Agenda Item 14

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OXFORD CITY COUNCIL

To:	Cabinet
Date:	15 March 2023
Report of:	Head of Financial Services
Title of Report:	Integrated Performance Report for Quarter 3 2022/23

Summary and recommendations	
Purpose of report:	To update Cabinet on Finance, Risk and Corporate Performance matters as at 31st December 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

Recommendations: That Cabinet resolves to:

1. **Note** the projected financial outturn for 2022-23 as well as the current position on risk and performance as at 31 December 2022; and
2. **Note** the change in timing of the insurance contract procurement exercise for the new contract to commence from 1st January 2024 as outlined in paragraph 18.

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

Introduction and background

1. This report updates the Cabinet on the financial, corporate performance and corporate risk positions of the Council as at 31st December 2022. A brief summary is as follows:

Financial Position

- **General Fund** – the outturn position is forecasting an adverse variance of £0.718 million against the net budget agreed by Council in February 2022 of £22.382 million after a £2 million transfer from the COVID reserve.
- **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 £0.543 million;
- **Capital Programme** – The budget for 2022-23 approved at Council in February 2022, after allowing for carry forward of unspent balances in 2021-22 and a reprofile of the HRA budget was set at £210.98 million. After some additional slippage in the first two quarters of the year the latest outturn budget is £126.24 million. As at the last reported position to Cabinet of 30th September, outturn forecast was £151.271 million which following further slippage of £44.797 million now stands at £106.474 million as at the 31st December 2022.

2. **Performance** – There are 23 Corporate Indicators for the current financial year, 6 of which are rated Green (on target); 6 are rated Amber (within a tolerance of target) and 1 is 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 20.
3. **Corporate Risk Management** – There are four 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; negative impacts of Climate Change; and delivery of services by external suppliers and partners. More details of the risks can be found in paragraphs 18 to 19.

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 £1.811 million. This is the net movement to release the pay inflation to services from the contingency (shown within the corporate line) with the agreed pay award. The Net Budget Requirement for this transaction remains unchanged since this is simply a virement.
5. As at 31st December 2022 the General Fund Service Areas excluding SLA's (service level agreement) and capital charges indicates an adverse variance of £1.596 million, the details of these variances are summarised below:
    - **Corporate Property** – an adverse variance forecast of £1.117 million due to income from a regeneration project 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 £0.483 million. There are savings on salaries within the Community Centre team, Youth Ambition team

and Localities teams due to posts not being filled. We are also receiving additional income above that budgeted at BlackBird Leys and East Oxford Community Centres due to the delay of their closure. The Town Hall is also seeing a favourable variance due to income over and above budget and some operational cost savings.

- **Planning Services -** a favourable variance of £0.090 million is forecast due to an increase in major applications in the last month. There are also salary savings due to some vacant posts being held
- **Oxford Direct Services Client** – adverse variance of £0.468 million. The ODS board have declared a dividend for 2020-21 of £0.600 million which was paid in November 2022 and represents a positive variance. The 2021-22 dividend of £1.068 million is not expected to be declared until the sign off of the accounts later this year and therefore has been slipped into next financial year as it will not be paid until then, this nets off against the positive variance to give an overall adverse variance.

  Car park income is now showing a nil variance as usage is picking up and income on parking income is above that budgeted for, albeit below pre Covid levels. The change to park and ride charges came into effect at the beginning of October and across all of the park and ride sites the usage has increased by 17% for the 3 month period of the trial compared to the previous 3 months with a small increase in income of 3%;
- **Business Improvement** – adverse variance of £0.194 million which is due to staffing overspends in the Contact Centre, this is due an increase in call volumes mainly relating to enquiries regarding the £150 energy rebate grants. There is also an expected overspend on postage charges in year. Work is ongoing in both areas to mitigate the overspends.
- **Financial Services** – adverse variance of £0.053 million primarily due to bank charges continuing to be above budget due to non-compliance of Payment Card Industry Data Security Standards (PCIDSS). The self-assessment questionnaire has been submitted to the service provider to establish whether costs can be reduced from the mitigations the Council has already taken;
- **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 General Fund 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 salary 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. The 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 so 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 £0.543 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 (£314k) and additional furniture purchases (£191k) offset by (£546k) 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** – a net adverse variance of £1.260 million due to increases in material prices and work demand. QL transactions are now being posted into Agresso and this is showing a year to date overspend. The forecast pressure arises from ODS delegated works which is forecast to be overspent by £2.260 million, this is being offset by forecast savings of almost £1.0 m from other repairs and maintenance budgets. Officers are working with ODS to reduce the pressure as much as possible, and are looking to mitigate this overspend position further by suspending some areas of work. The main adverse variances making up the £2.260 million are:
        - General Minor Works (£1.350m) – 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 (£0.650m) – ODS have reported an increase in fencing work due to storm damage. Members will need to consider options for a revised approach which either increases ongoing expenditure in the area, funded by budget savings elsewhere, or changing the specification for works to ensure the budget is adhered to in future.
        - Void works (£0.260m) – 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 capital 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. With other in year adjustments include reprofiling of the HRA capital programme, new approvals and slippage of schemes, giving a revised latest budget of £125.817 million.

12. Spend against the budget up to December 2022 is £53.527 million, which equates to 43% of the latest budget, and the forecast outturn is £106.475 million with a total of £44.797 million variance on Quarter 2.

13. While efforts continue to accurately profile capital expenditure, this is offset in part by the very challenging external environment in relation to increasing construction costs, and delays across our supply chains. This is affecting projects that have been due to move forward into the delivery phase, being paused while value engineering and/or retendering is undertaken to ensure the Council moves forward with adequate mitigation in place around cost certainty and risk. The supply chain issues are also affecting projects in delivery, where delays mean in some cases projects cannot complete, and spend cannot be made. There is also significant slippage shown due to prolonged and complex contract negotiations with grant funders and delivery partners, which whilst frustrating is necessary to ensure the Council is entering into projects in the best possible position to deliver schemes.

General Fund

14. 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 highlights that a significant percentage of the capital programme relates to Housing Company Loans of which a significant value has slipped in this quarter to reflect a more accurate year end position.

Project Classification	Projects	In Deilvery Stage	Latest Budget	Spend to Date	% Spent	Q2 Forecast	Variance from Q2	Q3 Forecast
Project - Development	37	8	9,542,300	3,662,752	38%	13,744,978	(6,286,027)	7,458,951
Project - ICT	16	7	808,157	876,999	109%	1,047,204	140,000	1,187,204
Project - Compliance	5	0	584,977	210,346	36%	324,260	279,717	603,977
Project - Other	15	5	2,947,450	232,594	8%	2,957,208	(1,472,522)	1,484,686
Rolling Programme	9	2	7,041,180	1,588,459	23%	7,586,397	(1,858,681)	5,727,716
Housing Company Loans	2	0	21,141,700	2,829,935	13%	25,371,476	(15,561,476)	9,810,000
Other Capital Spend	18	1	26,081,419	13,076,756	50%	26,765,994	(2,191,696)	24,574,298
General Fund Total	**102**	**23**	**68,147,183**	**22,477,843**	**33%**	**77,797,517**	**(26,950,685)**	**50,846,832**

15. Details of the General Fund slippage are:

- East Oxford Community Centre – slippage of £3.530 million, delays to project commencement following vacant possession and extended discharge of planning conditions. Service disconnections delayed the start of the demolition;
- National Homelessness Property Fund – slippage of £1.0 million due to a tightness in the market driven by higher interest rates and general economic uncertainty. As a result far fewer properties are currently available than would otherwise be expected;
- MT Vehicle replacement – slippage of £0.382 million, due to delays in receiving delivery of vehicles from the manufacturer’s, many items are on order and expected to be received before the end of March 2023;
- Enabling works – Decarbonisation Project – slippage of £0.400 million, retention payment and some outstanding items will be paid for in 23/24, overall a project underspend is likely but this is currently being finalised;

- Stock Condition surveys – slippage of £1.293 million, which includes slippage of £0.747 million due to the work on the former Jamie's unit being delayed due to unexpected additional work required on site during the set up and mobilisation phase;
- Blackbird Leys Regeneration – Slippage of £0.100 million, detailed viability review is being undertaken resulting in delay to the scheme and the submission of the planning application. This is indicative slippage the programme is under review with Peabody (formerly Catalyst);
- Cave Street Development – Slippage of £0.194 million. Planning has been approved and Business plan updated but shows a significant viability risk due to construction cost increase and increase in interest rates. Agreed to proceed to tender of main contract to enable value engineering but an updated business case may be required;
- Depot Rationalisation – slippage of £0.225 million, project paused until further information on land acquisition options progresses;
- Osney Mead Path Works – slippage of £0.100 million, further slippage on this scheme due to delays in agreeing contractual terms with Homes England;
- Osney Bridge – slippage of £0.200 million. There is slippage on this scheme while Growth Deal funds were approved by Central Government, and now they are, to enable amendments to funding agreements to be finalised and contracts to be completed;
- City Cycle Schemes – slippage of £0.730 million, the inclement weather has led to delays on site so some spend will slip into Q1 of 2023/24;
- City Centre Restart – slippage of £0.100 million, due to reprofiling of the programme of projects with other grant that is available but has specific spend deadlines to maximise funding overall;
- Housing Company Loans – underspend of £15.060 million due to reduced borrowing requirement from OX Place;
- Growth Deal Registered Provider Payments – slippage of £0.706 million, final grant paid for William Morris Close, remaining balance to be paid out in future years
- Northern Gateway – slippage of £1.5 million to allow for agreements between the contractor (TWO), Homes England and the Council to be signed;
- End point devices – slippage of £0.164 million into future years to allow for a replacement programme of devices to be carried out;
- Salary costs - slippage of £0.180 million as not all posts have been filled in year and therefore will not be charged to capital.

HRA

16. 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 linked to improving the supply of housing.

Project Classification	Projects	In Deilvery Stage	Latest Budget	Spend to Date	% Spent	Q2 Forecast	Variance from Q2	Q3 Forecast
Project - Development	4	2	1,811,582	329,877	18%	5,060,988	(3,684,048)	1,376,940
Project - Compliance	1	0	50,000	27,078	54%	50,000	-	50,000
Project - Other	1	0	333,753	7,828	2%	333,753	(233,753)	100,000
Rolling Programme	20	1	12,669,693	7,413,848	59%	13,276,397	(1,433,179)	11,843,218
Other Capital Spend	9	2	42,785,019	22,630,909	53%	54,752,704	(12,494,921)	42,257,783
HRA Total	**35**	**5**	**57,650,047**	**30,409,541**	**53%**	**73,473,842**	**(17,845,901)**	**55,627,941**

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

- Tower Blocks – slippage of £0.354 million as work on Evenlode & Windrush will slip through into the 2023/24 financial year at the earliest, this being subject to statutory approvals, completion of the works and compliance with the Employers Requirements;
- Structural – slippage of £1.216 million due to a delay in starting the concrete repairs to the five blocks;
- Social Rented Housing Acquisitions – underspend of £0.726 million. There have been six completions in year to date with a further four at conveyancing stage;
- East Oxford Development – slippage of £3.298 million. Tenders are being assessed and contract award recommendation due soon, budget and programming are being reset as part of a separate paper at March 2023 Cabinet;
- Properties purchased from OCHL – slippage of £7.105 million in line with lower level of expected unit completions now profiled in the current year;
- Lanham Way – slippage of £3.498 million – delay to obtaining planning consent and now the build contract is out to tender. Budget and programme are being reset as part of a separate paper at March 2023 Cabinet;
- Juniper Drive– slippage of £1.586 million as project has significant delivery challenges to bring forward. Budget and programme are being reset as part of a separate paper at March 2023 Cabinet.

Insurance Contract

18. On 13 April 2022, Cabinet delegated authority to the Head of Financial Services in consultation with the Head of Law and Governance to award a contract for the provision of insurance services to Oxford City Council and group companies from 1st January 2023, following a compliant procurement exercise. After starting the exercise, on reviewing the existing insurance contract, procurement identified that the existing contract could run for a further year. It was therefore decided to extend the existing contract for the 2023 calendar year and to undertake the approved procurement exercise for a new insurance contract to commence on 1st January 2024.

Corporate Risk

19. 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.

- **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.

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

Current Risk	Q4 2021/22	Q1 2022/23	Q2 2022/23	Q3 2022/23
Red	3	5	5	4
Amber	11	9	9	10
Green	0	0	0	0
Total Risks	**14**	**14**	**14**	**14**

Performance Indicators

21. There is one red corporate performance indicators being reported at the end of quarter 3, these relate to:

- Reduction of call volume into Customer contact centre – target of 5% reductions, in December we saw an actual increase of 1.8% of calls. The increase was due to a high number of repair calls due to the cold weather and higher levels of calls relating to Council Tax due to reminders, summons and single person discount emails being issued.

Financial implications

22. All financial implications are covered in the body of this report and the Appendices, as required by section 18 of the Council's constitution.

Legal issues

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

Level of risk

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

Equalities impact

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

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Background Papers: None