

To: Cabinet
Council

Date: 14 September 2022
03 October 2022

Report of: Head of Financial Services

Title of Report: Financial Outturn Report 2021/22

Summary and recommendations	
Purpose of report:	To update Members on the financial outturn for the year ending 31 st March 2022.
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner, Deputy Leader (Statutory) - Finance and Asset Management
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 2021/22 and also the position on risks outstanding as at 31st March 2022; 2) Agree the carry forward requests in respect of the General Fund of £0.453 million and HRA of £0.986 million as shown in appendix D; 3) Agree the transfer of the HRA Contributions to HRA Reserves to fund future years' capital works of £3.065 million detailed in paragraphs 15-20; 4) Recommend to Council the approval of the fees and charges for Law and Governance which were omitted from the final Council Budget report in February 2022, as per Appendix E and detailed in paragraph 5; 5) Approve the virement of £0.483 million of capital budget from the Regeneration Property Purchase budget to the "Exploring future options for Council owned land in the City Centre" within the capital programme that has previously been funded from the capital feasibility budget. As detailed in paragraphs 2 and 3; 6) Recommend to Council an additional budget of £153k to be added to Bullingdon Community Centre capital scheme as detailed in paragraph 4.

Appendices	
Appendix A	General Fund Outturn
Appendix B	Capital Programme Outturn
Appendix C	HRA Outturn
Appendix D	Carry Forward Requests
Appendix E	Law and Governance Fees and Charges 2022/23

Introduction and background

1. This report updates the Cabinet on the financial performance of the Council for 2021/22.

Financial Overview

- **General Fund** –The final outturn position is a surplus of £0.041 million against the balanced budget agreed in February 2021 and a net budget requirement of £23.647 million, which equates to 0.17%. This balance will be transferred to the COVID reserve. However, it should be noted that this figure includes a transfer of £5.067 million from the COVID reserve – this was already anticipated.
- **Efficiencies, savings and additional income targets** – at year end the council achieved the actual sum of £1.806 million in accordance with the budgeted amount.
- **Housing Revenue Account** – The year end surplus on the HRA is a total favourable variance of £4.051 million against the original budgeted surplus of £0.388 million. Of this balance £0.986 million has been requested as carry forwards and the remaining £3.065 million to be recommended to be transferred to HRA Reserves to fund the future capital programme.
- **Capital Programme** – the final outturn spend for the year is £78.769 million, a favourable variance of £26.580 million against the latest budget of £105.350 million. Of this £26.443 million will be carried forward into the 2022/23 capital programme and £0.137 million is to remain within capital resources. Main areas of slippage relate to enabling works for the leisure decarbonisation programme; Barton Park property purchases and Housing company loans; Growth Deal; Northern Gateway; Motor Vehicle purchases and Car park resurfacing.

Approval Request

2. In January 2022, Cabinet approved the delegation to officers for the process and selection of a preferred commercial partner for the potential redevelopment of Council-owned land in the city centre in order to enable the Council to make an informed choice about its next moves. The approach outlined in the report formed part of a pro-active, medium term land-management plan for one of these sites and would involve an options evaluation, including possible redevelopment. Approval is now sought for Stage 2 marketing and procurement costs going forward in line with the Officer Delegation form signed by the Executive Director of Development.

3. Cabinet are asked to approve the virement of £0.483 million from the Regeneration Property Capital scheme (£20 million) to the “Exploring future options for Council owned land in the City Centre” within the capital programme. This project has previously been funded from a Capital feasibility budget allocation.
4. Cabinet is also requested to recommend to Council to approve additional budget of £0.153 million to the Bullingdon Community Centre project, this is to cover additional rising cost of materials that are being experienced on this project.
5. In setting its budget for the year 2022-23 and Medium Term Financial Plan for the period 2023-24 to 2025-26 the fees and charges for Law & Governance for 2022/23 were inadvertently omitted from the final Budget report presented to Council in February 2022. In order to correct this administrative oversight Cabinet are required to recommend that the attached fees and charges in Appendix E are approved by Council.

General Fund Outturn

6. General Fund outturn surplus was £0.041 million, as set out in Appendix A, compared to previous quarter end forecasts of a deficit of £0.305 million. This surplus will be transferred into the COVID reserve. The working balance remains unchanged at £3.622 million.
7. A total of £0.453 million of General Fund carry forward requests have been recommended for approval by the Council’s Corporate Management Team, details of which can be found in Appendix D. Carry forwards have been proposed where:
 - There are impending costs which the Council will be facing for which there is no budgetary provision i.e. required spend on developing the Local Plan
 - There are costs for works and supplies for which orders have been placed but these goods and services have not been delivered before 31st March 2022 i.e. air monitoring equipment

The General Fund Earmarked Reserves as at the 31 March 2022 stand at £64.089 million. Of this amount useable reserves stand at around £28 million the most significant of which as follows:

	Opening balance	Additions	Releases	Closing balance	
General Fund Reserves Summary					
Capital Reserve	-5,333,728.95	-157,697.85	12,250.00	-5,479,176.80	To be used over next 4 years
COVID Reserve	-11,352,520.49	-1,913,510.19	5,881,000.00	-7,385,030.68	To be used over next 2 years
Employee reserve	-3,988,001.15	0.00	45,000.00	-3,943,001.15	Currently unallocated
IT Reserve	-3,198,523.53	0.00	0.00	-3,198,523.53	To be used over next 3 years
Other reserves incl ringfenced	-7,969,723.01	-1,778,274.73	1,951,186.70	-7,796,811.04	
	-31,842,497.13	-3,849,482.77	7,889,436.70	-27,802,543.20	

In addition to the above the General Fund Working Balance was £3.6 million as at 31-3-2022.

General Fund Variations

8. At year end the General Fund service areas spend showed an adverse variance of £2.182 million. Notable variations to budget included:

Communities and People

- Housing Services – favourable variance of £0.586 million - this underspend is in respect of homeless accommodation at Canterbury House for which grant funding was received from DLUHC to cover these costs (but in the interests of prudence this funding had not initially been expected);
- Community Services – favourable variance of £0.559 million - the Town Hall received additional income to that budgeted and also made savings on staffing costs;

Development

- Corporate Property – adverse variance of £0.460 million – asset lease income was capitalised at year end on a commercial deal undertaken in year (adverse £0.900 million) partially offset by the capitalisation of planned maintenance work carried out during the year;

Chief Executive

- Corporate Strategy – favourable variance of £0.165 million - staffing underspends realised within the team;

ODS Client

- Overall adverse variance of £1.827 million – largely arising from a delay on dividend declaration of £1.0 million from ODS and the inclusion of abortive costs of £0.8 million associated with the single depot project which have been charged to revenue;

Corporate Resources

- Business Improvement – adverse variance of £0.333 million – overspend on supplies and services largely relating to telephone charges in ICT (£0.170m) alongside increased staffing and consultancy costs within the Transformation Team (£0.170m);
- Financial services – adverse variance of £0.600 million:
 - Procurement and Payments – staffing overspend to deal with increased demand from QL - £0.075m adverse
 - Investigations – reduced income from contracts compared to target - £0.090m adverse
 - Revenues and Benefits – under recovery of court cost income due to proactive work on arrears recovery - £0.300m adverse
 - Banking charges – overspend due to non-compliance with Payment Card Industry Data Security Standard (PCIDSS)

for the payment of income by bank and credit cards. The Council is implementing new telephony technology shortly which will mitigate this issue - £0.100m adverse

- Law and Governance - adverse variance £0.306 million – use of agency staff and locum lawyers to cover vacancies which has led to an overall overspend on staffing

Corporate Accounts, Contingencies and Funding

9. An overall net favourable variance of £0.078 million shown on Corporate Accounts and contingencies are explained below:

- **Local Cost of Benefits** – adverse variance of £1.070 million which 2.5% on spend of around £39 million. Local authority error accounts for around £400k of this overspend, the remaining balance relates to issues in relation to rent officer referrals on the migration of data from Academy to Civica in respect of homelessness and hostel benefit cases. Talks are ongoing with the Department of Works and Pensions (DWP) and the Council auditors as to whether there are grounds for mitigation;
- **Interest Payable** - £1.803 million favourable due to a reduction in borrowing taken out to fund the capital programme mainly arising from slippage of schemes;
- **Investment Income** - £0.277 million adverse variance, due to less income and therefore less cash flow to invest and low base rates at 0.1%;
- **Direct Revenue Funding** - £0.128 million favourable variance arising from the slippages in capital loans;
- **Interest receivable from HRA** - £0.461 million adverse variance due to a reduced cash flow and less loans taken out;
- **Funding** - £1.262 million favourable variance relating to external funding received in year relating to COVID 19 and Lower Tier grants.

Company Financial Positions

10. 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 Oxford City Housing Ltd (OCHL) plus a 50/50 joint venture, Oxford West End Development Ltd (OxWed), and a 50% share in Barton LLP
11. ODSL made an operating profit of £0.475 million in 2021/22 and ODSTL made a profit before tax of £0.791 million in 2022/22 i.e. a total of £1.266 million. After the accounts have been signed off by the company's auditors in September 2022 the company is expected to declare a dividend to the Council in line with these surpluses.
12. The OCHL group made an operating profit of £5.13 million for the year and a pre-tax profit of £3.441 million in 2021/22, due to successful sale of completed developments during the year.

13. OxWed made an operating loss before tax of £0.834 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 Oxpens site forward for development.

Housing Revenue Account

14. The HRA achieved a favourable variance of £4.438 million above the original budgeted surplus of £0.388 million (Appendix C). This is after allowing for carry forward requests, totalling £0.986 million.
15. The carry forward requests for the HRA detailed in Appendix D include £0.332 million for Management and Services and £0.654 million for Responsive and Cyclical repairs.
16. The HRA working balance remains unchanged at £4.0 million.
17. The total year-end variance is shown as the £3.065 million - a total of the in-year variance of £4.051 million, less the carry forwards of £0.986 million - and the major variations include:
 - **Net Income** – favourable variance of £0.065 million, £0.046 million of this variance is due to additional income as the actual number of Right to Buy (RTB) disposals for year was 29 against an expected 40, also as a result of being re-let during the year 121 properties have had their rent increased to formula rent. There was an increase in service charges of £0.084 million is mainly due to leaseholder charges for major works which were unbudgeted. These were offset by reduced miscellaneous income due to a reduction in repairs that are rechargeable to tenants;
 - **Management and Services (Stock related)** – favourable variance of £0.852 million relates to reduced spend on Supplies & Services and vacant posts, a number of which were new for the year and not recruited to. Significant underspend on court fees (£0.164m) in the Rent Team, savings on consultant fees in Under Occupation Initiative (£0.125m), General Expenses & Overheads (£0.364m) and saving on Salaries (£0.486m). A carry forward request of £0.332m has been made to support temporary increases in staffing costs as a result of various backfills/stepping up;
 - **Other Revenue spend (stock related)** – favourable variance of £0.837 million as the result of reduced spend on consultancy;
 - **Misc. Expenditure (not stock related)** – adverse variance of £0.416 million which is due to additional spend on feasibility projects, which has been mitigated by the release of funds from the Feasibility reserve;
 - **Responsive and Cyclical Repairs** - favourable variance of £0.654 million, which is due to underspends on repairs from external suppliers offset slightly by an overspend from ODS together with some insurance work costs. This has been requested as part of the carry forward and the Property Services manager will review the work streams and demands, price increase and utilise the carry forward as appropriate;
 - **Interest Paid** – favourable variance of £0.134 million as the budget was reduced to reflect the lower level of loans taken out during 2021/22 as a

result of reduced activity during the pandemic last year, and the actual interest charge is still below what was anticipated;

- **Depreciation** – favourable variance of £1.422 million due to the original budget for depreciation being based on the outturn for 2020-21, which had been revised to take account of updated valuations of the dwellings and work undertaken;
- **Gain on Disposal of Assets** – the surplus on disposal of Right To Buy properties and other land and buildings in the HRA which will subsequently be used to finance the capital. Values for RTB properties are held at a balance sheet value which reflects existing social value usage which is significantly less than the market value of the property.

Capital

18. The budget as approved by the Council at its meeting in February 2021 was set at £185.383 million and the latest budget reported in February 2022 was £105.350 million. Final year end spend was £78.769 million which equates to 75% spend against the latest budget and 42% spend against the original budget.
19. The tables below show the classification of projects in the General Fund and HRA. The General Fund table highlights that a significant proportion of the capital programme (£15.8 million) relates to Housing Company loans, which is impacted by the developments of the Housing Company. There are also a high number of development projects which are progressing well with a 93% of spend against the latest budget.
20. The HRA table shows that a significant element of the capital programme (£9.2 million) is a rolling programme, for example kitchen and bathroom replacements, heating and electrics etc. The other large element is the other capital spend classification which relates to acquisitions and developments.

Project Classification	Projects	In Deilvery Stage	Latest Budget 21/22	Spend to Date	% Spent
Project - Development	33	5	13,679,953	12,533,179	92%
Project - ICT	13	8	2,251,816	1,393,641	62%
Project - Compliance	4	2	598,507	324,331	54%
Project - Other	21	3	4,219,278	2,730,911	65%
Rolling Programme	7	1	4,201,799	2,043,308	49%
Housing Company Loans	2	0	15,886,000	2,364,392	15%
Other Capital Spend	19	1	17,184,335	13,926,746	81%
General Fund Total	99	20	58,021,688	35,316,508	61%

Project Classification	Projects	In Deilvery Stage	Latest Budget 21/22	Spend to Date	% Spent
Project - Development	3	1	1,718,565	291,241	17%
Project - Compliance	1	0	-	-	0%
Project - Other	1	0	142,729	3,976	3%
Rolling Programme	18	4	9,211,179	8,650,312	94%
Other Capital Spend	11	3	36,255,611	34,507,410	95%
HRA Total	34	8	47,328,084	43,452,940	92%
Overall GF + HRA Total	133	28	105,349,772	78,769,448	75%

21. The total to be carried forward into future years is £26.443 million with underspends of £0.137 million which will remain in capital resources. The overspend includes some notable projects which are:
- **QL Implementation** – Members have been advised on a number of occasions about the problems associated with the QL implementation and approval for such overspend has been made through CEO emergency powers. The project is still ongoing with business as usual estimated to be achieved by the end of August 2022. A lessons learned report is currently being drafted to be presented to Audit and Governance Committee;
 - **Planned Maintenance** - £0.821 million adverse. Planned maintenance was originally budgeted to be charged to revenue but was capitalised at year end;
 - **HRA Disabled adaptations** - £0.362 million. This is a demand led budget and difficult to control;
 - **HRA Planned maintenance** – The budgeted spend on ODS delegated budgets for roofing, electrics, bathrooms and heating systems was exceeded by approximately £856k. The well documented adverse impact on financial monitoring arising from QL gives rise to these overspends. Budgets in future years will be adjusted to ensure that the overall impact on the HRA Business Plan is mitigated;
 - **Social Housing Purchases from OCHL** - £1.467 million. Variations in the programme can be difficult to manage as developments slip. The variance on the budget is due to unbudgeted stage payments made in relation to Lucy Faithful House. The programme will be reprofiled in proceeding years to ensure that the overall HRA business plan is in balance.
22. To offset these overspends there have been a number of underspends involving projects to be undertaken by ODS in the General Fund (£0.732 million) where the budget is no longer required which total around £1.1 million. In addition, the resources required to develop a Limited Liability Partnership (LLP) for the Oxpens development was uncertain which lead to an underspend of £0.370 million.
23. Other significant variations are detailed below:

Scheme	Outturn Variance	Carry forward or under/over spend	Comment for Cabinet report
GENERAL FUND	£	£	
Horspath Sports Park	-296	Overspend	Retention fee paid
Parks pathways	33,840	Underspend	Budget removed
Lifts	43,294	Carry forward	Slipped
Floyds Row	99,217	Underspend	Budget removed
Bullingdon	-412,655	Carry forward (back)	Slipped too early - good progress against programme has enabled additional spend above forecast. Additional budget agreed at DB due to market cost increases but needs Cabinet/Council approval
Roken House	-500	Overspend	
Housing System Replacement	-196,372	Overspend	includes accrual for invoices parked
Regulatory and Community Safety - net	84,550	Underspend	
Gloucester Green H&S	241,916	Carry forward	Issues experienced with original sub-contractor caused delays to project. ODS are awaiting fixed price from alternative main sub-contractor to inform a revised programme
Covered Market roof	131,406	Carry forward	Programme has now been updated following an extension of the contract, resulting in some slippage to 22/23. Phase 6b of the roof works currently taking place
Asset Surveys	120,000	Carry forward	Underspend due to a number of delays and quality issues with surveys carried out by the original contractor. This followed initial delays around access to sites associated with the pandemic. Scope required for surveys will be refined and tenders processed
Enabling works Decarb	698,610	Carry forward	Enabling works on Barton and Leys completed in 21/22. Hinksey completion date is still in abeyance due to land transfer issues. Fusion to carry out Fire dampers and ductwork at Ferry and repair all AHU at Leys leisure centre
BBLeys regen	205,663	Carry forward	Taken longer to get through gateway due to policy changes. Delays due to viability and legal reviews have resulted in significant delay to spend. Budget reprofiling has now taken place
Capitalised R&M	-821,615	Overspend	R&M expenditure capitalised
Seacourt R&M	137,846	Carry forward	Retention fee payable in 22/23
1-3 George St	-339,924	Carry forward	Programme has been significantly extended due to problems on site, however additional works were completed in 21/22 in comparison with the forecast position. Overspend represents excess slippage and additional WIP accrued due to ODS holding materials
City Cycle schemes	118,102	Carry forward	Delays to delivery of schemes as unable to deliver original cycle routes. Process to identify and agree new routes, requiring Cabinet approval, has delayed spending.
Meanwhile	281,496	Carry forward	Market conditions slowed leases acquired, and extension granted from OXLEP. Project extended to end July 2022
Barton Park	1,495,609	Carry forward	Slippage of units purchase in 21/22
Housing company loans	12,040,000	Carry forward	Housing Company business plan was revised toward the end of the financial year with significant changes which led to a significant slippage in the development programme and therefore the need to borrow from the Council. Main schemes to affect this position were : Bracefiddle which had an overprovision in 21/22; Land Mill Lane with no land purchase and \$106 spend in 21/22 and Barton with slippage of units
Barton Park	1,481,608	Carry forward	Slippage of units purchase in 21/22
Growth deal RP	781,000	Carry forward	10% completion payment to Catalyst Housing in relation to William Morris Clos and Littlemore have slipped
Northern Gateway	747,538	Carry forward	Slippage - HIF funding - thought we would claim and pass to developer, claimed just over £1m, but not completed legal agreement with TWO - plan to pass over money
OXWED restructure	369,907	Underspend	The Oxwed budget was set up based on a worst case scenario estimate of the costs of the transition from a limited company to a Limited Liability Partnership. This was in order to ensure that there was enough budget to cover all of the costs without having to obtain further approvals since the project was very time sensitive. the costs included both a contribution that had to be made to their partnership and a settlement of SDLT and were the result of detailed calcs. Resulting costs turned out to be lower than worst case position
Audio visual equipment	110,000	Carry forward	slippage
Go Ultra Low	137,491	Carry forward	Underspend is caused by Rewley Rd site falling through at a late stage, leaving us unable to deliver the final tranche of chargers within the financial year. We have secured replacement sites
Clean Bus technology	174,060	Carry forward	Fully DEFRA funded grant programme. 99% of project delivered
Decarb	905,617	Carry forward	SSEN completion of Hinksey Substation works has delayed works to beyond 31 March 2022. Handover at the other projects has taken place. Hinksey's completion date is still in abeyance due to land transfer issues between SSEN and OCC which are still outstanding. SSEN advised that they will provide the council with a programme schedule once the land transfer is agreed upon. Resulting works at HinkseyPool now earmarked for completion Sept/October 2022. The programme Sponsor has written to the SSEN Director expressing the Council's disappointment with the delays and lack of clear communication.
Motor Transport	1,558,482	Carry forward	Significant budget requires slipping from 2021/22 to 22/23 due to delivery delays. Severe supply chain issues across the globe have resulted in lead times on vehicles being extended by many months. Planning vehicle replacement with electric vehicles across all services is still complex due to many vehicles being taken home, and the need to calculate power requirements at depots. There have therefore been delays in ordering due to outstanding home surveys & consideration of infrastructure requirements. A number of diesel assets have been extended to aid with decarbonisation targets for the fleet.
Car parks resurfacing	406,433	Carry forward	Budget will carry forward as due to billing issues in QL we were not able to bill all costs associated with this scheme
CPZ	250,000	Carry forward	Carry forward
Depot	533,566	removed	Removed
Mobile working/handhelds	120,000	Underspend	ODS no longer require capital budget for any technology requirements therefore these budgets can be shown as underspends
Transformation funding	74,425	Underspend	ODS no longer require capital budget for any technology requirements therefore these budgets can be shown as underspends
Additional tech requirements	527,413	Underspend	ODS no longer require capital budget for any technology requirements therefore these budgets can be shown as underspends
General Fund Total	22,137,727		

HRA		
Tower Blocks	883,642	Payments have been withheld pending satisfactory completion / rectification of works
Adaptations for disabled	-362,103	High demand with little scope to reduce it
Structural	283,008	Programme Slipped
Controlled Entry	11,522	Programme Slipped
Major Voids		Increased material costs. Several void properties were disposed to reduce the pressure on this budget
	-72,350	
Damp-proof works (K&B)	3,883	Budget to be adjusted in future years
Kitchens	32,475	Budget to be adjusted in future years
Bathrooms	-31,949	Budget to be adjusted in future years
Roofing	-238,332	Budget to be adjusted in future years
Electrics	-21,701	Budget to be adjusted in future years
Doors and Windows	-105,913	Budget to be adjusted in future years
Extensions & Major Adaptions	370,892	Programme Slipped
Communal Areas	29,884	Budget to be adjusted in future years
Great Estates Programme	352,818	Programme Slipped
Energy Efficiency Initiatives	90,915	Programme Slipped
Barton Regeneration	18,150	Programme Slipped
Lift Replacement Programme	123,713	Programme Slipped
Social Rented Housing Acquisitions	317,918	Programme Slipped
Fire doors	228,615	Programme Slipped
East Oxford development	607,060	Project Delayed
Acquisition of Additional Units	25,318	Programme Slipped
HRA Stock Condition Survey	138,753	Programme Slipped
Properties Purchased From OCHL	-1,467,427	Higher value of acquisitions in 2021/22 than forecast, budget to be adjusted in future years
Use Of Recycled Capital Grants	27,737	Programme Slipped
Boilers Only	-56,439	Demand Led and Inflationary Increases leading to an overspend
Heating Systems	-458,325	This budget is delegated to ODS - budget to be adjusted in future years
Northfield Hostel	1,734,116	Project Delayed
Lanham Way	813,030	Project Delayed
Juniper	-51,170	Early developmental costs
Next Steps Accommodation Programme	710,783	Some slippage into 2022/23
Blackbird Leys Regeneration (HRA)	-63,379	Overspend
TOTAL HRA	3,875,144	
OVERALL TOTAL VARIANCE COMPARED TO LATEST BUDGET	26,012,871	

Financial implications

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

Legal issues

25. Local authorities have a statutory duty under section 28 of the Local Government Act 2003, to monitor their income and expenditure against their budget. Also Section 151 of the Local Government Act 1971 requires the Council to make arrangements for the proper administration of their financial affairs.

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.

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Background Papers: None