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OXFORD CITY COUNCIL

To:	**Cabinet**
Date:	**13 March 2024**
Report of:	**Head of Financial Services**
Title of Report:	**Integrated Performance Report for Quarter 3 2023/24**

Summary and recommendations	
Purpose of report:	To update the Cabinet on finance, risk and corporate performance matters as at 31 December 2023
Key decision:	No
Executive Board Member:	Councillor Ed Turner, Deputy Leader (Statutory) - Finance and Asset Management
Corporate Priority:	All
Policy Framework:	Corporate 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 31 December 2023.

Appendices	
Appendix A	General Fund - December 2023 Forecast Outturn
Appendix B	Housing Revenue Account - December 2023 Forecast Outturn
Appendix C	Capital Programme – December 2023
Appendix D	Corporate KPIs - December 2023

Introduction and background

1. This report updates the Cabinet on the financial, corporate performance and corporate risk positions of the Council as at 31 December 2023.

Financial Position Overview

2. **General Fund** – the outturn position is forecasting an adverse variance of £1 million against the net budget agreed by the Council in February 2023 of £24.793 million.

3. **Housing Revenue Account** (HRA) – At the end of Quarter 3 the HRA is forecasting a surplus of £0.623m which is an adverse variance of £0.609m to the budgeted surplus of £1.232m, mostly due to a forecast overspend against Responsive & Cyclical Repairs of £1.653m. The majority of this overspend consists of unplanned capital expenditure on repairs and maintenance which has been charged to revenue. Plans are already in progress to mitigate this overspend by capitalisation of part of this expenditure.

4. **Capital Programme** – The budget, as approved at the Council meeting 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 £129.956 million. The outturn forecast position is currently £110.964 million with a total slippage of £21.435 million in Quarter 3.

5. **Performance** – There are 19 Corporate Indicators for the current financial year, 7 of which are rated Green (on target); 5 are rated Amber (within a tolerance of target) and 3 are rated Red (outside of target). There are also 4 indicators that have no data available. More details can be found in paragraph 22.

6. **Corporate Risk Management** – There are five red corporate risks at the end of Quarter three. These relate to financial stability, workforce sustainability, climate change emergency, climate change adaptation and increased demand on services. More detail on mitigations of the risks can be found in paragraphs 19 to 21.

Financial Position Detailed Analysis

General Fund Revenue

7. 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, we released pay inflation (£1.6m in Q2) in line with the agreed pay award and utilities contingency (0.937m in Q3). The forecast outturn against this budget indicates £1 million overspend for reasons given below.

8. As of 31st Dec 2023, the General Fund Service Areas are forecasting an adverse variance of £2.2 million against the latest budget of £32.875 million. These variances are summarised below:

    - Housing Services – pressure of £0.900 million forecasted, emergency temporary accommodation costs are increasing rapidly due to the national rise in the cost of living. The pressure is shown 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.

      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.

    - Community Services – overall pressure of £0.022m, which is broken down into:

    - £0.026m pressure in salary for wellbeing officer – Sports and physical activity
    - £0.062m savings in fusion contract – Leisure contract
    - £0.102m savings in salaries (vacancies) – Community centres
    - £0.054m savings in salaries (vacancies) – Youth Ambition
    - £0.270m majority of the pressure relates to SAC business rates (due to delay in letting)
    - £0.016m savings majority relates to museum and lights – Culture
    - £0.040m savings in salaries (vacancies) – Localities
    - Utilities – corporate contingency of £513k was released in for year-to-date to offset pressure.
- <u>Corporate Property</u> – total pressure of a total of £0.840m due to:
    - £0.640m reduced income due to delays in the letting of St Aldates Chambers and Cadogan house.
    - £0.200m Property services is underachieving income due to capital recharges projected to be less than budget.
- <u>ODS Client</u> - a favourable variance of £0.222m due to a slight increase in car parking income but mainly due to a rebate on Business rates in respect of Oxpens car park. Backdated dividends of £4 million have been paid by ODS in January which will be picked up in future reports
- <u>Business Improvement</u> – total pressure of £0.375m; most of this 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 and ICT telephony contract.
- <u>Financial Services</u> - £0.062m overall pressure, due to previously agreed procurement savings being unable to be identified across the organisation.
- <u>Planning Services</u> - £0.319 overall pressure due to:
    - £0.284m pressure mainly due to planning income underachieving – Development
    - £0.045m savings in salaries (vacancies) - planning support services
    - £0.050m savings in salaries (vacancies) – Spatial Development
    - £0.130m pressure which is mainly due to shortfall in building control and regulatory income.
- <u>Corporate</u> - This overspend position is offset by a revised forecast variance within the corporate accounts for interest on borrowing and receivable from investments. This is showing a favourable variance of £1.1 million which is due to higher than anticipated cash for investment, borrowing being lower than anticipated caused by slippages in the capital programme and more use of internal balances anticipated in lieu of external borrowing.

Efficiencies

9. 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 savings are being closely monitored by the Finance team and Heads of Service and are being reported to the Organisational Change Board on a monthly basis.

10. As highlighted above there are pressures on the Customer Services salary budgets together with shortfalls in income forecasts for the letting of St Aldate's Chambers. However, St Aldate's Chambers has now been successfully let, so this is a one-off pressure.

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)	N	Reliant on delivery by another dept; unlikely to realise any benefit in current year.
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 likey 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 exisiting 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 organisaiton
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	Savings on target to be met.
Law and Governance	Unallocated budget not required	(3)	N	Pressures on existing budget for Committee and Member Services
Law and Governance	Manageable savings within general contracted services	(7)	Y	Savings on target to be met.
Law and Governance	Member training budget - free training is available from LGA	(2)	Y	Savings on target to be met.
Law and Governance	Members books and publication budget - currently unused	(1)	Y	Savings on target to be met.
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	Savings on target to be met.
Law and Governance	Additional SLA income from OCHL	(69)	Y	Savings on target to be met.
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 recyling 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	Savings met
Planning	Vacancy factor	(16)	Y	Savings met
Planning	Savings from Customer experience change programme	(15)	Y	Savings met
Regeneration & Economy	Vacancy factor	(8)	Y	
Regulatory Services & Comm	Reduce hours of Community Safety Support Officer	(13)	Y	
Regulatory Services & Comm	Vacancy factor	(17)	Y	
Regulatory Services & Comm	Cover base budget costs of 0.5FTE Tenancy Relations Officer post with licence fees	(24)	Y	
Regulatory Services & Comm	Funding from HRA to cover additional CCTV costs	(10)	Y	
Regulatory Services & Comm	Reduction of Team Manager post	(60)	Y	
TOTAL Efficiencies and Transformation		**(1,993)**		

Housing Revenue Account ("the HRA")

11. 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 £0.609 million, giving a total surplus of £0.623 million.

12. The adverse variance is predominantly due to unplanned capital expenditure currently charged to Responsive & Cyclical Repairs. Plans are already in progress to transfer the unbudgeted expenditure that is eligible for capitalisation by the end of the financial year, mitigating the current forecasted overspend.

Capital

13. The budget, as approved by the Council at its meeting in February 2023, was set at £235.623 million. Since this point, some of the required carry forwards of underspends from 2022/23 have been included as well as in-year Budget Slippage. Budgets have also been reprofiled accordingly, giving a revised budget at end of December 2023 of £129.956 million.

14. Spend against the budget at the end of December 2023 is £42 million in total which is 32% of the budget. The latest forecast outturn as of December 2023 is £110.963 million.

General Fund Capital

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 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. From the start of 2023/24 a revised approach to aligning the OX Place Business Plan with the quarterly Capital Monitoring has been in place and this should realise improved projections in terms of both loans to the company and HRA purchases.

Project Classification	Projects	Latest Budget	Spend to Date	% Spent	Q3 Forecast	Variance from Q2
Project - Development	32	21,129,897	3,627,628	17%	20,845,405	(6,197,751)
Project - ICT	26	2,502,073	921,396	37%	2,541,043	(168,150)
Project - Compliance	4	1,807,456	476,727	26%	2,036,426	(170,000)
Project - Other	12	2,392,587	486,687	20%	2,384,395	487,528
Rolling Programme	9	5,298,363	2,383,087	45%	5,328,879	(1,461,425)
Housing Company Loans	2	13,043,000	3,298,620	25%	13,043,000	-
Other Capital Spend	14	13,746,827	5,464,094	40%	13,377,182	(247,286)
General Fund Total	**99**	**59,920,203**	**16,658,240**	**28%**	**59,556,331**	**(7,757,084)**

Only 32% of the General Fund Capital budget has been spent at Q3 with further slippages and underspends since last quarter of £7.7 million. Some schemes will pick up in the last quarter. Key Forecast Outturn Budget Variances as of 31st December 23 are:

- Disabled Facilities Grants (E3521) – Forecast Outturn is £0.123m underspend against latest budget, HIA with referrals being progressed.
- Cowley Marsh Extension (T2309) & Depot Rationalisation (T2301) - £167k overspend forecasted due to delays -wet weather and tree felling not originally budgeted, also additional land to support potential development at Horspath is essential.
- Gloucester Green Car Park (H&S) (B0100) - £229k overspend forecasted. Seeking additional budget approval through Budget Setting process
- Covered Market masterplan and enabling works (B0154) – £414k slippage due to further delays to works due to additional procurement required.

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.

Project Classification	Projects	Latest Budget	Spend to Date	% Spent	Q3 Forecast	Variance from Q2
Project - Development	4	1,602,947	404,658	25%	1,825,050	222,103
Project - Compliance	1	176,802	29,781	17%	176,802	-
Project - Other	2	675,000	563,379	83%	2,278,000	1,848,000
Rolling Programme	23	18,594,621	8,664,686	47%	17,593,911	(1,661,904)
Other Capital Spend	11	48,978,262	15,730,894	32%	29,524,811	(19,068,222)
HRA Total	**41**	**70,027,631**	**25,393,397**	**36%**	**51,398,574**	**(18,660,023)**

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

- **Tower Blocks** – discussions are still ongoing with the contractor in regards to completing the outstanding works, £500k expenditure is likely to slip into next year.
- **Controlled Entry** – a work programme is currently being compiled and will be delivered during 2024/25 £300k slippage.
- **Major Voids** – High level of voids requiring capital works resulting in an overspend of £500k. The high level of voids is due to a high number of existing tenants moving into recently completed new build accommodation.
- **Damp Proof Works** – Although some urgent works have been undertaken, a planned approach is currently being developed to ensure that resources are used in an efficient and effective manner. This means that there will be some slippage of £300k this year.
- **Kitchens & Bathrooms** – This line has been disaggregated into two separate lines which is forecasting slippage of approximately £100k based on extrapolation of current spend to date.
- **Heating** - This line has been disaggregated into two separate lines which is forecasting slippage of approximately £100k based on extrapolation of current spend to date.
- **Doors & Windows** – profiled to overspend by £300k
- **Communal Areas** – a programme of works is currently being developed in preparation for next financial year and a slippage of £650k is forecast
- **Fire Doors** – contracts have been awarded and work has commenced on the additional blocks and the forecast has been realigned by bringing back £500k into 2023/24.
- **Great Estates Programme** – scheme has been paused to help redress the forecast overspend elsewhere within the HRA Repairs & Maintenance Programme. Forecasting an underspend of £350k.
- **Fencing** – the demand for replacement fencing has reduced due to the older fences damaged by the previous storms being replaced or repaired over the last 2-3 years - forecast underspend of £800k.
- **Oxford North** – the spend profile has been updated and subsequently £811k has been brought forward.
- **LAHF Acquisitions** – All 7 properties have now been purchased but refurbishment costs of £400k likely to be incurred during 2024/25
- **LAHF 2 Acquisitions** – Expected completion of 1-2 properties this financial year at a value of £533k, with commitment to purchase remainder in early part of 2024/25
- **Acquisition of Additional Units** – the proposed acquisition of additional units has been delivered through the LAHF 1 & LAHF 2 programmes resulting in slippage of £2,466k.
- **East Oxford development** – Delays in engaging the main contractor have resulted in the slippage of £904k forecast expenditure.

- **Properties Purchased from OCHL** – significant delays to individual schemes within the programme mean that a number of schemes will complete during Quarter 1 of 2024/25 with an estimated slippage of £16,240k.
- **Northfield Hostel** – scheme is behind programme and there is also a need to re-tender for the main build contract meaning a slippage of £691k.
- **Lanham Way** – scheme forecast has been reprofiled in line with latest projections and £500k has been brought forward.
- **SHAP Acquisitions** – on target to spend circa £1.070m in 2023/24.
- **Juniper** – this scheme has now been aborted and therefore no capital spend is forecast. **Next Steps Accommodation Programme** – this scheme is complete.

Corporate Risk

18. There are five red risks on the current Corporate Risk Register, which are as follows:

    - **Financial Stability** – this is the risk of the Council being unable to deliver its plans and corporate priorities due to lack of finance. The causes that would give rise to this risk occurring are multiple including inflation, demand, and lack of prioritisation. A number of potential mitigations have been identified including better prioritisation, reduction in expenditure, income and efficiencies from companies, and expenditure restraint including around the capital programme.
    - **Workforce sustainability** – this is the risk of loss of workforce due to various factors including inability to compete with costs, too much pressure being placed on staff and shortage of staff with the required skills in different areas resulting in low morale, an impact on wellbeing, high turnover, poorer outcomes and impact on service delivery. Potential mitigations include the Council doing less, pay and reward being reviewed to be market equivalent and improving recruitment processes. This should be mitigated by the pay award which was recently agreed with trade unions.
    - **Climate Change Emergency** – this is the risk of being unable to meet climate change targets, both local and national due to conflicting policies, pace of delivery and a skills and technology gap leading to an impact on reputation, commercial property letting, increased extreme weather and an adverse impact on the workforce and residents.
    - **Climate Change Adaptation** – whereby the Council and its communities are exposed to the future impacts of climate change due to inability to deal with climate change adaptation because of lack of funding or awareness of different options leading to an increased exposure to future weather events, damage to reputation and infrastructure and an adverse financial impact.

      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.

- **Increased demand on services –** Various external factors such as rising levels of homelessness and the cost of living crisis is putting an increased demand on services provided by the Council, exacerbated by reducing preventative services resulting in reduced staff morale, pressure on staff and services, reductions in customer satisfaction and longer term upward pressure on budgets.

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

Current Risk	Q3 2022/23	Q4 2022/23	Q1 2023/24	Q3 2023/24
Red	8	8	8	9
Amber	42	42	42	40
Green	19	19	19	18
Total risks	**69**	**69**	**69**	**67**
New risks in quarter	0	0	0	4
Closed	1	0	0	6

20. The number of red service area risks has increased to 9. This is due to 2 previously amber risks moving to red and one previous red risk moving to amber. The latter is the planning service risk relating to partnership challenges and the effect they can have on securing agreements in order to deliver work plan commitments.

    Details of the Red risks are as follows beginning with the newly added red risk:

    - **Housing Services** – this relates to concerns over the timely delivery of the Adult Homeless Pathway transformation programme to provide sufficient reprofiled services of good quality across the County resulting in increased rough sleepers and homelessness presentation which in turn leads to increased costs to the City Council.
    - **Financial Services –** this relates to risks of a successful challenge to a procurement arising through not following proper procedures due to capacity pressures on staff and because of increased challenges in the procurement area from suppliers who fail to win contracts.
    - **Financial Services** – this relates to employee ability to deliver services due to increased workloads and the volume of emails, which together with the many on-line meetings is placing excessive pressure and demands on staff and managers. This risk is largely within the control of the Council, although it cannot be fully controlled within the service area itself.
    - **Planning** – this relates to delays to Council projects caused by outside agencies. The probability of this risk occurring can only be influenced to a limited extent through greater collaboration on key projects, but the impact can be influenced to a higher degree with a proactive approach to intervention and communications.

- **Planning** - this relates to Government legislation resulting in substantial changes to the planning system, such as relaxation of Change of Use, or the Prior Approval regime extended. Expectations of politicians and the local community impacting on resources and priorities. The probability of this risk occurring is out of the Council's control, except through response to consultations. However, the impact of the risk can be mitigated by maintaining responsiveness and plan for change.
- **Housing Services** – this relates to increased homelessness costs providing temporary accommodation and rent top-up payments, which has been additionally impacted due to the pandemic, lockdown and economic recession increasing homelessness demand. Control measures include undertaking a review of the approach to temporary accommodation to ensure faster move-on, informed by the "Housing First" approach, undertaking work to look at options for stock rationalisation of temporary accommodation units and bidding for any further funding available from Department for Levelling Up, Housing and Communities (DLUHC) to help fund provision for rough sleepers.
- **Community Services** – this relates to the Hinksey Heated Outdoor Pool Cover. Risk of incident, injury, vandalism costs, liability and negative publicity
- **Regeneration & Major Projects –** this relates to Staff Capacity. There is little capacity within the team to provide cover for other team members if required. Internal and external projects and programmes are running to similar timescales creating resourcing pressures. Staff resource and works needs to be carefully prioritised to handle demand.
- **Regeneration & Major Projects –** this relates to Project Delays due to unforeseen circumstances and external factors resulting in reduced performance and missed targets on capital projects which affect overall expenditure, MTFP spend or grant stipulations.

Performance Indicators

21. There are three red corporate performance indicators being reported at the end of quarter 3, 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 1.5% more calls than previous year; YTD calls increased to around 1493 more than last year with Housing, Council tax and benefits all seeing an increase in call volumes this year compared to last year.
    - Council spend with local business – target of 40% with an actual of 30.35% - Large Payment made of £1.4m to a non-local supplier has impacted this month reducing the % to 17.80%, and further investigation work is being undertaken;

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.

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Background Papers: None

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