant funding into the service areas to fund 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-19.
7. As at 31 December 2020 the General Fund Service Area expenditure is projecting an adverse variance of £11.939 million against the latest budget of £25.015 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 £7.597 million. Within this figure is an estimate of £5.0 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.
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 £0.560 million across the service area. An increase of £0.154 million since last quarter. A large proportion of this variance is within ICT and relates to staffing costs (£65k) above budget, additional cost for telephony services (£80k) due to the majority of staff who are currently working from home and an increasingly rising usage of telephones for calls and use of data heavy applications such as Teams and Zoom. There is also a notable, and also increasing, cost for data usage and storage (£116k) over and above the contract price with the data centre provider. The contact centre are also seeing an overspend in their salary budgets due to a reduction in staff turnover which impacts on the allowance for recruitment drag. To mitigate these overspends there is a small saving of £10k that has been identified on printing costs due to staff predominately working from home and within the Human Resources & Organisation Development service area there is a net favourable variance relating to increased expenditure in relation to maintenance and development of iTrent, 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. The transformation team is also projecting an overspend of £130k for the remaining three months of the financial year where no budget existed for this team. This is required to drive the £3million efficiency programme identified in the Budget. From 1-4-2021 an ongoing amount of £250k has been provided to cover this cost.
 - **Community Services** – an adverse variance of £1.304 million, which is a reduction of £0.461 million from last quarter. This is made up of reduced income projections from community centre rents (£305k) and Town Hall

events (£808k) offset by savings on utilities, waste collection, and other costs associated with holding such events, the net loss from this source is over £0.700 million. Some of this loss is expected to be compensated through the sales, fees and charges claim from the Government which is shown in Government Grants.

The service area has also seen additional costs relating to leisure services and the setting up and running of the locality hubs. A final agreement has been made with Fusion and this has reduced the overall financial pressure in the current year to £0.530 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, which has led to the Community Response Team forecasting an overspend of £240k for the year.

Some mitigation is seen in the Youth Ambition team (£160k), which has seen savings in salaries; Children's holiday activities and the youth ambition programme.

- **Corporate Property** - adverse variance of £4.6 million. A shortfall of £4.2 million in respect of commercial property income representing 33% of the annual income is forecast. This is a provisional amount at the moment but with only 50% of the annual income collected to date it is prudent to do this at this stage. This position remains challenging and is clearly having a material affect the Council's financial position.
- **Housing Services** – adverse variance of £0.110 million, a reduction of £300k since last quarter, due to the overspend relating to the cost of providing accommodation and food to rough sleepers for the 3 months to June 2020 being covered by grant. The 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.

The Housing service have been awarded a number of grants recently as follows: £1m NSAP (Next Steps Accommodation Programme) short term; £122k Department of Health "Out of Hospital" Funding for Rough Sleepers both allocated in 2020/21; £967k of NSAP longer term funding for allocation from 21/22 onwards, these grants are to cover additional costs over and above those in the budget and therefore do not improve the overall financial position.

- **Regulatory Services and Community Safety** – adverse variance of £0.315 million due to loss of income across street trading licences, building control fees, HMO licencing and general licencing. There are some small mitigations in staff savings. 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 £4.655 million, this has increased by £650k since last quarter. £3.800 million relates to projected loss of car parking income for the year, where the actual loss to date is approximately £2.7 million. The use of car parks increased over the summer but reduced again during the second lockdown. £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 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. However a rebate of £362k has been returned to the Council in the current financial year, for reduced cost of delivering statutory services due to lockdown and COVID 19. The Company at their Board meeting in March will be considering whether to pay a final dividend in respect of 2019-20 trading year which may offset some of this variance.

- **Assistant Chief Executive** - now showing an adverse variance of £0.111 million due to COVID expenditure relating to the communications regarding the re-opening of the city centre.
 - **Financial Services** - Forecasting an adverse variance of £0.317 million, this relates to the reduction in court cost income received, due to the closure of the courts during the first lockdown and whilst court action is now back underway this income will not reach the budgeted level.
9. Within the Corporate accounts there is a favourable forecast variance of £0.298 million, this relates to reduced interest received from OCHL net of reduced borrowing costs in respect of loans from the Council to housing development. 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, Sales Fees & Charges claim of £3.2 million and funding from Oxfordshire County Council of £0.300 million to assist with expenditure on services for the homeless. Some of these grants are shown in the services where the related expenditure is also shown resulting in a net position.
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. It is estimated that the Council will receive around £5 million from this Government compensation scheme in respect of losses from sales, fees and charges. The scheme has also been extended to cover the first three months of 2021/22 and we are anticipating that we may receive a further £1.2 million for that period. Whilst this is welcome news this still falls short of the estimated £29 million increased cost that the Council is forecasting for the next 5 year period up to 31-3-2025.
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 74% of its expected levels as at the end of quarter 3, this is an improvement on the position at the end of Quarter 2. Council tax and Business Rates are currently at a level of 103% against the profiled target collection rate which is surprisingly high for this time of the year and largely due to the fact that some people and organisations settle their annual bill in full early in the year, although there is a sense that this position may worsen.

Income Source	Budgeted income 2020-21 £	Actual Cash collected Q1 £	Actual Cash collected Q2 £	Actual Cash collected Q3 £	Total Cash collected 2020-21 £	Profiled income £	Percentage of profile collected %
Service Based Income	24,556,581	3,994,759	4,707,705	4,965,091	13,667,555	18,417,436	74%
Collection Fund sub total	148,675,990	43,319,157	38,830,067	40,069,559	122,218,783	111,506,993	110%
Housing	44,471,671	10,726,282	11,002,006	11,163,081	32,891,369	33,353,753	99%
Grand Total	217,704,242	58,040,198	54,539,778	56,197,731	168,777,707	163,278,182	103%

15. Members should note that the movement in the General Fund Budget since last reported to Cabinet at 30 September 2020 is shown in Appendix A as £0.646 million. The main reasons for this change are increase loss on car parking income offset by a rebate received from ODS for statutory services.

Housing Revenue Account (“the HRA”)

16. The HRA budget agreed by the Council in February 2020 was a surplus of £0.992 million. The current outturn position is forecasting a £0.660 million surplus, which is an adverse movement of £0.332 million from the original budget. There is also an adverse movement of £0.890 million from the previous quarter's position, where we forecast the outturn to be £1.222 million. This movement is due to a reduction in the bad debt provision of £300k and £308k reduction to Welfare Reform team and reduction of £282k on COVID-19 expenditure that has previously been forecast. 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 - - £0.566 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), however this has reduced by £0.590 million since last quarter;

- 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 – no variance now being shown, as rent collection has picked backup and there is no expectation to need an increase bad debt provision;
- Reserve Adjustments - £0.572 million favourable which represents a release of approved 2019/20 carry forwards

Capital

17. 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.

18. The latest budget as at end of December is £86.245 million showing a reduction from the original budget including carry forwards of reduction £77.796 million, this is mainly due to £42m commercial property being paused, movement of £8.7m on OCHL loans, Slippage of £10.847 million on HRA Property purchases and £6.275m slippage on HRA Developments.

19. The current forecast is now £80.651 million which is a forecast variance of £5.594 million from the latest budget, which is mainly due to slippage.

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

Risk Rating	No of schemes	%	Forecast Outturn
Off Target	0	0%	0
At Risk	2	2%	9,947,000
On Target	91	76%	70,599,722
Closed	13	11%	63,432
Completed	8	7%	4,800
On Hold	5	4%	36,505
TOTAL	119	100%	80,651,459

21. 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 showing at risk or off target are:

- Affordable Housing Supply – – This budgeted expenditure is to allow the Council to provide registered providers with S106 funding on development schemes that meet the given criteria. The project was initially incorrectly programmed in the capital programme and so to reflect

the correct profile £3m will be moved into next financial year. This is being reviewed and where possible it will be used in conjunction with Oxford Growth Deal to maximise the acquisitions the HRA is planning from OCHL schemes

- **Social Rented Housing Acquisitions** – This budget is to cover the acquisition of social rented houses to make use of retained right to buy receipts accumulated by the Council from the sale of council houses. Failure to use such sums would require them to be repaid to Government with interest. Expenditure is only expected to be £9.3m with £2.5 million slipped into next financial year (total budget was £13.3m) due to delays on site from the COVID-19 and the associated lockdowns. We are currently waiting to see if the Government will extend the March 31st deadline, they have extended the last 3 quarters, however, if the extension is not granted we may have to repay the retained element of the receipt plus interest, which could be c £700k.

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. Work is continuing to administer the COVID Local Restriction Grants and to plan how best to utilise grant funds to support the local economy and affected businesses. The Council is also communicating with businesses to ensure they understand the need to act on any rule changes for the EU Transition regardless of deal. A joined-up

communications approach county-wide has been agreed with Councils, OxLEP and the Local Resilience Forum.

- **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 February 2021.

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

Current Risk	Q4 2019/20	Q1 2020/21	Q2 2020/21	Q3 2020/21
Red	1	3	3	3
Amber	10	8	9	7
Green	1	1	0	2
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.

Report author	Nigel Kennedy
Job title	Head of Financial Services
Service area or department	Financial Services
Telephone	01865 252708
e-mail	nkennedy@oxford.gov.uk / hbishop@oxford.gov.uk

Background Papers: None