

**To:** Cabinet 15 Dec 2021  
Council 31 Jan 2022

**Report of:** Head of Financial Services  
Head of Business Improvement

**Title of Report:** Integrated Performance Report for Quarter 2 2021/22

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To update the Cabinet on Finance, Risk and Corporate Performance matters as at 30 <sup>th</sup> June 2021.
<b>Key decision:</b>	No
<b>Executive Board Member:</b>	Councillor Ed Turner
<b>Corporate Priority:</b>	All.
<b>Policy Framework:</b>	Council Strategy 2020-24
<b>Recommendations:</b> That Cabinet resolves to:	
1.	<b>Note</b> the projected financial outturn as well as the current position on risk and performance as at 30 Sept 2021; and
2.	<b>Recommend</b> to Council the addition of £2 million into the Homelessness budget, which will be fully funded by grant, as per paras 9 and 10.

<b>Appendices</b>	
Appendix A	General Fund - Sept 2021 Forecast Outturn
Appendix B	Housing Revenue Account - Sept 2021 Forecast Outturn
Appendix C	Capital Programme – Sept 2021

## Introduction and background

1. This report updates the Cabinet on the financial, corporate performance and corporate risk positions of the Council as at 30<sup>th</sup> Sept 2021. A brief summary is as follows:

## Financial Position

- **General Fund** – the outturn position is forecasting a favourable variance of £0.573 million against the net budget agreed by Council in February 2021 of £23.647 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. The favourable variance being forecast will lead to less call on reserves in year.
  - **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 million with carry forward of unspent balances in 2020-21 and some additional slippage the latest budget is now £174.337 million. The outturn forecast position is currently £146.318 million with a total variance of £28.019 million made up of slippage of £28.056 million and £0.037 million of overspend.
2. **Performance** – There are 23 Corporate Indicators for the current financial year, 11 of which are rated Green (on target); 0 are rated Amber (within a tolerance of target) and 3 are rated Red (outside of target), there are also 9 indicators that do not have performance data until the end of the year therefore are not RAG rated. More details can be found in paragraph 19.
  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 negative impacts of Climate Change. 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 2021 was £23.647 million. Since setting the budget, service area expenditure has decreased by a net total of £2.818 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, realignment of planning budgets and the movement of garage income budget from Housing Services to Corporate Property.
6. The contribution to reserves totals a net movement of £1.602 million, with the most significant movement being adding the 2021/22 grant allocation of £1.9 million received from MHCLG for both homeless prevention and rough sleeping initiative funding to reserves. This has been paid to the Council in advance and will be released into Revenue as and when expenditure is incurred.
7. As at 30<sup>th</sup> September 2021 the General Fund Service Area is forecasting a favourable variance of £0.362 million against the latest budget of £32.976 million. The main variances are detailed below:
  - **Housing Services** – a favourable variance of £0.470 million, which is due to the one off in year budget set aside for Canterbury House and YHA no longer being required as DLUHC grant is being used to fund this pressure;
  - **Community Services** - favourable variance of £0.251 million, largely relating to the Town Hall & Facilities team. The Town Hall income appears to be recovering better than expected and is forecast to be above the revised budgeted levels and savings have been made in both premises and supplies costs across the team;
  - **Oxford Direct Services Client** – there is a nil variance driven by our recent success in a business rates appeal on Oxpens car park in relation to the unused decking, resulting in a refund of £300k. Car Parking usage is now starting to recover and becoming more in line with budget expectations going forward, but losses were still suffered in the early part of the year which offset against the refund. The Council are still anticipating a dividend of at least £0.600k in relation to 2020/21 company surpluses which is still awaiting an ODS board decision:
  - **Business Improvement** - adverse variance of £0.211 million. £0.150 million relates to additional costs being incurred to extend the current transformation team until the end of the financial year. The remainder is a staffing cost pressure in Customer Services due to staff turnover being less than previously experienced:
  - **Law & Governance** - the adverse variance of £0.120 million remains due to an ongoing difficulty to recruit to permanent posts within the establishment and therefore being reliant on the use of temporary staff which are more expensive
  - **Corporate Accounts** – a favourable net variance of £0.211 million over the interest receivable and interest payable budget lines. This variance arises due to less than anticipated external borrowing due to delays in the capital programme and lower than anticipated lending to companies

8. To mitigate some of the losses of income the Council has submitted a claim through the Sales, Fees & Charges compensation scheme which the Government extended to cover lost income up to and including 30<sup>th</sup> June, this is expected to be approx. £1.1 million. 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.

### **Homelessness Grant Bid**

9. A report was submitted to Cabinet on 15 Sept 2021 which gave approval for a scheme to purchase properties for the housing of homeless families funding by a £2million investment from council resources, £2million march funding from DLUHC following a successful bid application and £2million from financiers Resonance.
10. Approval was given by Cabinet and subsequently Council for the £2million investment together with the appropriate capital budget. Since the successful bid to DLUHC they have confirmed that the £2million funding from them will be given by Section 31 grant and consequently initial capital spend required by the Council will be £4 million with £2million being claimed from the Government. Council approval will be required for this additional £2million spend although there is no net overall difference to the Councils finances that was originally approved.

### **Housing Revenue Account (“the HRA”)**

11. 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. As reported previously the implementation of the Housing Management System QL has caused problems in the obtaining of financial management information of work done by Oxford Direct Services. As a result actual expenditure is artificially low although the forecasts is our best estimate of the actual position. 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 housing development activity by OCHL during the height of the COVID 19 pandemic.

### **Capital**

12. The budget, as approved by the Council at its meeting in February 2021, was set at £186 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 decrease the budget by £20.857 million to show the latest budget as at 30<sup>th</sup> September to be £174.337 million.

13. Further net slippage of £28.019 million together with overspends of £0.037 million results in a forecast outturn of £146.318 million. The main items of slippage, which are being re-timetabled are:

### **General Fund**

- East Oxford Community Centre - £1.250 million slippage to the scheme due to delays decanting current tenant which will complete at the end of March 2022 and the project being forecast to complete by June 2023;
- Jericho Community Centre - £0.195 million slippage into future years;
- Bullingdon Community Centre - £0.433 million slippage due to delays carrying out surveys, engaging with an offsite fabrication manufacturer and time taken to obtain budget surety. Demolition is 95% complete and groundworks expected to start in January 2022;
- Blackbird Leys Regeneration - £0.108 million brought forward to fund the expected spend in year;
- Affordable Housing Supply - £3.000 million slippage in line with changes to the Oxfordshire Growth Deal programme;
- Car Parking Oxpens - £0.225 million slippage, the removal of the decking is expected to take place in early 2022/23;
- Cave Street Development - £0.517 million slippage due to the increase scale and complexity of the development proposals requiring additional time for review of the business case and delivery options;
- 1-3 George Street - £1.227 million slippage due to ground conditions work delaying the construction programme;
- Capital works at Covered Market - £0.839 million slippage into future years;
- Regeneration Property - £7.0 million slippage due to no further opportunities currently available to purchase properties;
- City Cycle Schemes - £0.450 million slippage into future years;
- Feasibility schemes – further allocation made and £0.049 million brought forward from future years;
- Go Ultra Low Oxford – On street - £0.500 million slippage on the scheme as it is dependent on external factors;
- Motor Transport Vehicle Replacement programme - £0.078 million slippage as the programme of replacement is being reviewed, some vehicles may be delayed while others are brought forward;
- Transformation Funding - £0.130 million slippage.

### **Housing Revenue Account**

- Energy Efficiency Initiatives - £0.750 million slippage from the current year which has been added to the end of the program in 2025/26;

- Properties purchased from OCHL - £10 million slippage as further delays in completion of sites to be purchased;
  - Unallocated Site 1 – underspend of £1.366 million to remove the scheme from the programme so that the funding is available for other planned schemes.
14. During a continued review of the Capital Programme additional slippage is likely to occur during the remainder of the year, and officers are monitoring this on a regular basis.

### **Overall capital programme outturn**

15. As noted above, the projected capital outturn is currently £143.647 million. While this figure is higher than previous year’s capital spend, it is worth noting that it includes sizable budget allocations and forecasts that are inherently difficult to accurately forecast due to the nature of the projects. This includes:
- £20.9m of General Fund loans to OCHL, which rely on a range of schemes coming through detailed design and planning stages, where timescales are difficult to predict.
  - £35m of HRA allocated to the acquisition of social rented homes from OCHL
  - £13m of General Fund allocated to regeneration, which relies on the identification of suitable regeneration opportunities and the market
16. Furthermore, there are some large one-off capital projects, which have increased the overall programme. These include:
- £14m for the decarbonisation of key council assets via central Government “Salix” funding and associated enabling works

### **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 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 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 arrangement, local business support being scaled back and business rates commencing suggests that there are still numerous risks.
- **Negative Impacts of Climate Change** - The Council has made action on climate change one of its corporate priorities and has stepped up its programme of action, partnering and influencing to seek to mitigate social health and environmental impacts on the City. The Oxford Flood Alleviation Scheme (OFAS) scheme continues to progress. Work is ongoing through Zero Carbon Oxfordshire Partnership (ZCOP) to reduce carbon emissions across the City. Tighter air quality emission standards have been recommended by the World Health Organisation (WHO) and may be considered for adoption by the UK Government.

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

<b>Current Risk</b>	<b>Q3 2020/21</b>	<b>Q4 2020/21</b>	<b>Q1 2021/22</b>	<b>Q2 2021/22</b>
Red	3	5	3	3
Amber	7	7	11	10
Green	2	2	0	1
<b>Total Risks</b>	<b>12</b>	<b>12</b>	<b>14</b>	<b>14</b>

### Performance Indicators

19. There are three red corporate performance indicators being reported at the end of quarter 2, these relate to:

- The % of Council spend with local businesses including SME's – actual 35.05 against a target of 45. Improvements were seen in September of 16.82% but still remain below target. It is expected that the target will be met by year end as a yearly average.
- The % of Council spend with local business (excluding ODS and OCHL) – actual 35.49 against a target of 45. Improvements were seen in September of 8.21% but still remain below target although it is anticipated that this will be met by year end as a yearly average.
- The number of people in Oxford estimated to be sleeping rough – actual of 27 against a target of 17 – the number fluctuates week on week but

has stayed broadly similar since early August. Regular meetings are held with all street services to ensure plans are in place for all individuals

**Financial implications**

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

**Legal issues**

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

**Level of risk**

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

**Equalities impact**

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

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<b>Background Papers: None</b>