

To: Cabinet – 15 September 2021
Council – 04 October 2021

Report of: Head of Financial Services
Head of Business Improvement

Title of Report: Integrated Performance Report for Quarter 1 2021/22

Summary and recommendations	
Purpose of report:	To update the Cabinet on Finance, Risk and Corporate Performance matters as at 30 th June 2021.
Key decision:	No
Cabinet Member:	Councillor Ed Turner, Cabinet Member for Finance and Asset Management
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 June 2021;and
2.	Recommend to Council the addition of £10.0 million into the Capital programme as per paragraph 12.

Appendices	
Appendix A	General Fund - June 2021 Forecast Outturn
Appendix B	Housing Revenue Account - June 2021 Forecast Outturn
Appendix C	Capital Programme – June 2021
Appendix D	Key Performance Indicators (KPIs) – June 2021

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 2021. A brief summary is as follows:

Financial Position

- **General Fund** – the outturn position is forecast to be on budget against the net budget agreed by Council in February 2021 of £23.109 million; it should be noted this includes £2.1million of income losses already factored into the budget due to the continuing impacts from Covid. In setting its Budget for 2021-22 and Medium Term Financial Plan at Council in February 2021 the Council was required to draw on £11.3 million of reserves to balance the budget over the medium term as well as reduce expenditure and seek further efficiencies and increased revenue especially from its wholly owned companies to cover reduced income and increased cost arising from the pandemic. Whilst some provision has been made in the MTFP for reduced income streams in future years, the indication is that around some income streams such as car parking this may be insufficient, although this assertion is only based on the first 3 months data.
 - **Housing Revenue Account** – The budgeted surplus agreed by the Council in February 2021 was £0.388 million. The forecast outturn position indicates a surplus of £0.359 million, which is a small adverse variance of £0.029 million;
 - **Capital Programme** – The budget, as approved at Council in February 2021, was set at £186.309 million with carry forward of unspent balances in 2020-21 this was subsequently revised to the latest budget of £203.607 million. The outturn forecast position is currently £190.939 million with a total variance of £12.668 million made up of slippage of £8.668 million and £4.0 million of underspend.
2. **Performance** – There are 24 Corporate Indicators for the current financial year, 13 of which are rated Green (on target); 5 are rated Amber (within a tolerance of target) and 1 is rated Red (outside of target), there are also 5 indicators that are unrated due to either no data being available or no comparable data from previous year to rate against. More details can be found in paragraph 15.
 3. **Corporate Risk Management** – There are two 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 negative impacts of Climate Change. More details of the risks can be found in paragraphs 13 to 14;

Financial Position

General Fund Revenue

4. The overall Net Budget Requirement agreed by the Council in February 2021 was £23.647 million. Since setting the budget, service area expenditure has decreased by a net total of £2.262 million, this is due to a combination of virements within service areas and additions to reserves of grant income received. 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 £0.338 million, the most notable of which relates to the redistribution of funding for Tree Officers from Environmental Sustainability to Planning.

6. The contribution to reserves totals a net movement of £1.992million, with the most significant movement being adding the 2021/22 grant allocation received from MHCLG for both homeless prevention and rough sleeping initiative funding to reserves. This has been paid to us in advance and will be released into Revenue as and when expenditure is incurred.
7. As at 30th June 2021 the General Fund Service Area is not projecting any outturn variances against the latest budget of £33.532 million however there are a number of key areas that continue to be impacted by COVID 19 that are being monitored closely. These include :
 - **Car Park income** – the budget for the current year 2021-22 agreed in February 2021 was reduced from £6.7 million by approx. £1.500 million to take account of reduced usage. Income for the first quarter of 2021-22 is 40% down on the revised budget. Shoppers have returned to the city however many businesses are still predominantly working from home leading to the reduced usage of some car parks. The position is being monitored but may result in further reduction in income forecast in the next monitoring report.
 - **Community Centre income** – the budget for the current year 2021-22 was reduced by £0.160 million. The overall position to date for the service is consistent with this although it is being achieved by a saving in premises and employee costs rather than meeting the income target.
 - **Licensing** – the budget for the current year 2021-22 was reduced by £0.030 million and currently income is significantly below the budget for the year although there is some mitigation from staff vacancies. The income forecast currently remains at the original level but this will be reviewed during the year.
 - **Property rental** – the budget in the current year 2021-22 was reduced by £3.700 million due to the significant pressures that COVID 19 placed on this income stream. The forecast remains unchanged but arrears are being closely monitored with 37% of Q1 invoices issued in March 2021 still outstanding.
 - **Town Hall income** – the net income target for the current year was reduced by £0.536 million and this area is only slightly down on budget on a year to date basis so no forecast changes are anticipated.
 - **Events income** – the income budget was reduced by 50% and income has picked up considerably in the last month so it is hoped the target will be met and no forecast changes will be necessary.
 - **Oxford Direct Services** have deferred the decision as to whether to pay a dividend for 2020-21 in this financial year, due to the ongoing impact of COVID and the lack of financial management information available arising from the ongoing problems of the QL system implementation. Further adjusted forecasts will be made in future monitoring reports
 - **Oxford City Housing Limited** – The Company will present their revised business plan to shareholders in July. Developments have been delayed due to COVID and increased corporation tax announced in the chancellors' budget make some form of adjustment in returns from the Company a

likelihood as it seeks to make financial adjustments in its business plan. These adjustments will be included in future monitoring reports.

8. To mitigate some of these losses of income the Council will be submitting a claim through the Sales, Fees & Charges compensation scheme which the Government extended to cover lost income up to and including 30th June. It is important to note that the scheme, which covers 75% of losses incurred compared to the budget position allowing for a 5% threshold, does not cover commercial losses from tenant rents or returns from companies.

Housing Revenue Account (“the HRA”)

9. The HRA budgeted surplus agreed by the Council in February 2021 was £0.388 million. The forecast outturn indicates a surplus of £0.359 million, a small adverse variance of £0.029 million against the agreed position. The HRA accounts are showing a significant underspend in the year to date position, this is due to issues arising from the implementation of the new Housing Management System, QL. Since the system went live on 18th May, no financial information has been available and the project team are working to resolve the issues. The significant forecast changes are explained below:
 - Dwelling Rent - £1.110 million reduction in rental income is due to some development schemes slipping into the next financial year and the use of a higher inflation rate when setting the budget for the rent increase;
 - Management & Services - £0.243 million increase in expenditure while Other Revenue Spend has reduced expenditure of £0.304 million, this is mainly a realignment of budgets across the two expenditure lines;
 - Interest Paid - £1.254 million reduced expenditure to reflect the lower level of loans taken out during 2020/21 due to reduced activity levels during the height of the COVID 19 pandemic.

Capital

10. The budget, as approved by the Council at its meeting in February 2021, was set at £186.309 million. Since that date the budget has been increased by £10.261 million to take account of unspent balances rolled forward from 2020-21, giving a budget of £196.572 million. Further adjustments since then have been made which increase the budget by £7.068 million to show the latest budget as at 30th June to be £203.608 million. In the current circumstance capital expenditure may be affected, this will be reviewed over the quarter and an updated position on likely spend for the year will be reported in the next report.
11. Further net slippage of £8.711 million together with underspends of £4.000 million results in a forecast outturn of £190.897 million. The main items which are being re-timetabled are:

General Fund

- East Oxford Community Centre - £3.030 million slippage – key dates have been agreed and the refurbishment will start towards the end of 2021, with stakeholder engagement currently underway;
- Osney Mead Infrastructure - £0.710 million slippage – overall scheme slippage due to delays with the Oxford Flood Alleviation Scheme (OFAS)

and the need to negotiate with the Environment Agency and also with Homes England regarding the funding drawdown;

- City Cycle Schemes - £0.212 million slippage – the scheme is currently in planning but some sites have received objections and this is delaying the delivery of the scheme;
- Motor Transport Vehicle Replacement programme - £0.777 million slippage as the programme of replacement is being reviewed, some vehicles may be delayed while others are brought forward;

Housing Revenue Account

- East Oxford Development – slippage of £0.263 million – this links with the General Fund scheme which is also slipping;
- Properties purchased from OCHL – the budget for this item has been increased by £10.5 million to take account of additional stage payments to Oxford City Housing Ltd (OCHL) with regard the purchase of social housing together with payment for an additional 17 social dwellings at Elsfield
- Development sites at Northfield Hostel, Lanham Way, unallocated site 1 and Juniper Way - £14.459 million slippage across the four sites to 2021-22 – all schemes are progressing but are at different stages with some at pre planning and consultation while others are at the feasibility stage.
- Unallocated Site 2 – underspend of £4 million which is to be used to fund the change of tenure types on the Elsfield development referred to above

12. On 9th September 2020 a report was taken to Cabinet in respect of works at Northern Gateway. The report sought approval from Cabinet to enter into an agreement with Thomas White Oxford (TWO) to deliver infrastructure works to Northern Gateway funded by Housing Infrastructure Funds (HIF) from Homes England. Under the Council's Constitution a resolution should have been made by Cabinet to Council to establish a capital budget to enable payment of the monies but unfortunately this was overlooked. Agreement has been made to commence payment of the funds £2.7 million in 2021/22 and £7.3 million in 2022/23 and this report seeks the approval to do so in accordance with the Constitution. For convenience the report referred to may be found at :

<http://mycouncilpages.oxford.gov.uk/ieListDocuments.aspx?CId=527&MId=5575>

Corporate Risk

13. There are two 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, 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 paused any delivery in the housing supply;

- **Economic Growth** – this relates to local, national or international factors adversely affecting the economic growth of the City. Despite some positive trends, the Risk still remains at Red. Issues relating to inflation, labour market supply, global economy, COVID levels locally, border arrangements, local business support being scaled back and business rates commencing suggest that there are still numerous risks;

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

Current Risk	Q2 2020/21	Q3 2020/21	Q4 2020/21	Q1 2021/22
Red	3	3	3	2
Amber	8	9	7	8
Green	1	0	2	2
Total Risks	12	12	12	12

Performance Indicators

15. There is one red corporate performance indicators being reported at the end of quarter 1, these relate to:

- The number of people in Oxford estimated to be sleeping rough – actual of 24 against a target of 17 – an increase has been seen in recent weeks which is not uncommon when the weather improves, but when compared to pre-pandemic this number is much lower for the time of year;

Financial implications

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

Legal issues

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

Level of risk

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

Equalities impact

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

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Background Papers: None

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