

To: Cabinet
Date: 13 September 2023
Report of: Head of Financial Services
Title of Report: Integrated Performance Report for Quarter 1 2023/24

Summary and recommendations	
Purpose of report:	To update Cabinet on Finance, Risk and Corporate Performance matters as at 30 June 2023.
Key decision:	No
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:	
1.	Note the projected financial outturn as well as the current position on risk and performance as at 30 June 2023; and
2.	Approve the HRA budget virements as detailed in paragraph 12.

Appendices	
Appendix A	General Fund - June 2023 Forecast Outturn
Appendix B	Housing Revenue Account - June 2023 Forecast Outturn
Appendix C	Capital Programme – June 2023
Appendix D	Corporate KPI's June 2023

Introduction and background

1. This report updates the Cabinet on the financial, corporate performance and corporate risk positions of the Council as at 30 June 2023. A brief summary is as follows:

Financial Position

- **General Fund** – the outturn position is forecasting an adverse variance of £1.183 million against the net budget agreed by Council in February 2023 of £24.793 million;
 - **Housing Revenue Account** – The HRA budgeted surplus agreed by the Council in February 2023 was £1.232 million. The current forecast outturn is expected to be an adverse variance of £1.529 million, giving a total deficit of £0.298 million;
 - **Capital Programme** – The budget, as approved at Council in February 2023, was set at £235.623 million with carry forward of unspent balances in 2022-23 of £19.540 million, some additional budget changes including new allocations, leads to a revised latest budget of £256.291 million. The outturn forecast position is currently £158.198 million with a total slippage of £98.092 million in the first quarter.
2. **Performance** – There are 19 Corporate Indicators for the current financial year, 9 of which are rated Green (on target); 2 are rated Amber (within a tolerance of target) and 4 are rated Red (outside of target). There are also 4 indicators which are under review and one that has no data available. More details can be found in paragraph 21.
 3. **Corporate Risk Management** – There are four 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 and delivery of services by external suppliers and partners. More details of the risks can be found in paragraphs 19 to 20;

Financial Position

General Fund Revenue

4. The overall Net Budget Requirement agreed by the Council in February 2023 was £24.793 million after a £1.3 million transfer from general reserves. Since setting the budget, service area expenditure budget has decreased by a net total of £0.149 million. This is mainly due to the release of pay inflation to services from the contingency, in line with the agreed pay award, offset against other transfers to Earmarked Reserves. The Net Budget Requirement remains unchanged in this respect since this is simply a virement.
5. As at 30 June 2023 the General Fund Service Areas are forecasting an adverse variance of £2.356 million against the latest budget of £33.609 million. These variances are summarised below:
 - **Housing Services** – pressure of £1.0 million on Temporary Accommodation (TA) due to an increased level of usage. This is a worst-case position and is net of any potential housing benefit. The proposed in-year mitigation is to acquire,

via a lease, properties suitable for this purpose. The cost of the lease should be able to be funded from the associated Housing Benefit, but there may be a requirement for additional staff to manage the properties. Grant received which is currently in Earmarked Reserves could also be used to part fund this overspend. The situation will be monitored very closely over the coming months.

The rise in Temporary Accommodation usage is part of a national trend, with temporary accommodation levels in England now at the highest level since records began. In Oxford data shows the main groups where homelessness presentations have increased include: evictions from the Private Rented Sector, evictions by family and friends, domestic abuse, and evictions from supported housing.

Cost of living seems to be the major factor driving this pattern, with people unable to afford to stay in accommodation, in particular in the Private Rented Sector (PRS) where the Local Housing Allowance is frozen despite rental inflation being high. Factors driving increasing rents in the city seem to be linked to continuing high demand for rented properties, alongside shrinking supply with landlords exiting the market when faced with high interest rates and reports of short term lets increasing. The rise in domestic abuse presentations is at least partial due to legislation changes, with survivors of domestic abuse now able to present as homeless to any authority, and we have had a number present from outside Oxfordshire. Finally, another driver is due to expansion of homelessness case law over recent years, with a number of decisions expanding the definition of "priority need" and other parts of housing law, significantly increasing the number of people we have to accommodate who present to us for help.

- **Community Services** – overall pressure of £454k, which is broken down into £46k staffing pressure and £310k utilities pressure in Leisure management (offset by a transfer from contingencies of a similar amount); £30k pressure to recruit into a new post of wellbeing officer, this post will help promote free swims and other wellbeing activities offered by the service; net favourable variance in Community centres due to salary savings and additional income, but with an offset of £60k utility pressure; £13k saving in salaries and an £89k utilities pressure in Town Hall; and a shortfall of income of £55k in the events team, which is due to some large commercial events not taking place;
- **Corporate Property** – pressure of a total of £640k, £440k reduced income due to delays in the letting of St Aldates Chambers offices although a tenant has now been found, similarly delays in the letting of Cadogan House have been experienced and if a tenant is found it is unlikely that rental income will be received in this financial year which will lead to a shortfall in income this year of £150k. the remaining £50k pressure relates to the recruitment of an additional post within the property team to assist with back log of repairs and maintenance;
- **Business Improvement** – total pressure of £200k, £160k relates to staffing overspends in the contact centre arising from unrealised savings due to the delay on implementation of new systems; unbudgeted maternity cover; and low staff turnover leading to higher than budgeted staffing costs as staff progress

through the trainee grading scales. In addition, £40k relates to the extension of Programme Manager Support for the Fit for the Future programme;

- **Financial Services** - £62k overall pressure, due to previously agreed procurement savings being unable to be identified across the organisation.
6. This overspend position is offset by a revised forecast variance within the corporate accounts, with regard to interest on borrowing and receivable from investments. This is showing a favourable variance of £0.723 million which is due to lower levels of borrowing caused by slippages in the capital programme and more use of internal balances anticipated in lieu of external borrowing.
7. Whilst there are not any current predicted variances on the following areas we will be monitoring these closely during the year:
- **Museum income** – There is potentially a total budget pressure of £100k which is unlikely to be met in full this year. This is made up of the expenditure budget being removed from a previous years bid and additional income target of £40k being added. Mitigations are in place to reduce this pressure such as savings in other areas of the budget relating to facilities expenditure and additional income in Town Hall events, however the shortfall could reach £50k. The museum is asking for donations on entry to further mitigate the pressure.
 - **Car Park income** – no significant variance showing year to date, although there is a delay with starting to charge for Godstow Road and Florence Park car parks.

Efficiencies

8. There are £1.993 million of new efficiencies and transformation savings introduced or continuing into the 2023/24 budget. Some of these savings are already at risk of not being met. The table below shows a summary of the savings and highlights those known to be at risk which have been reflected in the forecast outturn where appropriate. All of these savings are being closely monitored by the Finance team and Heads of service and are being report to Change Board on a monthly basis.
9. As highlighted above there are pressures on the Customer Services salary budgets. In addition there are shortfalls in income forecasts for the letting of St Aldates Chambers.

Service Area	Description	23/24 Budgeted Saving £000s	On Track	Comments
Business Improvement	Housing System rationalisation saving (ICT element)	(65)	Y	
Business Improvement	Vacancy factor	(50)	N	Pressures on existing salary budget
Business Improvement	Savings from Customer experience change programme	(44)	N	Pressures on existing salary budget
Business Improvement	ICT Savings from change programme	(46)	Y	
Business Improvement	Savings from Customer experience change programme	(7)	Y	
Community Services	Projected loss in room hire income - Covid related (60% reduction in 21-22, 40% reduction in 22-23) - base budget £233k in 22/23	(98)	Y	
Community Services	Projected loss in Town Hall income - Covid related - base budget in 22/23 is £808k - some cost savings already included in 21/22	(250)	Y	
Community Services	Invest in leisure during a changing market to devise a new model and consider new arrangements	(200)	Y	
Community Services	Future Working Programme (SAC) - Projected TH Hall Income Loss	34	N	Delays to letting out of SAC
Community Services	Future Working Programme (SAC) - Projected Expenditure Savings	(235)	N	Delays to letting out of SAC
Community Services	Vacancy factor	(54)	Y	
Corporate Property	Income pressures resulting from Covid19 on commercial income based on assumptions previously submitted which includes Westgate - current budget is £12m	190	Y	
Corporate Property	Reversal of previous budget to create 1 FTE to deliver Investment Property Strategy - require dedicated resource to oversee purchase process	(60)	Y	
Corporate Property	Future Working Programme (SAC) - Rent Income	(440)	N	Delays to letting out of SAC
Corporate Property	Future Working Programme (SAC) - Projected Corporate Property R&M savings	(42)	Y	Assumed R&M is minimal as building is unoccupied.
Corporate Property	1-3 George St - OxLEP part funded Capital Project (Returns on £1.9m Capital Programme)	(105)	N	Further delays, project slipping, handover is likely to be Q4 at earliest
Corporate Property	Cave Street Regeneration Project (assumed Income streams)	114	Y	
Corporate Property	Vacancy factor	(9)	Y	
Corporate Property	Vacancy factor	(5)	Y	
Environmental Sustainability	Environmental Sustainability - post saving	(66)	Y	
Environmental Sustainability	Vacancy factor	(5)	Y	
Environmental Sustainability	£23k funding from Planning fee income to contribute towards G5 officer role to support Environmental Quality team with assessing various environmental impacts of developments. Remaining £12k costs will be covered by existing resources. Link to pressure on line 2	(23)	Y	
Environmental Sustainability	£25k funding from Selective Licencing income to pay for additional 0.5FTE of Energy Efficiency Officer to provide increased support on securing funding driving energy efficiency uptake in the Private Rented Sector.	(25)	Y	
Financial Services	Housing Benefit & Council Tax Support Admin grants base review with a current budget of £443k - Council Tax Admin being rolled into RSG in 23/24 (£197k)	65	Y	
Financial Services	Vacancy factor	(21)	Y	
Financial Services	Savings from contract change programme - unallocated	(50)	N	Difficulty identifying procurement savings across the organisation
Financial Services	Savings of 0.2FTE from flexi retirement	(10)	Y	
Financial Services	Revenues & Benefits management changes	(60)	Y	
Financial Services	Increased income - currently circa £200k per annum	(20)	Y	
Housing Services	Housing needs system and structure change	(50)	Y	Funded from reserves - will be achieved
Housing Services	Vacancy factor	(37)	Y	
Housing Services	Savings from Customer experience change programme	(33)	Y	Savings have been factored into the new structure.
Law and Governance	vacancy factor	(30)	Y	
Law and Governance	Unallocated budget not required	(3)	Y	
Law and Governance	Manageable savings within general contracted services	(7)	Y	
Law and Governance	Member training budget - free training is available from LGA	(2)	Y	
Law and Governance	Members books and publication budget - currently unused	(1)	Y	
Law and Governance	It is proposed to add an additional grade 10 full time permanent property lawyer to the establishment to be funded by way of a recharge to Oxford City Housing Limited	69	Y	
Law and Governance	Additional SLA income from OCHL	(69)	Y	
Oxford Direct Services	Channel shift to cashless payments for car parks £30k base budget	(10)	Y	
Oxford Direct Services	ODS Clienting	60	Y	
Oxford Direct Services	Removal of all recycling banks - option 1	(27)	Y	
Oxford Direct Services	Reducing streetscene in city centre	(30)	Y	
Planning	Paperlite Digitalisation of Planning -on the back of investment in new planning system, savings can be achieved in 2024/25	(73)	Y	
Planning	Vacancy factor	(16)	Y	
Planning	Savings from Customer experience change programme	(15)	Y	
Regeneration & Economy	Vacancy factor	(8)	Y	
Regulatory Services & Community Safety	Reduce hours of Community Safety Support Officer	(13)	Y	
Regulatory Services & Community Safety	Vacancy factor	(17)	Y	
Regulatory Services & Community Safety	Cover base budget costs of 0.5FTE Tenancy Relations Officer post with licence fees	(24)	Y	
Regulatory Services & Community Safety	Funding from HRA to cover additional CCTV costs	(10)	Y	
Regulatory Services & Community Safety	Reduction of Team Manager post	(60)	Y	
TOTAL Efficiencies and Transformation		(1,993)		

Housing Revenue Account (“the HRA”)

10. The HRA budgeted surplus agreed by the Council in February 2023 was £1.232 million. The current forecast outturn is expected to be an adverse variance of £1.529 million, giving a total deficit of £0.298 million.
11. The adverse variance is associated with a current ODS forecast overspend of £2.003 million on Responsive & Cyclical Repairs. Discussions are still ongoing between officers of the Council and ODS regarding this issue although mitigating action in the meantime to protect the HRA has been taken in the form of pausing the delivery of Plastering, Painting and Joinery (PPJ) and the Great Estates capital programme. This will generate underspends against these programmes which will then be used to offset the overspends elsewhere within the Responsive & Cyclical Repairs budget.
12. During the budget setting for 2023/24 the HRA budgets reported and approved by Council and the HRA Business Plan were incorrectly aligned due to an oversight. To correct this anomaly requires amending the budgets as shown in the summary table below by way of virement which Cabinet can agree. It should be noted that the overall budgeted surplus position of £1.232 million remains the same and there is no effect on the overall HRA position. The HRA Business Plan still demonstrates viability of the HRA for the foreseeable future based on current assumptions.

	Approved Budget (per Budget book)	Proposed Amended Budget @ 30th Jun 2023	Virement Required
	£000's	£'000's	£'000's
Dwelling Rent	(48,344)	(48,344)	
Service Charges	(2,194)	(2,796)	(602)
Garage Income	(228)	(228)	
Miscellaneous Income	(806)	(806)	
Net Income	(51,572)	(52,174)	(602)
Management & Services (Stock Related)	12,852	12,852	
Other Revenue Spend (Stock Related)	972	972	
Misc Expenditure (Not Stock Related)	872	872	
Bad Debt Provision	840	840	
Responsive & Cyclical Repairs	15,202	16,836	1,634
Interest Paid	9,517	8,620	(897)
Depreciation	10,133	9,998	(135)
Total Expenditure	50,388	50,990	602

Capital

13. The budget, as approved by the Council at its meeting in February 2023, was set at £235.623 million. Since that date the budget has been increased to take account of unspent balances rolled forward from 2022-23 (£19.540 million) and further adjustments including new budget allocations (£1.126 million), giving a latest budget of £256.291 million

14. Spend against the budget is £16.195 million which equates to 6% of the latest budget and the forecast outturn is £158.198 million with a total of £98.102 million slippage.

General Fund

15. 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 % of the capital programme relates to Housing Company Loans of which the spend is reliant on the progress of the Housing company development programme. From the start of 2023/24 a revised approach to aligning the OX Place Business Plan with the quarterly Capital Monitoring is in place and this should realise improved projections in terms of both loans to the company and HRA purchases.

Project Classification	Projects	In Delivery Stage	Latest Budget	Spend to Date	% Spent	Q1 Forecast
Project - Development	39	8	44,857,812	836,110	2%	33,341,885
Project - ICT	29	9	2,273,370	133,595	6%	2,273,370
Project - Compliance	4	0	2,040,095	7,840	0%	2,040,095
Project - Other	14	2	2,032,004	60,397	3%	2,087,004
Rolling Programme	12	2	11,985,733	1,194,943	10%	10,153,919
Housing Company Loans	2	0	40,000,000	2,748,850	7%	12,513,000
Other Capital Spend	16	0	20,855,711	8,543,408	41%	20,423,528
General Fund Total	116	21	124,044,724	13,525,143	11%	82,832,801

16. Details of the main GF schemes being slipped are as follows:

- **East Oxford Community Centre** – Slippage of £1.055 million, due to delays in the programme while the budget was increased due to construction cost inflation. The Cabinet report to increase the budget has now been signed off;
- **Covered Market Masterplan** and enabling works – Slippage of £2.0 million. Project progression has slipped for a number of reasons, not least delays caused by the complexity of wider asset condition survey works outside of the masterplan project and the alignment of those asset condition survey works with the commissioning brief for the detailed design of the masterplan works;
- **Works Town Hall** – Slippage of £1.8 million To allow for detailed plans for Phase 2 work to be undertaken, aligning the need to establish a long-term vision for the facility, with a planning and preventative maintenance asset management plan;
- **Cave Street** – Slippage of £4.395 million. Project is delayed due to construction cost increase while value engineering options are considered. A full review of the business case is also in progress;
- **Osney Bridge (Growth Deal)** – slippage of £3.831 million, due to delays while value engineering exercise is undertaken to mitigate construction cost inflation’ ;
- **St Michael’s Levelling Works** – slippage of £0.040 million. Delivery of the project will now take place in 2024/25.
- **Cowley Branch Line** – slippage of £0.565 million due to a slight delay in the project starting due to finalising contracts;
- **Barton Park/Loan to OX Place** – brought forward £2.513 million. Following review of the scheme appraisals;

- **Housing Company Loans** – slippage of £30m. Loans are not required in year, as capital receipts and surpluses will be used to fund developments;
- **Affordable Housing Supply** – slippage of £0.958 million. Projects yet to be committed to;
- **Growth Deal Registered Provider Payments** – slippage of £0.272 million.
- **OxWed Loans** – Slippage of £1.150 million – loans approved by Council but not yet drawn down.

HRA

17. 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
Project - Development	4	2	10,132,361	10,410	0%	6,695,004
Project - Compliance	1	0	176,802	-	0%	176,802
Project - Other	1	0	518,246	-	0%	185,000
Rolling Programme	23	0	23,806,426	1,574,530	7%	18,905,698
Other Capital Spend	12	3	97,612,478	1,084,675	1%	49,403,274
HRA Total	41	5	132,246,312	2,669,615	2%	75,365,778

18. Details of the HRA main schemes being slipped are as follow:

- Damp proof works – bring forward of £0.397million, to carry out work as planned rather than reactive, and a large number of reported issues over winter;
- Extensions & Major Adaptions – slippage of £0.825 million.
- Energy Efficiency Initiatives – Slippage of £2.439 million
- Fire Doors – Slippage of £1.990 million.
- Great Estates - scheme has been paused to help mitigate other overspends within the HRA revenue and capital budgets;
- Social Rented Housing Acquisitions – bring forward £0.976 million to allow for planned expenditure in year;
- East Oxford Development – slippage of £3.437 million. Demolition has now completed in Princes Street and a price agreed for the construction work. The contract is currently being drafted;
- Properties Purchased from OCH(D)L – slippage of £34.266 million due to delays in development;
- Northfield Hostel – Slippage of £12.578 million. Demolition due to start in August with main contractor starting on site in December 2023;
- Lanham Way – Slippage of £2.386 million. Land has been purchased and build contract to be signed imminently.

Corporate Risk

19. There are four 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. New trading and immigration arrangement with the EU combined with structural changes in the labour market remain a challenge, as well as the recovery from pandemic business impacts. Supply chain challenges relating to Brexit, the war in Europe, energy security and related inflationary issues are a heightened and ongoing risk. The Council can affect this risk through the delivery of the Oxford Economic Strategy & 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 & EU Transition, alongside issues of inflation linked to international events. 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 position, 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.
- **Delivery of Services by External Suppliers/Partners/Supply Chain** – this relates to the negative performance of key suppliers which has a direct impact on the Council's ability to achieve its goals. The failure of a key supplier or reductions in funding and/or financial pressures on the Council's critical service partners, may place additional demands on the Council. This could result in poorer service outcomes for citizens and potential risks to our supply chain. Due to the cost-of-living crisis, memberships being cancelled by our customers' leads to reduced revenue for our leisure provider. There is also significant and uncontrollable increases in utility costs. The Council's leisure management contract expires in 2024 and the council is arranging to re-tender the service.

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

Current Risk	Q2 2022/23	Q3 2022/23	Q4 2022/23	Q1 2023/24
Red	5	5	4	4
Amber	9	9	10	10
Green	0	0	0	0
Total Risks	14	14	14	14

Performance Indicators

21. There are five red corporate performance indicators being reported at the end of quarter 1, these relate to:

- % reduction of call volume into Customer Contact Centre for Housing and Revenues and Benefits only – a target of 5% with an actual of 5.5%; to date call numbers are down on the same period as last year, so we are on target to reach the 5% call reduction;
- % reduction of number of face-to-face enquiries for Housing and Revenues and Benefits only – a target of 5% with an actual of 22.4%. The number of face-to-face visits is up on the same period last year. Housing needs queries continue alongside those relating to Council Tax reminders and Single Person discount entitlement letters being issued;
- Council spend with local business – target of 40% with an actual of 32.61% - currently tracking below target, high level of local business spend is within ODSL but is not included within this target;
- Total number of affordable homes in Oxford completed in year – no target but an actual of 40 – the Council has a target of completing 1,600 affordable homes for the next four financial years. Due to slippage the forecast is currently slightly below target with a programme of 1,549 home to be delivered. Work is ongoing to secure further opportunities and acquisitions to bring the programme back in line with the target.

Financial implications

22. All financial implications are covered in the body of this report and the appendices.

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.

Report author	Anna Winship
Job title	Management Accountancy Manager
Service area or department	Financial Services
Telephone	01865 252517
e-mail	awinship@oxford.gov.uk

Background Papers: None

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