

## Questions from Finance and Performance Panel – 06 September 2023

### Questions relating to the Integrated Performance Report for Q1 2023/24

Question	Written Response
<u>Financial Position</u>	
<p>1. The report cites release of pay inflation to services (paragraph 5). A full review of pay and grading is due by 2024; is there any update on where negotiations have got to, so that these can be factored in to the Budget process for 2024/25?</p>	<p>Management have had a number of discussions with the unions. The unions have tabled their request which includes a number of asks for additional pay, holidays and allowances. Management continue to negotiate around these asks.</p>
<p>2. Housing Services</p> <ol style="list-style-type: none"> <li>a. The report (paragraph 6) only states pressures of £1m on Temporary Accommodation; are there other pressures within the Service that Members should be made aware of?</li> <li>b. What remedial measures are in place to address the pressures re: Temporary Accommodation?</li> <li>c. What are the assumptions regarding the changes making evictions easier?</li> <li>d. How easy is it to acquire new properties?</li> <li>e. What is the balance between outright purchases and leases?</li> </ol>	<ol style="list-style-type: none"> <li>a. At present the only significant financial pressure within Housing Needs is the Temporary Accommodation (Nightly Charge/ BnB) pressure as described in the report. There are however acute operational pressures throughout our teams delivering statutory homelessness services due to the significantly increased workloads due to the demand, but currently teams are absorbing this work, or we have managed to increase capacity on a temporary basis using Government grant.</li> <li>b. A number of mitigating actions are currently being pursued by the service. These include the development of a private sector leasing (PSL) scheme to increase Temporary Accommodation (TA) stock quickly to contain costs, measures to increase move-on from TA stock into permanent housing and seeking to maximise homelessness prevention. The Council is also weighing up longer term options regarding the size and makeup of our TA stock to address current levels of demand.</li> <li>c. Consensus nationally is that the main drivers of rising homelessness and TA usage are</li> </ol>

	<p>due to cost of living pressures and interest rate rises, with increasing costs (in particular rising rents), alongside a frozen Local Housing Allowance which determines Housing Benefit rate, causing a crisis of unaffordability in the private rented sector and leading to evictions. This is further made worse by landlords who are struggling with increasing mortgage prices leaving the market and putting up rents, further limiting supply of housing and raising prices. Locally, our data supports this picture. We have seen significant increases in presentation from the main four groups we support with homelessness: Private Rented Sector (PRS) eviction, family/friend eviction, Domestic Abuse and eviction from supported accommodation.</p> <p>d. It would depend on what type of accommodation we are seeking to acquire. Having spoken to some landlords, officers have a level of confidence that we can source sufficient HMO properties to establish a PSL model relatively quickly, to replace some hotel use.</p> <p>e. The current make up of our TA stock is 100% owned in-house by either the HRA or General Fund, with those households needing TA when we have no voids placed into hotels while they wait. We have no leases with private landlords at present. We are proposing to now add to our stock by establishing a PSL model.</p>
<p><b>3. Community Services</b></p> <p>a. Is it anticipated that shortfall in income for the Events team will be the new norm (i.e. will it ever go back to pre-COVID levels)?</p> <p>b. Do the figures include benefits</p>	<p>a. The events industry is slowly recovering following the impact of the pandemic and income is gradually increasing. Whilst we would expect that to return to pre-pandemic levels in due</p>

<p>from the investment in renewable energy at Leisure Centres?</p>	<p>course, commercial events (e.g. market testing) are less likely to return as their sales model has changed to be more digitally driven.</p> <p>b. The forecast figures are starting to build in the reductions seen in usage following the renewable energy work.</p>
<p><b>4. Corporate Property</b></p> <p>a. The report says a tenant for St Aldate's Chambers has now been found; has all paperwork etc. been completed i.e. are they paying rent now?</p> <p>b. Where is Cadogan House?</p> <p>c. What is the status of the empty Ramsay House in St Ebbe's Street?</p>	<p>a. No rent is being paid yet – it will start to flow in from 2024/25.</p> <p>b. Wheatley.</p> <p>c. The Council disposed of this property by way of long lease in 2020. The leaseholder has submitted a planning application for the refurbishment. Application number: 23/01093/FUL.</p>
<p><b>5. Business Improvement</b></p> <p>a. Have the new systems, which had delayed implementation and led to unrealised savings, now been implemented?</p>	<p>The savings described are predicated on the development of revenues and benefits online forms for customers to use, resulting in hopefully a significant reduction in call volume which in turn will enable staff savings in the Customer Contact Centre. Whilst there has been significant progress in the development of these online forms on the Civica portal, there are still forms yet to go live, as well as other development to fully automate the process. In addition, a robust communication campaign is being devised to promote their usage.</p>
<p><b>6. Financial Services</b></p> <p>a. Is it anticipated that Procurement savings will be identified during the rest of the year?</p> <p><i>Note: The Panel requested a report from the Procurement Manager to a future meeting to explain the realism of the proposed Procurement savings in the current financial year.</i></p>	<p>A savings target of £100k was agreed with the Council's former Interim Director of Transformation from 01 April 2022 and £38.50k of savings was found.</p> <p>A percentage saving for suppliers if they opted for an early payment discount was offered to suppliers on standard payment terms. There was very little uptake for the saving against invoices; this provided minor savings.</p> <p>All service areas were asked to negotiate savings with their Contracts with the support of Procurement prior to extending or renewing. Whilst savings</p>

	<p>were logged, it appeared that Service areas also recorded the savings, and it was difficult to allocate these to the Procurement Saving Budget. We therefore needed to remove the possibility of duplication and agreed to remove this saving from the Procurement budget. There is still a focus for Procurement to challenge awards of contracts where costs would appear to increase or where contracts exceed the contracted spend.</p> <p>The current climate, including increased inflation, and the required inclusion of Social Value, Sustainability, Equality and Diversity considerations within Procurement exercises is all adding to difficulty in negotiating savings.</p> <p>It is likely that the residual part of this saving (i.e. £68k per annum) will be removed from the budget when it is agreed in December.</p>
<p>7. What is the cost-benefit from the rise in the bank rate (see paragraph 7 of the report)?</p>	<p>The rise in the bank rate leads to increases in interest rates that the Council receives on investments. There is a delay in any increases affecting the interest income for the Council due to most of the investments being for a fixed term. Increases in the bank rate are beneficial to the Council investments.</p> <p>Conversely, increases in the bank base rate will tend to increase interest rates on borrowing which would have an adverse effect on the Council. The Council's capital plans include significant levels of borrowing to fund the expenditure. Initially the Council will use internal borrowing to reduce its exposure to external borrowing and will then access external borrowing when there is no more internal borrowing capacity. In any case, internal borrowing reduces the levels of investment that the Council can make and consequently</p>

	<p>reduces the benefit of rises in interest rates on investment rates.</p> <p>The use of borrowing means that the Council is spending money which it hasn't got, which inevitably comes at a cost and increases in interest rates add to that cost. Over time, as there is a shift from investment to borrowing, a rise in interest rates has an increasingly adverse effect on the Council.</p> <p>The Council's housing company relies on borrowing to finance its activities and so increases in interest rates will add cost pressures to the company which in turn will lead to lower surpluses and therefore lower availability of retained earnings from which to pay a dividend to the Council.</p>
<p>8. Museum income (paragraph 8) – has consideration been given to charging an admission fee (with concessions to ensure it remains affordable)?</p>	<p>Charging has been considered for non-residents as it a museum for the people of Oxford, however Oxford has a model of free museums and charging will result in a lower footfall and secondary spend, whilst also charging an entry fee could reduce the success rate of fundraising and grants. The museum team are pushing the donation model though of 'pay what you can' to help towards the income targets.</p>
<p><b>9. Car Park Income</b></p> <p>a. What is the reason for the delay in starting to charge for Godstow Road and Florence Park car parks?</p> <p>b. How has the closure of the Station Bridge been incorporated into the forecasts?</p>	<p>a) Parking notices have not yet been issued.</p> <p>b) It is incredibly challenging to understand how closures such as this may impact behaviour of customers of the park and rides. While a decrease wasn't directly modelled, we have seen an increase in use at both Redbridge and Peartree as a result of the closure.</p>
<p><u>Efficiencies Table</u></p>	
<p>10. The report narrative for Corporate Property (paragraph 9) cites a £440k pressure relating to the delays in renting out St Aldate's Chambers</p>	<p>Rent pressure of SAC is £440k Other pressures are not getting the benefit of reduced costs for operating the building such as Non-Domestic</p>

(SAC) - however when you look in the table, the delays in renting out SAC appear to create more pressure than that amount. What is the overall budget pressure caused by the delays in renting out SAC? How much of this will be addressed this financial year?	Rates (NDR); utilities and caretaking. No saving will be achieved in the current financial year.
11. 1-3 George Street – what are the reasons for the delays in this capital project?	<i>The response to this question is exempt from publication pursuant to Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.</i>
12. Realistically, how much of the £1.993m new efficiencies and transformation savings introduced or continuing in 2023/24 will be achieved?	£1.103m will be achieved. Shortfalls include procurement and additional savings and income arising from the letting of SAC.
<u>General Fund</u>	
13. What is the situation regarding Cowley Branch Line contracts? Has everyone signed now?	<p>We entered into a Collaboration Agreement (CA) with key landowners on 29 March 2023, further information is available <a href="#">here</a>.</p> <p>We signed a Development Services Agreement with Network Rail (NwR) on 29 March 2023 for the delivery of the Full Business Case, a copy of the decision notice is available <a href="#">here</a>.</p> <p>We signed a Memorandum of Understanding with Oxfordshire County Council on 02 March 2023.</p> <p>As per the CA we are, on a case-by-case basis, working with the Cowley Branch Line’s Programme Panel for the best use of the Infrastructure Place Study budget (£985k) which will involve additional contracts.</p> <p>A project webpage is in development which will make this more visible to the public.</p>
<u>HRA</u>	
14. Paragraph 12 – There is a very large overspend in relation to Cyclical and Responsive Repairs (ODS). Can an update be provided on where the Council is in relation to negotiating a deal that benefits tenants’ interests	In 2023-24, certain programmes of work have had to be suspended in order to manage the overspend linked to Responsive Repairs. Going forward, OCC has commissioned stock condition surveys, which are currently underway,

<p>versus overspend on maintenance?</p>	<p>to enable the Council to produce accurate and enhanced capital programmes from 2024-25 onwards.</p>
<p>15. What impact will pausing the delivery of Plastering, Painting and Joinery and the Great Estates Capital Programme have, outside of generating an underspend? Will there be an adverse impact on tenants?</p>	<p>The pausing of both these programmes will have a minimal impact as the intention is that from 2024-25 they will both form part of capital programmes of works which will deliver the work in a more planned and efficient way.</p>
<p>16. What steps have been taken to ensure that the HRA budgets reported and approved by Council and the HRA Business Plan are correctly aligned going forward, after the oversight described in paragraph 13 of the report? Can this oversight be explained? Could it have led to a worse impact than it has - what is the level of risk associated with this kind of oversight?</p>	<p>Those involved in producing the report to Council are now fully aware of the need to confirm that the correct version of the budget table is being used for the budget report.</p> <p>The oversight was that an earlier version of the table from the HRA Business Plan was included in the budget report where the total budgeted surplus coincided with the correct version of the table, and it was not immediately obvious that the wrong version was being used.</p> <p>Overall, the HRA budget was balanced - it was just that some of the budget lines were not showing the correct amounts. The predominant risk of this error would be that services could potentially be cut due to an insufficient budget. However, the budgets that were loaded into the finance system were based on the correct version of what had been worked up, and it was only when the Q1 reporting totals did not match to the budget lines approved at the Council meeting that the error was spotted.</p>
<p>17. What is the background to the Barton Park loans for OX Place?</p>	<p>The Council provides loans to its Housing Company in order to purchase the social housing units from the Barton Park development. The loans are provided at an interest rate on the prevailing Public Works Loans Board rate plus a mark-up to make the rate charged equivalent to a market rate. This is in order to align with arms-length principles in order to comply with HMRC and subsidy control rules.</p> <p>The Barton Park loans represent the procurement of finance undertaken by OX Place for the acquisition of the</p>

	<p>social housing provision from each tranche of development at Barton Park. There is an agreement that OX Place will acquire all 354 social housing units from all the individual developments at this location. As at the end of 2022/23 we had acquired 126 units. This was slightly lower than planned and as such the value of loans acquired last financial year was lower, hence the year-end variance experienced. Please note neither OX Place nor the Council can influence the progress associated with this activity as it is 100% development led. The programme of building the units of accommodation is completely controlled by developers. Given the numbers of dwellings and associated loans were lower last year there is an expectation this will be caught up in the new financial year, 2023/24, hence the carry forward of last year's unspent provision. We do receive updates of development progress from developers periodically through the year and if things materially change from the current position this will subsequently be reported in future performance reports.</p>
<p>18. How many schemes have been paused? What is their value?</p>	<p>Only two – Painting and Joinery c£1m and Great Estates c£400k.</p>
<p><u>Capital</u></p>	
<p>19. In paragraph 15 of the report percentage spend has been provided to date, it would be helpful if the forecast outturn and slippage were also presented as a percentage of overall budget to enable better comparison. Does the Council believe that the shortfall so far this financial year will be clawed back?</p>	<p>It is likely that there will be further slippage in the capital programme as the year progresses. There is considerable development within the programme and, as with any development, a number of issues that may arise. This is compounded by the amount of loans which the council is making to its wholly owned company for the housing development. The Council will continue to work on moving schemes on as soon as it can and has taken steps to improve monitoring as explained below. In addition, it will look at the level of 'optimism bias' it should build in when it is setting its budget in</p>



	<p>future years. It is unlikely that the slippage for this year will be clawed back in-year.</p>
<p>20. What can be done by the Project Management Office to get a much more realistic estimate of actual capital spending in the financial year?</p>	<p>The Council's Development Board has oversight of the capital programme and reviews the project budget spend profiles. Project budget spend profiles are put together by Project Managers and they are reviewed by Project Sponsors to ensure they are appropriate. An additional Development Board meeting is now in place each quarter focused on budget profiling and spend to give greater scrutiny to improve the accuracy of the reporting. This should support more accurate profiling at the budget setting stage. Furthermore, further work has been undertaken to better align the OX Place business plan, the HRA budget and the General Fund budget where these relate to the loans, updated construction costs and spend profiling, and purchases by the HRA, where they relate to new homes delivered through OX Place. This should enable more accurate estimates during the annual budget setting process and smaller variances throughout the year. It should be noted that development projects are liable to delays, not least through the feasibility stage where cost risks are best managed, planning, but also during construction, so change in profiles should continue to be expected, but it is hoped the above measures will reduce these as best we can.</p>
<p><u>Corporate Risk</u></p>	
<p>21. Paragraph 20 - Are there any assumptions about making urgent investment in maintenance at Leisure Centres both to increase usage now (by making the centres more attractive) and making the new contractor willing to be more generous in their bids for the new contract?</p>	<p>The responsibility for day-to-day and repairs for the leisure centres rests with the current contractor. Where the Council is responsible for structural repairs on some of the leisure centres, these have been undertaken but the current contractor has not met all of their responsibilities, consequently there may be outstanding contractual works that the existing contractor will be</p>

	required to undertake before the current contract ends in April 2024. Going forward the new leisure contract is a full repairing and insuring agreement, and the contractor will be required to undertake these works.
22. Paragraph 21 - There were 5 red risks in Q2/3 in 2022/23 and this dropped to 4 in Q4 and Q1 of 2023/24 – was terrorism the red risk dropped off?	Terrorism was a red risk and the risk level has been reduced in line with the national terrorism alert status.
23. Is there a reason why there isn't a risk register included as an appendix?	The full risk register is reported to Audit & Governance Committee, therefore not felt relevant to include in full here, as this is just a summary of the risk position.
24. In the Oxford Model, ODS undertakes work on behalf of the Council and potentially provides any surplus back to the Council in the form of a dividend at some unknown future point, rather than ODS undertaking work effectively as a contractor, which means the Council assumes uncertainty around receipt of any dividend. Why does the Council wish to adopt this approach where it assumes such uncertainty?	The Council made a decision back in 2018 to establish 2 wholly owned companies, a teckal company providing services such as refuse collection and recycling, building work, highways etc. to the Council; and a sister company undertaking external trading for commercial waste, vehicle maintenance, building works and highways. The rationale was largely around giving more freedom for the company to trade and concerns over the amount of trading that the Council at the time was undertaking in-house. The business plan indicated dividend returns that would be repaid in the ensuing years but, through a combination of COVID-19 and issues arising from closing of the accounts, only around £1.9 million has been delivered to date. It is understood that the ODS Board Directors have agreed that unpaid dividends will shortly be paid to the Council and future dividends will continue to be paid.
<u>Performance Indicators</u>	
25. Paragraph 22 (top two bullet points) - the wording is not clear. The report states that a 5% reduction is being targeted for both metrics. What is reported are actuals of 5.5% and 22.4% - if we are talking about a	<u>Indicator BIC024: % reduction of call volume into the Customer Contact Centre for Housing, Revenues and Benefits only</u> The target is 5% reduction in calls. To date we have received 33,527 calls

<p><b>reduction</b> then that would suggest both targets have been exceeded? Can clarity be provided on what is meant here?</p>	<p>this year (Apr-Jun) compared to 35,470 calls for the same period last year, which is actually a 5.5% reduction. So based on year to date we are presently on target. This indicator should have been showing as green and not red.</p> <p><u>Indicator BIC025: % reduction of face-to-face enquiries for Housing, Revenues and Benefits only</u></p> <p>The target is 5% reduction in visits. To date we have had 1,114 visits this year (Apr-Jun) compared to 864 for the same period last year, which is actually a 29% increase. This indicator is correctly showing as red.</p>
<p>26. Paragraph 22 (final bullet point relating to the number of affordable homes completed in-year) – The Housing and Homelessness Panel requested at its meeting in July that the target be reframed to state whether or not the Council was on target, as there was a multi-year target set and arguably references to 'no target' aren't helpful. Please can this also be reflected in these reports?</p>	<p>The corporate target for Affordable Housing Supply is monitored monthly and actively managed more regularly as ongoing work on the affordable housing supply programme. A four-year target is used, as this aligns with budget setting and the Medium Term Financial Plan. The four-year period also reflects the fact that development is a process that spans numerous years from site identification, through feasibility and design, and into delivery and handover. Historically, annual targets have not always been met, and schemes may have been delayed at an advanced stage, as slippage, say from March to April, will impact on the performance measure. To monitor this programme over a rolling four-year cycle is deemed more appropriate.</p> <p>Actual completions are recorded against the target, and forecasting across the four years in terms of expected handovers is used to report against the target.</p> <p>As stated in paragraph 22 of the Integrated Performance Report, forecasts suggest that the delivery programme is currently forecasting the delivery of 1,549 affordable homes against the 1,600 target, so 51 homes (3%) under target at present. This is primarily due to schemes being forecast to now compete beyond the 4<sup>th</sup> year of</p>

	the programme (so after March 2027).
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