

To: Cabinet
Council

Date: 21 July 2021
26 July 2021

Report of: Head of Financial Services

Title of Report: Financial Outturn report 2020/21

Summary and recommendations	
Purpose of report:	To update Members on the financial outturn for the year ending 31 st March 2021.
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner
Corporate Priority:	All
Policy Framework:	Council Strategy 2020-24
Recommendations: That Cabinet resolves to:	
<ol style="list-style-type: none"> 1. Note the financial outturn and performance of the Council for the year 2020/21 and also the position on risks outstanding as at 31st March 2021; 2. Agree the transfer from the COVID emergency reserve of £2.043 million detailed in paragraph 2a; 3. Agree the carry forward requests in respect of the HRA of £1.881 million as shown in appendix D; 4. Agree the transfer to the HRA Contributions to HRA Reserves to fund future years capital works of £6.476 million detailed in paragraph 2c; and 	
Recommend to Council	
<ol style="list-style-type: none"> 5. That it approves a revision to the general fund capital budget in 2021/22 of £4,984,000, for the grant payment in relation to Oxfordshire Housing and Growth Deal (OGD) schemes. In addition to give a further approval for a capital budget for 2025/26 of £33,000 to fund the remaining grant balance payable for the schemes all of which will be funded by capital grant income from Oxfordshire Housing and Growth Deal (OGD) detailed in paragraph 26 and in doing so: 	

- a. Give project approval to accept and distribute grant; enter into funding agreements; and any other necessary agreements or contracts, for the purpose of delivering more affordable housing in Oxford, through the Oxfordshire Housing and Growth Deal programme;
- b. Delegate authority to the Director of Housing, in consultation with the Cabinet Member for Planning and Housing Delivery; the Head of Financial Services/Section 151 Officer; and the Council's Monitoring Officer, to enter into funding and other necessary agreements for the purpose of delivery affordable housing through the Oxfordshire Housing and Growth Deal programme, within the identified budget; and
- c. Delegate authority to the Chief Executive, in consultation with the Cabinet Members for Finance and Asset Management, and Planning and Housing Delivery, to approve any agreements over £500,000 for affordable housing, within this project approval and budget envelope.

Appendices

Appendix A	General Fund Outturn
Appendix B	Capital Programme Outturn
Appendix C	HRA Outturn
Appendix D	Carry Forward Requests (Housing Revenue Account)

Introduction and background

- 1 This report updates the Cabinet on the financial performance of the Council for 2020/21.
2. **Financial Overview**
 - a. **General Fund** – We should note that this outturn is the product of an exceptionally challenging year. The Council has benefited from government grant, but nonetheless faces a major deficit, which is projected to worsen in future years as consequences of the pandemic continue. This is regrettable given the undertakings the government gave at the start of the pandemic. The deficit on the General Fund is £2.043 million (8.67% of the Net Budget Requirement of £23.573 million and 6.06% of the gross service expenditure budget of £33.688 million). It is recommended, as previously reported, that the deficit is covered by the use of reserves, therefore transferring £2.043 million from the COVID emergency response reserve.
 - b. **Efficiencies, savings and additional income targets** – at year end the council achieved the actual sum of £2.020 million in accordance with the budgeted amount.
 - c. **Housing Revenue Account** – The year end surplus on the HRA is a total favourable variance of £8.357 million, of this balance £1.881 million has been requested as carry forwards, and the remaining £6.476 million is recommended to be transferred to HRA Reserves to fund the future capital programme, this is against the original budgeted surplus of £0.993 million.
 - d. **Capital Programme** – the outturn spend at year end is £68.780 million, a favourable variance of £9.973 million against the latest budget forecast in February 2021 of £78.754 million. Of this £10.068 million will slip into 2021/22 capital programme and £0.095 million is to provide additional funding for some projects for which budget has proven insufficient. Main areas of slippage relate to Museum of Oxford; Housing Company Loans; Go Ultra Low Oxford schemes and Clean bus technology. The small net overspends on a number of schemes have been funded by use of revenue funding and capital reserves.

General Fund Revenue

3. At Cabinet on 24th June 2021 members were advised of the forecast financial implications arising from the pandemic COVID 19. Losses of income and increased costs indicated deficits in the councils four year Medium Term Financial Plan of around £23 million with deficit in 2020-21 estimated at around £9 million. More importantly at the time Government financial support had only amounted to £110k with limited confidence that more would be forthcoming.
4. Members took a number of decisions to mitigate the forecast deficit and effectively pause a number of capital and revenue items that had previously been approved in the February budget setting cycle. In addition Cabinet agreed to set aside an amount from earmarked reserves to cover the deficit in 2020-21 together with forecast deficits in future years of the MTFP remaining after including additional efficiencies or increased income arising from the budget setting cycle. This amount transferred into the COVID Emergency Reserve is around £11 million.

5. This report gives a financial update as to the outturn position for 2020-21. Whilst the forecast losses and increased expenditure have largely still materialised, government grant has increased from the initial £110k to an amount of £7 million million although this falls short of the estimated losses over the four year medium term which in December 2020 were revised to £26 million.
6. General Fund outturn deficit was £2.043 million as set out in Appendix A compared to previous quarter end forecasts of around £2.5 million. This deficit will be covered by a transfer from the COVID emergency reserve, created specifically for this purpose. The working balance remains unchanged at £3.622 million.

General Fund Earmarked Reserves and Working Balance

7. No carry forward of unspent General Fund budgets have been allowed this year due to the financial pressures that the Council has faced, and will continue to face into 2021/22 and the medium term. Any underspends have been subsumed into the overall net deficit.
8. The General Fund Earmarked Reserves as at the 31 March 2021 stand at £68.374 million, 42% of which relates to Business Rates Retention and 17% relates to the COVID emergency reserve and a further 9% is held for funding of the Capital Programme. Ward Member budget underspends were transferred into a reserve for use in future years.
9. The most notable net movements on Earmarked Reserves in year are:
 - a. 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. During 2020/21 the Government mandated business rate reliefs to be applied to business rate accounts which are supported by section 31 payments. This resulted in a large deficit on the collection fund to be charged to revenue in future years. The section 31 payments supporting these deficits have been received in 2020/21 this balance of £23.895 million has been transferred into earmarked reserves to allow it to be transferred back to match the future years deficits.
 - b. COVID emergency reserve - £11.327 million balance in this new reserve, which has been set up to assist the Council with the financial pressure that it is facing due to the COVID pandemic. This is a reallocation from other reserves.

General Fund Variations

- 10 At the year end the General Fund service areas spend showed an adverse variance of £5.959 million. COVID19 had a significant impact on the key income streams of the Council especially car parking, commercial tenant income, lettings of space at the town hall and dividends and returns from our wholly owned companies Oxford Direct Services Ltd and Oxford City Housing Ltd. The

Government introduced a scheme to cover 75% of losses of income arising from Sales, Fees and Charges (SFC) in 2020-21 above a 5% threshold although this grant did not cover losses of commercial income. This was subsequently extended to cover the first three months of 2021-22. Grant received in 2020-21 totalled approx. £7 million, the service area variance prior to receipt of this grant was £13.218 million. The Grant received has been allocated against the services where the income losses arose. Notable variations to budget included

- Regulatory Services & Community Safety – the final outturn showed a favourable variance of £0.215 million after £0.480 million of SFC funding received. The adverse variance of £0.265 million is due to shortfall in income in Building Control (£0.040 million); HMO Licencing (£0.106 million); Business Regulation (£0.180 million); and General Licencing (£0.035 million) while some is offset by savings on staffing in HMO Licencing and Business Regulation.
- Community Services – the final outturn showed a favourable variance of £0.533 million after £1.288 million of SFC funding received. The adverse variance of £0.755 million is due to a shortfall in the management fee from our leisure provider Fusion (£0.400 million); income short fall in letting of Community Centres (£0.337 million); Town Hall income (£0.800 million) and Events (£0.047 million). This has been off set with some underspends in salaries and supplies and services budgets in these areas, together with other staff savings in the Localities team offset by additional expenditure relating to the Community Response hubs. Some of this expenditure has also been funded by additional government grants.
- Corporate Property – the final outturn showed an adverse variance of £3.373 million after receiving £0.217million of SFC funding relating to lost income from market rents. The adverse variance of £3.590 million arises from the requirement to establish a bad debt provision on commercial property rental income which represents around 95% of the arrears outstanding as at 31-3-2021. There has also been some health and safety and compliance work undertaken costing approx. £400k that was unbudgeted.
- Planning – the final outturn showed a favourable variance of £0.377 million following receipt of £0.235million of SFC funding. The net favourable variance in this area arises from reduced planning income, net of salaries and training budget savings.
- Oxford Direct Services Client – final outturn showed £3.228 million adverse variance after receipt of £5.039 million of SFC funding. Car parking gross loss of income was approximately £4million. In addition ODSL, the council's wholly owned company were unable to make a dividend payment that had been revised to £600k. ODSL are considering the potential payment of some dividend to the Council at their Board meeting in July. These losses of income along with additional unbudgeted costs associated with utilities, insurance and bad debt provision were offset by the receipt of SFC funding.
- Business Improvement – a final adverse outturn position of £0.294 million due to additional staffing costs; additional telephony costs due to increased working from home; increased data storage costs over and above the contract due to increased use of Teams and email storage; and additional

servers to increased speed of processing in a remote environment. Some of these additional costs were offset by savings in training and staff offers budgets and some savings in the people strategy budget.

- Financial Services – a final adverse variance of £0.091 million which is due to reduced court income during the year as court proceedings were not undertaken during COVID 19.

Corporate Accounts, Contingencies and Funding

11 An overall net favourable variance of £0.376 million shown on Corporate Accounts and contingencies are explained below:

- **Local Cost of Benefits** – adverse variance of £0.849 million, arising from loss of subsidy due to local authority error of around £350k (0.5% of total spend) and a reduction in overpayment income raised compared to last year, due to increases in benefit entitlement and reduced ability to collect arrears, all in relation to COVID 19.
- **Interest Payable** - £0.959 million favourable due to a reduction in borrowing taken out to fund the capital programme mainly arising from slippage of schemes;
- **Investment Income** - £0.555 million adverse variance, due to less income and therefore less cash flow to invest and low base rates at 0.1%;
- **Direct Revenue Funding** - £0.995 million favourable variance arising from the changes to the financing of capital expenditure to maximise the council's revenue position;
- **Contingencies** - £0.181 million favourable variance where contingencies set aside for unachieved savings have not been applied;
- **Funding** - £2.464 million favourable variance relating to external funding is mainly due to additional income received in year from Government relating to LA COVID emergency grants. These grants are non-specific and can be used to fund pressures across all areas and therefore have been allocated to this section of the accounts.

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) a 50/50 joint venture, Oxford West End Development Ltd (OxWed) and a 50% share in Barton LLP
13. ODSL made a small loss of £156k in 2020/21 due mainly to a decline in income which was heavily affected by COVID 19 as they were unable to enter tenant's homes and carry out planned maintenance and repairs.
14. ODSTL made a small surplus in 2020/21 of £128k
15. Due to the overall loss of ODS companies no dividend was paid to the Council although this position will be considered in 2021-22

16. OCHL group made an operating loss of £0.439 million for the year 2020/21 due to delays in development, meaning costs incurred in year but developments not concluded therefore no sales proceeds received.
17. OxWed made an operating loss before tax of £2.337 million due to financing costs in servicing the loans from the shareholders mainly in respect of land assembly and additional administrative expenses. The company is currently working on the approach to bring the site forward for development.

Housing Revenue Account

18. The HRA is showing a favourable variance of £5.483 million above the original budgeted surplus of £0.993 million (Appendix C). This is after allowing for carry forward requests, totalling £1.881 million.
19. The carry forward requests for the HRA detailed in Appendix D include £0.270 million for Day to Day repairs; £0.444 million for fencing; £0.182 million for painting and joinery and £0.493 million for Consultants fees. ODS will undertake a catch up exercise on these repairs in 2021-22
20. The HRA working balance remains unchanged at £4.0 million.
21. The total year-end variance is shown as the £6.476 million - a total of the budgeted surplus of £0.993 million and the in-year variance of £5.483 million - and the major variations include:
 - **Net Income** – favourable variance of £0.635 million, this variance is made up of increased income due to less Right to buy disposals and higher service charge income due to more flats purchased than forecast;
 - **Management and Services (Stock related)** – favourable variance of £0.974 million due to reduced spend on utilities; court fee costs due to COVID 19; and a lower charge on building insurance;
 - **Other Revenue spend (stock related)** – favourable variance of £1.061 million as the result of reduced spend on consultancy fees and reduced spend on ancillary costs linked to slippages in capital schemes and two vacant posts within the Energy and Environment team;
 - **Misc Expenditure (not stock related)** – adverse variance of £0.335 million which is due to additional spend on feasibility projects, carry forwards included top up received from OCHL for feasibility work;
 - **Bad Debt Provision** – Favourable variance of £0.637 million; due to exceeding the collection rate. In preparation for the implementation of the new housing system, a data cleanse exercise was carried out clearing out and writing off old balances.
 - **Interest Paid** – favourable variance of £0.801 million; less loans needed to fund the capital programme as the majority of development schemes slipped an average of 6 months.
 - **Depreciation** – favourable variance of £1.461 million due to the value of properties, on which depreciation is calculated, being lower than expected. The budget was created from the HRA business plan, due to slippages on developments this didn't materialise.

- **Appropriations** – overall favourable variance of £0.183 million. Mostly Investment Income, due to using less reserves to fund the capital programme, due to slippages arising from Covid 19.

Capital

22. 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.
23. The latest budget reported in February is £78.754 million showing a reduction from the original budget including carry forwards of £63.815 million, and the final spend for the year was £68.780 million, which is further slippage of £9.974 million. Total slippage for the year equates to £73.789 million. Details of these schemes are shown on the table below:

General Fund Capital Projects	Slippage from Original Budget to Latest budget	Additional slippage to year end	Total Slippage for 2020/21
	£'000	£'000	£'000
ICT Project	577	-460	117
Upgrade Tennis Courts	-35		-35
Horspath Sports Park	-32	48	16
Barton Fit Trail	-7		-7
Stage 2 Museum of Oxford Development	1,489	-1,016	473
East Oxford Community Centre	-1,137	-218	-1,355
Bullingdon Community Centre	-1,254	-33	-1,287
Parks Paths	-78	-34	-112
City Wide Cycling Infrastructure Contribution	-3	-3	-6
Car Parking Oxpens	-43		-43
Seacourt Park & Ride Extension	2,102	-262	1,840
Barton Community Centre	0	-15	-15
1-3 George Street	454	-292	162
Gloucester Green Car Park (H&S)	149	-187	-38
Capital Works at Covered Market	-468	-36	-504
Replace or refurbish Lifts	76	-76	0
Old Gas Works Bridges	60	-35	25
Covered Market Roof Works (Capitalised Planned Main	126	-122	4
Covered Market Vacant Unit Works	-8	-23	-31
Town Hall Dry Risers	135	-86	49
Osney Mead Infrastructure	-1,026	-60	-1,086
Commercial Property	-42,000		-42,000
City Cycle Schemes (Growth Deal)	550	-452	98
City Centre Restart	100	-100	0
Meanwhile in Oxfordshire	0	30	30
R & D Feasibility Fund	284	-1,031	-747
Woodfarm / Headington Community Centre	-8	-8	-16
Headington Environmental Improvements	28		28
St Clements Environmental Improvements	-20	-30	-50
Floyds Row Refurbishment	240	47	287
Housing System Replacement	450	-128	322
Barton Park - Purchase by Council	-3,892		-3,892
Housing Company Loans (excl Barton Park)	1,306	-2,496	-1,190
Barton Park - loan to OCHL	-3,892	5,666	1,774
William Morris Close OGD Payment	3,123	-2,463	660
CCTV Suite Upgrade	-79		-79
Renovation Grants	1	7	8
Disabled Facilities Grant and Additional DFG Funding	168	-233	-65
Go Ultra Low Oxford - On Street	48	-557	-509
Go Ultra Low Oxford - Taxis	210	-203	7
OxPops (Electric Vehicle Charging)	13	-6	7
Clean Bus Technology Grants	1,082	-564	518
Decarbonisation Fund - OCC element	0	11	11
MT Vehicles/Plant Replacement Programme.	995	-984	11
Electric Vehicles	-508		-508
Grey Fleet	-1,800		-1,800
Recycling Transfer Station	18	-18	0
Controlled Parking Zones	50	-50	0
Depot Rationalisation	498	-329	169
Mobile Working and Handhelds	126	-140	-14
Transformation Funding	-183	157	-26
Additional Technology Requirements	-732	-412	-1,144
TOTAL	-42,747	-7,196	-49,943

HRA Capital Projects	Slippage from Original Budget to Latest budget	Additional slippage to year end	Total Slippage for 2020/21
Tower Blocks	822	-341	481
Adaptations for disabled	9		9
Structural	-386	-5	-391
Controlled Entry	-232	-59	-291
Major Voids	-123	-193	-316
Damp-proof works (K&B)	-10	-25	-35
Kitchens & Bathrooms	-2,538	0	-2,538
Kitchens	1,271	-461	810
Bathrooms	877	-375	502
Heating	-2,487		-2,487
Roofing	596	-349	247
Electrics	-71	-44	-115
Doors and Windows	-162	107	-55
Extensions & Major Adaptions	293	152	445
Communal Areas	-101	-29	-130
Great Estates Programme	-264	709	445
Energy Efficiency Initiatives	-167	-301	-468
Barton Regeneration	-1,020	-32	-1,052
Lift Replacement Programme	47		47
Social Rented Housing Acquisitions	-351	1,003	652
Fire doors	-345		-345
East Oxford development	-3,533	292	-3,241
Acquisition of Additional Units	-2,243	-92	-2,335
HRA Stock condition survey	0		0
Properties Purchased From OCHL	-10,302	-1,298	-11,600
Use Of Recycled Capital Grants		-368	-368
Affordable Housing Supply	-3,000		-3,000
Boilers Only	1,161	-171	990
Heating Systems	516	-233	283
Next Steps Accommodation Programme	1,196	-601	595
Blackbird Leys Regeneration	-521	-64	-585
TOTAL	-21,068	-2,778	-23,846
GRAND TOTAL	-63,815	-9,974	-73,789

24. Slippage from original budget has been previously reported to members but new areas of significant slippage since the revised latest budget of £78.754 million are detailed below:

General Fund

- **ICT Projects - £0.460 million** – this slippage is across a number of schemes the most notable are slippage of £0.120 million on the Customer Relationship Management (CRM) replacement; £0.048 million slippage on Windows 2008 server replacement due to continued running of old servers whilst new systems are put in place; Revs and Bens System Replacement slippage of £0.219 million which is planned to go live in September 2021.
- **Stage 2 Museum of Oxford - £1.016 million** – there have been delays due to COVID 19 and additional requirements for fire doors, but the project is due to complete in August 2021.

- **East Oxford Community Centre - £0.218 million** slipped into future years due to a pause of the project due to COVID 19, the project has now recommenced and community engagement is underway.
- **Seacourt Park & Ride - £0.262 million** slipped into 2021/22, the project suffered delays due to COVID 19 issues, supply chain issues and inclement weather. The site is now open and the final retention fee will be payable in 2021/22.
- **1-3 George Street - £0.292 million** an extension to the programme has been agreed, the operator has been selected and the main contractor has been appointed, project due to complete December 2021.
- **City Cycle Schemes - £0.452 million** delays in the project have been due to additional steps being required at pre-planning stage, the project is due to complete in December 2021.
- **R&D Feasibility Funding – £1.031 million** feasibility funding has been allocated to schemes during the year and these are ongoing, but spend has slipped for many of them due to delays in progressing the feasibility.
- **Housing Company loans including purchase of Barton properties –** during the year there has been a significant amount of movement on the budget due to delays in development, arising from COVID 19. Overall, including the purchase of the Barton properties, loans drawn down by the company were in line with latest estimates
- **Disabled facilities grant - £0.233 million** slippage into future years as unable to allocate full budget in year.
- **Go Ultra Low On Street and Taxi - £0.760 million** slippage, delays to both schemes due to shortage of resources, the On Street project will be re-scoped and incorporate learning from other EV projects, the Taxi project has restarted and is making good progress.
- **Clean Bus Technology - £0.564 million** slippage due to COVID 19 and engineering issues.
- **MT Vehicles - £0.984 million** slippage due to delays in the decision making on some of the vehicle replacements, these will carry forward into 2021/22.
- **Depot Rationalisation - £0.329 million –** work continues on the outline business case and RIBA Stage 1. A report and full business case will be taken back to members before any major spend is committed.
- **Additional Technology Requirements - ODS - £0.412 million –** resources have been impacted by COVID 19 and the delayed QL project meaning reduced resource capacity to undertake the new project activity

HRA

- **Tower Blocks - £0.341 million –** slippage due to changes in building regulations relating to cladding leading to changes in design for Hockmore Tower.
- **Kitchens and Bathrooms - £0.836 million –** COVID 19 impact because operatives were unable to access tenant's homes to make replacements, the programme has now been smoothed over a 21 month period.

- **Roofing - £0.349 million** – delayed due material supplies affected by COVID 19, the programme will roll into April 2021.
- **Energy Efficiency Initiatives - £0.301 million** – slippage into future years.
- **Social Rented Housing Acquisitions - £1.003 million** brought forward from future years, budget is flexed in line with spend, as spend relates to purchase of properties and it is difficult to know when this will be.
- **Properties purchased from OCHL - £1.298 million** – no properties were purchased in 2020/21 due to delays in developments by OCHL.
- **Heating Systems - £0.233 million** - COVID 19 impact because operatives were unable to access tenant’s homes.
- **Next Steps Accommodation Programme - £0.601 million** – slippage due to difficulty buying one bed flats accompanied with conveyancing issues.

Oxford Housing and Growth Deal (OGD)

26. Additional Oxford Growth Deal Grant has been awarded to fund three further schemes detailed in the table below and previously reported to Cabinet in October 2020. Additional capital budget of £4.984 million together with associated project approval is required to allow the spend of this grant in 2021-22, the bulk of which will be in quarter 2 of 2021-22.

Scheme	Units	Total OGD grant	Paid 20/21	Payment Due 21/22				Payt Due 25/26
				Q1	Q2	Q3	Q4	
William Morris Close	86	£3,470,000	£3,123,000	0	0	0	£347,000	0
Littlemore Park	106	£4,340,000	0	0	£3,906,000	£434,000	0	0
Gibbs Crescent	12	£330,000	0	0	0	£297,000	0	£33,000
Total		8,140,000	3,123,000	0	3,906,000	731,000	347,000	33,000

Financial implications

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

Legal issues

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

Level of risk

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

Equalities impact

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

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Background Papers: None

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