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OXFORD CITY COUNCIL

To:	**Cabinet**
	Council
Date:	**16 March 2022**
	21 March 2022
Report of:	**Head of Financial Services**
	Head of Business Improvement
Title of Report:	**Integrated Performance Report for Quarter 3 2021/22**

Summary and recommendations	
Purpose of report:	To update Cabinet on Finance, Risk and Corporate Performance matters as at 31 December 2021
Key decision:	No
Executive Board Member:	Councillor Ed Turner, Deputy Leader (Statutory) – Finance and Asset Management
Corporate Priority:	All
Policy Framework:	Council Strategy 2020-24

Recommendation(s): That the Cabinet resolves to:

1. **Note** the projected financial outturn as well as the position on risk and performance as at 31 December 2021; and

2. **Recommend** to Council the addition of £0.110 million into the Capital Programme for the purchase of Hybrid AV meeting equipment as set out at paragraph 13.

Appendices	
Appendix A	General Fund - December 2021 Forecast Outturn
Appendix B	Housing Revenue Account - December 2021 Forecast Outturn
Appendix C	Capital Programme – December 2021
Appendix D	Corporate KPIs – December 2021

Introduction and background

1. This report updates the Cabinet on the financial, corporate performance and corporate risk positions of the Council as at 31 December 2021. A brief summary is as follows:

Financial Position

- **General Fund** – the outturn position is forecasting an adverse variance of £0.305 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 adverse variance being forecast will lead to a further call on reserves in this financial year;
- **Housing Revenue Account** – The budgeted surplus agreed by the Council in February 2021 was £0.388 million. The forecast outturn position has now returned to being on target as the previously identified pressure can now be covered by a positive variance in Other Revenue spend;
- **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 £132.147 million. The outturn forecast position is currently £114.742 million with a total variance of £17.405 million from the latest budget, made up of slippage of £17.709 million and £0.305 million of overspend.

2. **Performance** – There are 23 Corporate Indicators for the current financial year, 9 of which are rated Green (on target); 1 is rated Amber (within a tolerance of target) and 3 are rated Red (outside of target), there are also 10 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 three. 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 16 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 £2.745 million, this is due to a combination of virements within

service areas and releases from 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 £1.629 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 £2.541 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 31st December 2021 the General Fund Service Areas are forecasting a favourable variance of £0.085 million against the latest budget of £33.049 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 £0.366 million, largely relating to the Town Hall & Facilities team. The Town Hall income is recovering better than expected, and is forecast to be above the revised budgeted levels. Other savings have been made in staffing, premises and supplies costs across the teams, most notably in Community Centres;
    - **Corporate Property –** adverse variance of £0.210 million relating to additional expenditure on staffing due to the use of agency staff for difficult to fill positions and to ensure high priority projects move forward. Also it is due to the under achievement of income from recharge to capital projects due to delays in these projects related to the pandemic;
    - **Planning Services –** favourable variance of £0.200 million relating to underspends on salary budget and income being higher than anticipated in year;
    - **Corporate Strategy –** favourable variance of £0.131 million, arising from the receipt of unbudgeted external income which we received in exchange for the contribution we made to district data services, a vacancy within the team and underspends of the supplies and services budgets.
    - **Oxford Direct Services Client** – overall favourable variance of £0.051 million for the service area. The majority is from an overall favourable variance on car parking due to our recent success in a business rates appeal on Oxpens car park in relation to the carpark, resulting in a refund of £0.400 million, although some has been used to offset increases in other car park rate bills. Car Park usage is now starting to recover and is more in line with budget expectations for 2021-22. 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 £0.286 million, which is made up of £0.150 million relating to additional costs being incurred to extend the current

transformation team until the end of the financial year. The remainder is in relation to software maintenance expenditure in excess of the budget provision.

- **Financial Services –** adverse variance of £0.322 million, which is made up of increased expenditure on external audit for previous years' work and bank charges in relation to Payment Card Industry Data Security Standard (PCIDSS) non-compliance. In addition there is under-achievement in budgeted income from the provision of external services by the Investigation Team which has been impacted by the COVID pandemic. This reduced income is expected to continue and has been included in the budget proposals for the next iteration of the Medium Term Financial Plan. Income received from court costs has decreased in line with reduced numbers taken to court and this has also been included in future budget proposals.
- **Law & Governance -** the adverse variance of £0.391 million is mainly due to overspend on staffing, the main reason is 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. In addition there are two temporary posts, above establishment, currently assisting with the backlog of work.
- **Corporate Accounts** – an overall adverse net variance of £0.389 million. One of the Council's wholly owned companies, Oxford Direct Services (ODS), currently carries out its operations – including bin collection, street cleaning and major construction projects – from four old depots around the city. Both the Council and the company have been looking across the city for another site where the operations can be consolidated to increase efficiency and to reduce the carbon footprint by building a multi-million pound single, modern and zero-carbon facility that would meet the needs of Oxford's growing population. Costs incurred include work with architects and engineers to identify potential sites and to undertake site investigation works. These costs have been charged to capital under normal accounting practice as part of the development of a potential capital scheme.

  It has now come to a stage whereby the sites identified, which included the Redbridge Park and Ride site, have proved unviable for various reasons and the capital scheme is being removed from the capital programme pending identifying other options. The work undertaken on the Redbridge Park and Ride site has provided useful information to inform the future use of the site. However due to the current scheme being removed pending the identification of other options it is therefore necessary to charge any costs incurred to revenue which has resulted in a charge to revenue of £0.800 million. ODS will therefore continue to operate from its existing sites in at least the short term whilst other options are investigated and in the meantime work is underway to identify ways ODS can operate even more efficiently from its existing sites.

  This is being offset by a favourable 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, and a further £0.200 million favourable variance on revenue contributions.

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 30th June, this is expected to be approx. £1.1 million, and is included within the forecast figures. 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 position has now returned to being on target as the previous pressure can now be covered by a positive variance in Other Revenue spend. 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 are 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 a realignment of the HRA business plan to the revised OCHL plan leading to some development schemes slipping into the next financial year;
   - Management & Services - £0.223 million increase in expenditure while Other Revenue Spend has reduced expenditure of £0.198 million, this is mainly a realignment of budgets across the two expenditure lines;
   - Responsive & Cyclical Repairs - £1.465 million increase in expenditure due to £0.192 million increased in material prices and £1.273 million carry forward release;
   - 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.
   - HRA Reserve Adjustment - £1.388m release of reserves, mainly associated with the release of the carry forward requests now approved.

Capital

10. 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 £10.468 million to take account of unspent balances rolled forward from 2020-21, giving a budget of £196.551 million. Further adjustments since then have been made which decrease the budget by £64.404 million to show the latest budget as at 31st December to be £132.147 million.

11. Further slippage of £17.709 million together with overspends of £0.305 million reported through this Q3 monitoring cycling results in a forecast outturn of £114.742million. The main schemes which are being re-profiled are set out below.

General Fund

- Museum of Oxford - £0.100 million overspend, this is the estimated project overspend, but due to the issues with the QL billing system from Oxford Direct Services (see para. 12 below), it is the best estimate which may be subject to change;
- East Oxford Community Centre - £0.125 million slippage due to scheme delays decanting the current tenants, with the project now expected to start April 2022 and the project being forecast to complete by June 2023;
- Bullingdon Community Centre - £0.300 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 and the project complete in 2022/23;
- Roken House - £1.430 million slippage, property now acquired and refurbishment will take place in 2022/23;
- Disabled Facilities Grants - £0.200 million slippage, referrals are being progressed, but underspend still expected;
- Gloucester Green Car Park (H&S) - £0.262 million brought forward to allow work to be accelerated to complete by 31st March;
- Asset Surveys - £0.180 million slippage due to contractor issues, funding will be required in next year to progress;
- Cave Street Development - £0.117 million slippage. Tenant engagement ongoing and a review of planning proposals is being undertaken following a pre application planning report;
- 1-3 George Street - £0.170 million slippage due to problems on site , the completion date is expected to be July 2022;
- Osney Mead Infrastructure - £0.104 million slippage into next year whilst options are being reviewed to deal with known issues;
- Housing Company loans – slippage of £5.463 million in line with the revised loan schedule that has been completed alongside the revised OCHL business plan;
- Purchase of and loans for Barton Park – bringing forward £0.448 million into current year to cover the purchase of 22 properties by the City Council and the subsequent transfer of these properties to OCH(I)L;
- Motor Transport Vehicle Replacement programme - £0.303 million slippage as the programme of replacement is being reviewed, some vehicles may be delayed while others are brought forward;
- The loan to Low Carbon Hub in respect the Ray Valley Solar Farm which has been funded by Salix grant has been agreed at £2.055 million and the capital programme shows the change from this budget head to the costs of the remainder of the decarbonisation Salix grant funded programme.

Housing Revenue Account

- Structural - £0.333 million slippage; Bathrooms - £0.277 million slippage; Roofing - £0.264 million slippage – due to delays and rescheduling of the replacement programmes;
- Barton Regeneration - £0.600 million slippage as scheme continues into next financial year;
- Social Rented Housing Acquisitions - £0.500 million slippage due to slippage on Abbey Homes project, with 5 further homes under offer which may not complete this financial year;
- Fire Doors - £0.468 million slippage due to rescheduling of replacement doors into 2022/23;
- Properties purchased from OCHL - £7.593 million slippage as further delays in completion of sites to be purchased, in line with the refreshed Business Plan;
- Blackbird Leys Regeneration - £0.164 million slippage, currently drafting planning proposals whilst making some changes to layout.

12. While the revised forecast outturn of £114.742million is reported, there remains some uncertainly and risk associated with achieving this spend. This is for three key reasons:

    - There have been, and continue to be, significant ongoing issues with interfacing financial information from QL (the new system that records all repairs information) into Agresso (the financial system) and this has led to some of the actual spend figures being much lower than they should be. This is also affecting forecasting for the remainder of the financial year. Work is ongoing to rectify the issues to ensure that the financial information for the capital programme can be provided in due course. This is particularly affecting the HRA element of the capital programme, along with a number of General Fund projects that ODS are the main contractor for.
    - Housing delivery projects, represent £24,864million (General Fund) and £27,467million (HRA) of the projected outturn. These payments include General Fund loans to Oxford City Housing Limited, purchases of homes from the General Fund and HRA, and Growth Deal grant payments to Registered Providers, While good levels of spend has occurred to date in these areas, and officers are continuing to push forward to delivery, the nature of these schemes means that the risk of slippage still remains high moving into Q4. The remaining spend is subject to a number of development related variables across a range of projects, which includes land acquisition, vacant possession, on-going planning negotiations, and finalising construction contracts.
    - Supply chain issues, principally Covid related, continue to impact on the key projects and machinery. This could lead to projected dates being pushed back at short notice, which means that further slippage on some projects is possible.

13. Law and Governance have put forward a capital bid to procure and implement Audio Visual equipment into the Town Hall to allow Hybrid meetings, and this is expected to cost £0.110 million. Cabinet is requested to recommend to Council that £0.110 million is allocated to the Capital Programme in 2021/22 to allow this project to move forward.

Overall capital programme outturn

14. As noted above, the projected capital outturn is currently £114.742 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 though detailed design and planning stages, where timescales are difficult to predict;
- £27.5m of HRA allocated to the acquisition of social rented homes from OCHL.

15. 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

16. There remains 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.
- **Economic Growth** – this 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 and local business support being scaled back means that there are still numerous risks.
- **Negative Impacts of Climate Change -T**he 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.

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

18. It should be noted that by their very nature these risks are influenced by factors which are to a large extent outside the councils control. This leads to the council having to accept the risk albeit there is some limited mitigation that the council can do a local level. For instance the work by the council's economic development and city centre management teams can help stimulate the local economy although on it own this will do little to reverse some of the current economic conditions. Equally the Council's affordable house building programme can go some way to mitigating the housing crisis and the councils plans to zero carbon will at least locally go some way to reducing the impact of climate change, although clearly climate change is a worldwide problem.

Current Risk	**Q4 2020/21**	**Q1 2021/22**	**Q2 2021/22**	**Q3 2021/22**
Red	5	3	3	3
Amber	7	11	10	11
Green	2	0	1	0
Total risks	**14**	**14**	**14**	**14**

Performance Indicators

19. There are three red corporate performance indicators being reported at the end of quarter 3, these relate to:

- The % of Council spend with local businesses including SME's – actual 27.94 against a target of 45. It is expected that the target will be met by year end as a yearly average due to a high % result in Q1.
- The number of people in Oxford estimated to be sleeping rough – actual of 21 against a target of 17 – this is the lowest number since July 2021. DLUHC announced the "Protect & Vaccinate" directive in December asking local authorities to assist rough sleepers to access self-contained accommodation over the winter period and to increase uptake of the vaccine. The Council working closely with partners to ensure that all rough sleepers get an appropriate offer but face significant challenges in sourcing accommodation.
- Total income collection as % of plan (Business Rates) – actual of 72.11% against a target of 95.5%. Targets will be adjusted as the instalments were recalculated due to a change in reliefs earlier in the year, the target is expected to be hit by the end of the year.

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 at this time.

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Background Papers: None