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OXFORD CITY COUNCIL

To:	**Cabinet**
Date:	**14 December 2022**
Report of:	**Head of Financial Services**
	Head of Business Improvement
Title of Report:	**Integrated Performance Report for Quarter 2 2022/23**

Summary and recommendations	
Purpose of report:	To update the Cabinet on finance, risk and corporate performance matters as at 30 September 2022
Key decision:	No
Executive Board Member:	Councillor Ed Turner, Deputy Leader (Statutory) – Finance and Asset Management
Corporate Priority:	Efficient and Effective Council
Policy Framework:	Council Strategy 2020-24
Recommendation: That the Cabinet resolves to:	
1.	**Note** the projected financial outturn for 2022-23 as well as the position on risk and performance as at 30 September 2022.

Appendices	
Appendix A	General Fund - September 2022 Forecast Outturn
Appendix B	Housing Revenue Account - September 2022 Forecast Outturn
Appendix C	Capital Programme – September 2022
Appendix D	Corporate KPIs - September 2022

Introduction and background

1. This report updates the Cabinet on the financial, corporate performance and corporate risk positions of the Council as at 30th September 2022. A brief summary is as follows:

Financial Position

- **General Fund** – the outturn position is forecasting an adverse variance of £0.193 million against the net budget agreed by Council in February 2022 of £22.382 million;

- **Housing Revenue Account** – The budgeted surplus agreed by the Council in February 2022 was £0.064 million. Currently the outturn forecast is an adverse variance of £1.444 million;
- **Capital Programme** – The budget, as approved at Council in February 2022, was set at £210.981 million with carry forward of unspent balances in 2021-22 and a reprofile of the HRA budget. After some additional slippage in the first quarter of the year we now have a latest budget of £158.974 million. At the end of quarter one we had a forecast budget of £185.624 million with slippage in the current quarter of £34.353 to bring us to the current forecast position of £151.271 million.

2. **Performance** – There are 23 Corporate Indicators for the current financial year, 6 of which are rated Green (on target); 4 are rated Amber (within a tolerance of target) and 3 are rated Red (outside of target), there are also 10 indicators which are tracking indicators or have no data available. More details can be found in paragraph 19.
3. **Corporate Risk Management** – There are five 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; negative impacts of Climate Change; potential terrorist incident in the city that affects normal life and delivery of services by external suppliers and partners. 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 2022 was £22.382 million. Since setting the budget, service area expenditure has increased by a net total of £0.625 million. This is the net movement to release the pay inflation to services offset by the adjustment required to pension contributions, from the contingency pot in line with the agreed pay award. The Net Budget Requirement remains unchanged since this is simply a virement.
5. As at 30th September 2022 the General Fund Service Areas excluding SLA's (service level agreement) and capital charges are showing an adverse variance of £1.071 million, the details of these variances are summarised below:
   - **Corporate Property** – an adverse variance forecast of £1.117 million due to income from a commercial deal that has been budgeted for as revenue income, which now needs to be classified as capital income. The offset of this variance is shown in corporate accounts against Direct Revenue Funding resources used to finance the capital programme and corporate contingencies which are now both reduced to zero. The remaining income budget is on target with a level of bad debt provision still in place. Outstanding debt is approximately £6million and a provision for bad debt stands at around £4million.
   - **Community Services** – a favourable variance of £0.311 million. This is based on the assumption that the Leisure Management fee will be paid in full in year. There are also savings on salaries within the Community Centre team due to posts not being filled and also additional income from Blackbird Leys and East Oxford Community Centres due to the delay of their closure pending

redevelopment. The Town Hall is also seeing a favourable variance due to income over and above budget and some operational cost savings.

- **Oxford Direct Services Client** – favourable variance of £0.200 million. The ODS board have declared a dividend for 2020-21 of £0.600 million which should be payable this year, 2022-23, and represents a positive variance. The 2021-22 dividend of £1.068 million dividend is not expected to be declared until the sign off of the accounts later this year.

  Car park income has an adverse variance forecast of £0.400 million as overall usage is still an average of 16% down on pre-Covid usage levels. At Cabinet on 13th July 2022 the Council agreed an adjustment in park and ride charges for a 6 month period commencing in October 2022, in order to safeguard the future of the park and ride facilities and encourage usage, the impact of which will be incorporated into future monitoring reports;
- **Business Improvement** – adverse variance of £0.192 million which is due to staffing overspends in the Contact Centre, this is due to an increase in call volumes mainly relating to enquiries regarding the £150 energy rebate grants which has recently been intensely promoted by the Council, together with an expected overspend on postage charges in year.
- **Financial Services** – adverse variance of £0.200 million primarily due to bank charges continuing to be above budget due to non-compliance of Payment Card Industry Data Security Standards (PCIDSS), work on which is currently in progress to resolve. Additionally court cost income is forecast an adverse variance of £0.080 million due to successful arrears recovery processes which mitigate the need for residents in arrears to attend court, while there is an additional adverse variance of £0.020 million on audit costs due to increased fees;
- **Law & Governance** – adverse variance of £0.060 million due to continuing recruitment issues and the need to use locum staff who command a higher rate although this is mitigated somewhat by additional income from the management arrangements with West Oxfordshire District Council.

Corporate Accounts

6. Overall favourable variance of £1.438 million, which is made up of

- £0.550 million reduction in the budget of Direct Revenue Funding for the capital programme to contribute towards the variation in the commercial rents of £1.117 million referred to above;
- A favourable variance of £1.1 million on interest payable due to a reduced need to borrow for HRA and GF capital schemes estimated at around £45 million over 2021-22 and forecast for 2022-23;
- A favourable variance of £0.587 million on investment interest due to higher balances and interest rates being received on investments;
- An adverse variance of £0.582 million relating to interest charged to the HRA due to reduced borrowing requirements;
- Reduction in interest due from ODS of £0.200 million due to less vehicles being purchased in 2021/22.

Contingencies

7. Overall adverse variance of £0.560 million, resulting from a:

   - Favourable variance of £0.550 million as the second part of the adjustment to cover the £1.117 million reduction in commercial rents shown above. Contingencies are now reduced to zero.
   - A pressure of £0.400 million which has been included to cover the cost of a one off payment of £500 to be made to all staff to help support them with the cost of living increases under a decision made by the Chief Executive under urgent powers.
   - Utility cost pressure is now reduced to £0.710 million as our best estimate to date, however, the market is very volatile and fluctuating on a daily basis, and the forecasts are being updated as information is available.

Efficiencies

8. Of the £2.351 million of new efficiencies introduced in the 2022/23 budget, most are on target to be achieved. A £0.050 million saving in procurement to be made from contracts for supplies and services is still to be fully identified. The recent decision regarding the letting of the whole of St Aldate's Chambers will allow us to realise these savings. The printing and scanning budget is currently overspending in year and further investigation is required to ensure these savings are achieved. As mentioned above call volumes in the contact centre have increased significantly making it difficult to realise those savings identified

	Budgeted savings 2022/23 £000's	On track Y/N	Comments
Efficiencies			
St Aldates Chambers	199	Y	On track to make savings with new tenant to occupy building by Dec 2022
ICT Contracts - Strategic review	200	Y	System rationalisation, as contracts come to an end should be achievable
Service Integration Project	480	Y	Post savings in Communities £168k; £90k saving on Director roles, post in HIA £46k and £176k turnover savings across the teams
Housing Needs System and Structure change	200	Y	Restructure almost complete and on track to deliver £238k in 22/23 and a further £50k in 23/24 and 24/25
County Wide rough sleeping recommisiong strategy efficiencies	142	Y	savings across a variety of areas identified to make the total saving
Council Tax Reduction Scheme	120	Y	Linkage to channel shift and Civica Open Revenues introduction
Replacement Revenues and Benefits system	100	Y	Linkage to channel shift and Civica Open Revenues introduction
Leisure services review	100	Y	Full management fee of £500k agreed and being paid. Utility costs are being reviewed and have been calculated and recharged to Fusion, but unsure if these will be paid in full, but £100k saving will be achieved in year
Review of voluntary sector grants	200	Y	savings identified
Cashless payments	20	Y	partially implemented, trials on cashless carparks looking successful
Printing and scanning	50	N	Overspends showing in this area - further review needed to ensure savings are achieved
Selective licensing	369	Y	the scheme has now gone live and income is being received
Transformation projects			
Procurement	50	N	at risk but procurement are working with services to identify savings
Customer services	63	N	Currently overspending on staffing in the contact centre due to increased call volumes which is making it difficult to find these savings
Service based savings	46	Y	customer experience savings
CORVU replacement	12	Y	CORVU has been taken off line so savings will be made
	2,351		

Housing Revenue Account ("the HRA")

9. The HRA budgeted surplus agreed by the Council in February 2022 was £0.064 million. The forecast outturn is currently projecting an adverse variance of £1.444 million.

10. Key variances within the HRA are detailed below:

    - **Miscellaneous Income –** favourable variance of £0.100 million additional income from Furnished Tenancy, this will help offset the increase in furniture purchases mentioned below.
    - **Management and Services (stock related) –** a small adverse variance of £0.006 million, this is the net position of pressures on utility costs (£319k) and additional furniture purchases (£268k) offset by savings on vacant posts and some supplies and services budgets, namely court costs.
    - **Other Revenue Spend (Stock related) –** favourable variance of £0.270 million of the consultancy budget held, as there hasn't been any spend to date.
    - **Responsive and Cyclical repairs -** an adverse forecast variance of £1.808 million, the majority of which relates to the budgets delegated to ODS. Included within this is approximately £0.223 million of material price increases as a result of the current economic market. The Council is working closely with the team at ODS to ensure all reasonable steps of mitigation are taken to mitigate the forecast overspend where possible and work on the management of the delegated budgets to ensure that this situation does not happen again. The main adverse variances are:
        - General Minor Works (£1.262m) – the expenditure against this budget is to be examined for any items that can be legitimately charged to capital. A significant proportion of this spend relates to items costing between £5,000 and £10,000
        - Fencing (£0.641m) – ODS have reported an increase in fencing work due to storm damage. A revised approach to the replacement of broken fencing is currently being composed, with the intention of introducing a more pragmatic and cost effective solution for the re-provision of fencing.
        - Void works (£0.256m) – an increase in the number of void properties has arisen as a result of the investment in new housing stock. ODS estimate that for every 10 new properties, 7 voids are generated as tenants move out of the older stock into the new builds.

Capital

11. The budget, as approved by the Council at its meeting in February 2022, was set at £210.981 million. Since that date the budget has been increased to take account of unspent balances rolled forward from 2021-22 totalling £26.8 million across HRA and GF, other adjustments include reprofiling of the HRA capital programme, addition of new approvals and slippage of schemes, giving a revised latest budget of £158.974 million. Whilst some profiling was undertaken there is still work to be done in this area to obtain a more accurate assessment with which to commence the new financial year.

12. Spend against the budget is £29.432 million which equates to 19% of the latest budget, and the forecast outturn is £151.271 million with a total of £34.353 million

variance on Quarter 1. It is worth noting that this spend is likely to be understated. Members will be aware of the issues that the council have experienced with regard to QL and the reduced spend will reflect building works jobs that have yet to be billed by ODS. The position is being rectified and business as usual in this respect is likely to resume from November onwards.

General Fund

13. A summary of the General Fund schemes by project type is shown below and this provides an insight into the value of development projects that the Council is undergoing. It also highlights that a significant percentage of the capital programme relates to Housing Company Loans of which the spend is reliant on the progress of the Housing company development programme, spend on which given the nature of the work can be difficult to forecast with accuracy.

Project Classification	Projects	In Deilvery Stage	Latest Budget	Spend to Date	% Spent	Q1 Forecast	Variance from Q1	Forecast Spend
Project - Development	37	10	14,397,638	751,908	5%	41,921,425	(28,176,447)	13,744,978
Project - ICT	12	7	1,001,944	613,658	61%	1,001,944	45,260	1,047,204
Project - Compliance	4	0	274,477	(64,060)	-23%	274,477	49,783	324,260
Project - Other	14	4	2,957,208	175,957	6%	3,044,349	(87,141)	2,957,208
Rolling Programme	9	1	7,906,180	1,456,606	18%	10,382,570	(2,796,173)	7,586,397
Housing Company Loans	2	0	25,371,476	1,863,977	7%	25,371,476	-	25,371,476
Other Capital Spend	17	1	26,765,647	9,547,898	36%	23,160,792	3,605,202	26,765,994
General Fund Total	**95**	**23**	**78,674,570**	**14,345,944**	**18%**	**105,157,033**	**(27,359,516)**	**77,797,517**

14. Details of the General Fund slippage are:

- Disabled Facilities Grants – budget of £0.579 million has been slipped into future years, it is business as usual in Housing Improvement Agency with referrals being progressed;
- Vehicle purchases – slippage of £2.357 million due to supply chain issues across the globe following the pandemic which has led to extended lead times on many vehicles. There are also delays whilst decisions are made as to which vehicles should be replaced by electric ones;
- Gas Works Bridge – showing an overspend of £50k but to be vired from the Stock condition survey budget to cover costs of the works in line with approvals;
- Repairs to 2-4 Gloucester Street and 24-26 George Street - £270k slippage into 23/24, Cabinet approval received and the works have now started but will continue into 23/24 due to complications identified during site set up;
- Blackbird Leys regeneration – slippage of £8.416 million, delays due to ongoing viability review and deferral of the planning application while this is carried out;
- Car Parking Oxpens – underspend of £103k, work to remove decking has now completed and the car park is reopened, and the project has been delivered under budget;
- Cave Street Development - £2.246 million slippage into 23/24. Planning has been approved but further work required to business plan due to construction cost increase and increase in interest rates. Agreed to proceed to tender of main contract to explore value engineering opportunities to inform and improve the business case;

- Osney Mead path works – slippage of £5.223 million – timescales linked to the Osney Bridge project, which has been delayed due to funding gap issues. Feasibility work identified that there is not sufficient funding to improve the whole route between Osney Mead and Grandpont Nature Park as originally intended. A revised proposal that the funding be used to improve the connections from the proposed new bridge through Grandpont Nature Park as far as the existing rail bridge has been agreed;
- Osney Mead growth deal – slippage of £4.245 million - Funding gap issues for the Osney Bridge have delayed scheme. Routing of HIF funding from pathworks to Bridge is currently assumed to help address funding gap;
- Northern Gateway – slippage of £8.493 million - Although a first claim for funding from Homes England has been made and paid to the Council, it cannot be passed on to the main contractor Thomas White Oxford (TWO) until agreements are completed with Homes England. A further claim cannot be made until the Deed of Variation and pre conditions are met and these have been delayed. A positive meeting was held with all parties in last October to move this issue forward;
- ZEZ Phase 1 feasibility – Full budget of £141k slipped due to delays with the project, expected to need the funding in 2023/24.

HRA

15. A summary of the HRA schemes by project type is shown in the table below, and this shows that a significant element of the capital programme is a rolling programme, for example kitchen and bathroom replacements, heating and electrics etc. The other large element is the Other Capital Spend classification, and these schemes relate to acquisitions and developments.

Project Classification	Projects	In Deilvery Stage	Latest Budget	Spend to Date	% Spent	Q1 Forecast	Variance from Q1	Forecast Spend
Project - Development	4	2	5,310,988	114,725	2%	5,478,773	(417,785)	5,060,988
Project - Compliance	1	0	102,000	-	0%	102,000	(52,000)	50,000
Project - Other	1	0	333,753	-	0%	333,753	-	333,753
Rolling Programme	20	1	20,157,376	1,270,204	6%	20,157,376	(6,880,979)	13,276,397
Other Capital Spend	9	2	54,395,677	13,701,597	25%	54,395,677	357,027	54,752,704
HRA Total	**35**	**5**	**80,299,794**	**15,086,526**	**19%**	**80,467,579**	**(6,993,737)**	**73,473,842**

16. Details of the HRA slippage showing in Appendix B are:

- Controlled Entry – Slippage of £275k – need approval and carry out tender process to upgrade all systems from 3G to 5G, and no other work planned for the current year;
- Heating – Slippage of £1.4m – 26 full installations and 75 boilers complete year to date, budget will not be spent in year and will be vired to cover other budgets which are under pressure in year;
- Extensions and Major adaptations – Slippage of £1.056 m, no projects currently on site, expecting five to start on site but no completions this financial year;
- Communal Areas – Slippage of £581k – there isn't a planned programme of works for communal areas therefore ad hoc work is on going but will not spend full budget in year. A plan is being developed alongside the stock condition survey;

- Fire doors – slippage of £1.838 m – works to doors in Tower Blocks to commence shortly and other work identified in Fire Risk Assessments to be programmed;
- Great Estates Programme – slippage of £688k, one project on site but will not complete this financial year and other projects awaiting approval;
- Barton Regeneration – slippage of £588k, works are completed with a decision needed on Underhill Circus;
- Masons Road – Slippage of £250k – order placed but delay in starting on site, now due to start in January.

Corporate Risk

17. There are five 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 the social housing elements will be purchased by the Council;

    - **Economic Growth** – this relates to local, national or international factors adversely affecting the economic growth of the City. Whilst COVID 19 restrictions are currently lifted, the supply chain challenges relating to Brexit, the war in Europe, energy security and related inflationary issues are a heightened risk. The Council is able to affect this risk through the delivery of the Oxford Economic Strategy and City Centre Vision Action Plan, This aims to stimulate recovery through targeted measures and the Council will work with Economic Growth Board & City Centre Task Force and engage with businesses to understand long term impact of COVID and EU Transition, taking action where possible, Macroeconomic impacts are outside the Council's direct control but the effects can be managed and mitigated at the local level;

    - **Negative Impact of Climate change** – areas of concern are flooding, which is highly weather dependent; poor air quality and increased episodes of excess heat.   The Council does not have control over the global climate positions but it can make changes and improvements within its sphere of influence. 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. Oxford City Council's Carbon Management Plan, ongoing work around flood mitigation, tree planting and partnership with EA-led programme to deliver the OFAS scheme. Control measure relating to advocacy, clear communication and negotiation over our land assets, in particular at Seacourt and Redbridge Park and Ride sites are also employed.

- **Terrorism** – this relates to a potential terrorist incident in the city centre that adversely affect normal life in the city, including a negative impact on the Council's business or targets an individual event such as May Morning or St. Giles' Fair. Dependent on nature of attack and where it occurs could result in lock down of buildings, including Council offices, severe travel disruption and a need to disperse large numbers of people to places of safety. The Council cannot prevent a terrorist attack but working with partners, particularly the Police and County Council on the Crowded Places Plan, which includes mitigation intervention, it can hopefully help reduce impact.

- **Delivery of Services by External Suppliers/Partners/Supply Chain** – this relates to the Council's arrangements for the management of its leisure centres by an external body. The external partner continues to focus on embedding their new delivery model which in summary is a reduction of staff in the Oxford contract, a concierge cashless system, they have exited their offices, reduced support services, alongside implementing COVID safe procedures. Recruitment is a challenge and there is a requirement for safeguarding checks, induction and mandatory training before employees can commence duties. Given the state of the leisure industry at present, the risk is that our partner is manoeuvred into a position where they are unable to deliver on the contract and the Council will need to take back responsibility of delivery the services.

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

Current Risk	**Q3 2021/22**	**Q4 2021/22**	**Q1 2022/23**	**Q2 2022/23**
Red	3	3	5	5
Amber	11	11	9	9
Green	0	0	0	0
Total Risks	**14**	**14**	**14**	**14**

Performance Indicators

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

- Reduction of number of face to face visits – target of 10% with an actual increase of 12.9%. Tracking 228 more visits year to date this year than last, this is mainly due to visits querying how to claim the £150 energy rebate, particularly if they don't have access to on line forms

- Reduction of call volume into Customer contact centre – target of 5% reductions, actual reduction is 1.2%. year to date we have received 1225 more calls than last year, many of these are also related to queries about the £150 energy rebate, but also in relation to Council Tax reminders and the high volume of chase calls due to backlogs across the services;
- Number of rough sleepers without an offer of accommodation – target of 30 with an actual of 38 – at the end of Sept there were 38 rough sleepers and 38 did not have an offer of accommodation.

Financial implications

20. All financial implications are covered in the body of this report and the appendices, as required by 8.14b of the Council's Constitution.

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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Background Papers: None