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OXFORD CITY COUNCIL

To:	**Cabinet**
Date:	**11 December 2024**
Report of:	**Councillor Ed Turner (Cabinet Member for Finance and Assets)**
Title of Report:	**Integrated Performance Report for Quarter 2 2024/25**

Summary and recommendations	
Purpose of report:	To update the Cabinet on Finance, Risk and Corporate Performance matters as at 30th September 2024
Key decision:	No
Executive Board Member:	Councillor Ed Turner (Cabinet Member for Finance and Assets)
Corporate Priority:	All areas
Policy Framework:	Corporate Plan

Recommendation(s): That the Cabinet resolves to:

1. **Note** the projected financial outturn as well as the current position on risk and performance as at 30th September 2024.

Appendices	
Appendix A	General Fund – September 2024 Forecast Outturn
Appendix B	Housing Revenue Account – September 2024 Forecast Outturn
Appendix C	Capital Programme – September 2024

Introduction and background

1. This report updates the Cabinet on the financial, corporate performance and corporate risk positions of the Council as at 30th September 2024.

Financial Position Overview

2. **General Fund** – the outturn position is forecasting an adverse variance of £1.279 million against the net budget agreed by the Council in February 2024 of £28.604 million after allowing for a transfer from reserves of £1.4 million.

3. **Housing Revenue Account** – At the end of Quarter 2 the forecast outturn position is estimated at £8.926m deficit, an adverse variance of £2.444 m to the budgeted deficit of £6.482 million mostly due to a forecast overspend against Responsive & Cyclical Repairs offset by increased forecast income and reduced management costs. This deficit will be offset by reductions in revenue contributions to fund the capital programme.
4. **Capital Programme** – The budget, as approved at the Council meeting in February 2024, was set at £235.419 million with carry forward of unspent balances in 2023/24 of £74.372 million, some additional budget changes including new allocations, a further revision of the Housing Company Loans and HRA property purchases programme, leads to a revised latest budget of £239.249 million.
5. **Corporate Risk Management** – There are four red corporate risks at the end of quarter two. These relate to Financial Stability, Climate change emergency, Climate change adaptation, and Increased demand on services. More details on mitigations of the risks can be found in paragraphs 15 to 17.

Financial Position Detailed Analysis

General Fund Revenue

6. The overall Net Budget Requirement agreed by the Council in February 2024 was £28.604 million after a £1.3 million transfer from general reserves.
7. As of 30th September 2024, the General Fund forecast outturn variance would indicate an adverse variance of £1.279 million the reason for which is detailed below. Where these variances are deemed to carry forward into future years of the Medium Term Financial Plan we will adjust budgets as necessary. :

   Housing Services – £1.762 million adverse including

   - **Strategy and Service Development** - £100k favourable unbudgeted income and underspends in salaries and premises costs
   - **Rapid Re-Housing** - £1.897 million adverse - at the end of September there were 244 families in temporary accommodation, 13 of which were in hotel and bed and breakfast accommodation. During September 109 households approached the housing options team and 41 households were placed in TA. Moving families on to council owned and managed temporary accommodation, the private rented sector and social housing continues to be a priority for families in Bed and Breakfast. The result is a reduction of the forecast adverse variation on temporary accommodation from the £3.3 million in the previous quarter.

   ODS Client – - £700k favourable variance including

   - **Car parking** income shows an increase in car parking income of £500k (8%)
   - **Garden waste** income is £200k (19%) up on the base budgeted income

Business Improvement – £317k adverse. As flagged in the last quarter there is a significant upwards movement in software costs as systems are reprocured. Several systems have seen increases in costs from the suppliers. These include Agresso Financial Management System, Civica Pay, the Council's income management system. Additional costs are also being incurred in relation to data centre and ICT telephony. The Council is currently negotiating with the data centre provider on a better deal for data storage and costs should continue to fall as systems are moved to cloud based technology in live with the Councils ICT strategy.

Financial Services - £306k adverse – including

- **Accountancy -** £131k increase on valuation fees for end of year accounts purposes. The Finance Team have needed to seek external valuers as workloads in the property team have left them unable to pick up this work
- **Corporate Finance -** £75k increase in banking charges arising from increased debit and credit card transactions and increased internal audit charges due to a higher volume of work
- **Procurement and payments** – £120K adverse variance in respect of additional staffing in the payments team to cover sickness absence and additional staffing for backlogs and to cover increased workloads
- **Revenues and Benefits** - £90K favourable – underspends in salaries and additional new burdens funding
- **Incomes -** £70k adverse – employee cost overspends due to increased workloads

Regulatory Services - £150k adverse pressures in building control due to increased employee costs from employing contractors to cover absences and reduced income of £70k

Property Services - £427k adverse variance

- **Repairs** - £200K adverse - increased use of agency staff and shortfall in recharges to HRA capital projects
- **Asset Management** - £250k adverse – use of agency staff and additional business rates costs arising from empty properties

Law and Governance - £110k adverse

- **Elections** – adverse variance £68k arising from forecast overspends in election staff costs and printing
- **Legal Services** – £62k adverse variance arising from additional temporary staffing costs other pay related costs and software costs.

Corporate – With significant slippages in the capital programme of around £74 million last year and base rates at 5% there is a net favourable variance on borrowing cost of around £2.0 million per annum forecast. This however has been partially offset by increases in the net cost of housing benefit payments.

This relates to benefit paid to non-registered provider organisations in respect of supported accommodation and a forecast adverse variance is shown as £800k. The number of such providers in the city is limited and the service is commissioned largely by bodies outside the City Council i.e NHS/ Oxfordshire County Council and other District Councils. Whilst the Council will try to mitigate this issue the extent to which it can do so is limited.

Housing Revenue Account ("the HRA")

8. HRA budgeted deficit agreed by the Council in February 2024 was £6.482 million. The current forecast outturn is expected to be an adverse variance of £2.444 million which will be mitigated by reductions in reductions in revenue contributions to fund capital. Reasons for the variation include:

- **Income** – additional income forecast of £538k from Major Works £60k, £60k Garages, £120k from Furnished Tenancy scheme, £23k Lease Assignment and £90k Leased Property income and leaseholders £245k. This additional income represents 0.9% of the original budget
- **Management** – overall savings of £55k from vacant posts £880k held up pending the landlord services review and £70k Court fees and £40k from under occupation initiative, less overspends of £110k Furnished Tenancies, £140k Ctax, £140k Consultants Fees and £10k increased Subscription Fee, £280k increase to insurance premiums following tendering exercise and £190k pension fund adjustment.
- **Repairs** – net overspend of £2.996 million (19%) largely driven by::
- **Electrical upgrades** - £480k – electrical inspections are in the process of being moved to a 7 yearly cycle from 5 yearly next year to mitigate this overspend going forward
- **Void works** - £650k – significant increase in voids due to increases in number of new homes coming into the HRA from the Development programme.
- **General Minor works** - £968k. This is a demand led budget which council officers are trying to reduce in favour of undertaken more planned work
- **Asbestos works and fire safety** - £600k

Capital

9. The budget for 2024-25, as approved by the Council at its meeting in February 2024, was set at £235.419 million. Since this point, some of the required carry forwards of underspends from 2023/24 have been included as well as in-year budget slippages with the budgets reprofiled accordingly. This gives a revised budget at end of September 2024 of £239.249 million as shown in Appendix B.

10. Spend against the total budget at the end of September 2024 is £50 million in total which is 21% of the latest budget and a forecast of £169.823 million by year end.

	Original Budget 2024/25	Latest Budget 24/25	Spend to Date	% Spent	Forecast Spend 24/25	Forecast Variance 24/25 this Month	Forecast Variance from 24/25 Q1
General Fund Total	77,182,456	113,104,951	27,429,207	24%	72,335,452	40,769,500	14,074,537
HRA Total	158,254,860	126,144,843	23,401,349	19%	97,487,463	28,657,379	31,872,104
Total Capital Programme	235,437,316	239,249,794	50,830,556	21%	169,822,915	69,426,879	45,946,641

General Fund Capital

11. 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.

12. From the start of 2024/25 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.

General Fund Schemes by project type 2024/25

Project Classification	Projects	Latest Budget	% Spent	Q2 Forecast	Variance from Q1
Project - Development	32	32,997,763	29%	26,463,189	6,117,991
Project - ICT	26	3,206,010	26%	3,139,516	1,056,954
Project - Compliance	4	2,527,209	29%	2,984,118	950,867
Project - Other	12	7,881,454	5%	7,567,730	4,980,776
Rolling Programme	9	5,214,110	23%	6,680,665	2,266,251
Housing Company Loans	2	33,130,380	17%	10,890,833	(2,152,167)
Other Capital Spend	14	28,148,026	33%	14,609,401	853,865
General Fund Total	**99**	**113,104,951**	**24%**	**72,335,452**	**14,074,537**

13. Overall, 24% of the General Fund Capital budget has been spent by 30-09-24.

Project type key budgets:

- **Development** – Blackbird Leys Regeneration, East Oxford CC, HIF and Growth Deal Osney Bridge works and Oxford Flood Alleviation Scheme (OFAS).
- **Compliance** - Gloucester Green CP(H&S), Old Gas Works Bridges & Waterways.
- **Project Other** – Leisure Invest to Save and Dilaps works and numerous Capital M&E works on City Centre Portfolio.
- **Rolling Programme** – ODS Fleet Replacement Programme and Stock condition surveys.
- **Housing Co. Loans** – both Barton Park and non-Barton Park Loans to OxPLace.

- **Other Capital Spend** - incudes Barton Park purchases, OxWED loans, Affordable Housing Supply and Disabled Facilities Grants.

Key Budget Re-profile changes and slippages during Q2 include:

- **Town Hall & Broad St Roof & Façade works** – A further £1.300m slipped due to delays on building design feasibility and building control requirements.
- **Waterways Investment (Longbridges) -** £0.5m slipped into 25/26 after further revision of works programme.
- **Stock Condition Surveys –** A further £0.3m slipped into 25/26. This budget in some ways is linked to project demand from Asset Review Group and Development Board.
- **Asset Surveys** – A further £0.250m slipped into 25/26. This runs in conjunction with the acquisition of a new Asset Management system which is still at the scoping stage.
- **Community Centre Capital works** – £0.150m 24/25 budget now slipped into 26/27 due to decision not to do any works on them this financial year and then design and specs still to be determined.

HRA

14. 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.

HRA Schemes by project type 2024/25

Project Classification	Projects	Latest Budget	Spend to Date	% Spent	Q2 Forecast	Q1 Forecast	Variance from Q1
Project - Development	4	10,837,542	2,792,914	26%	9,537,236	541,691	8,995,545
Project - Compliance	1	207,021	-	0%	207,021	176,802	30,219
Project - Other	2	22,815,597	5,126,350	22%	24,226,047	99,590	24,126,457
Rolling Programme	23	21,386,482	2,423,747	11%	20,726,704	14,770,490	5,956,215
Other Capital Spend	11	70,898,201	13,058,338	18%	42,790,455	50,026,786	(7,236,332)
HRA Total	**41**	**126,144,843**	**23,401,349**	**19%**	**97,487,463**	**65,615,359**	**31,872,104**

- The majority of the movements on the HRA capital programme between Q1 and Q2 are adjustments to align to the corrected forecasts as recently provided by the project managers. The key variances for Q2 are:
- East Oxford (Princes Street and Collins Street) has been delayed due to works at the community centre preventing start on site for the appointed contractor - slippage of £1.3 million.

- The housing development at Northfield Hostel has been delayed due to the appointed contractor no longer willing to deliver the scheme - £16.3 million slippage.
- The delivery of the units at the Oxford North development has slipped by £9.2 million.
- Lanham Way (Youngs Way) has been revised down by £2.6 million due to slippage.
- Duplicated budgets (as a result of prior years carry forwards) for the HRA Capital Maintenance programme have been adjusted (£2.0 million)

Corporate Risk

15. There are four red risks with Workforce Sustainability moving from Red to Amber in the latest update to the current Corporate Risk Register. The four red risks 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 position on temporary accommodation remains a concern and is a big contributor to the current forecast adverse variance of £2.3 million for 2024-25. This position is currently forecast to continue into 2025-26 and possibly the following year requiring further savings to be delivered over the MTFP to mitigate.
    - **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 cost of living crisis is putting an increased demand on services provided by the Council, resulting in reduced staff morale, pressure on staff and services, reductions in customer satisfaction and longer term upward pressure on budgets

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

Current Risk	Q3 2023/24	Q4 2023/24	Q1 2024/25	Q2 2024/25
Red	5	5	5	4
Amber	6	6	6	7
Green	0	0	0	0
Total risks	**11**	**11**	**11**	
New risks in quarter	0	0	0	0
Closed	0	0	0	0

17. The number of red service area risks has increased to 12 from 10. This is due to 1 amber risk moving to red and 1 green risk moving to red. Details of the Red risks are as follows beginning with the risks where the rating has changed:

Risks moved from amber to red

- **Law and Governance** –relating to the risk of not achieving income targets due to significant increase in workload leading to reduction in capacity and inability to control recovery of legal fees on property transactions from third parties

Risk moving from green to red

- **Law and Governance** – this relates partly to the inability to retain and recruit lawyers to permanent posts, leaving service dependent on locum resources. This is in addition to an increase in workload from growth and increased income targets in other areas without consideration of the impact on legal resource. The ability to effectively deliver services required by the Council to deliver and support statutory and non-statutory functions is significantly affected. This then increases the risks to the Council in terms of compliance and income.

Risks remaining on red

- **Regeneration and Economy** – unforeseen circumstances e.g. planning risks, external factors, competing asks on resources, contractor insolvency or supply chain issues resulting in the significant delays of capital projects and potential impact on the medium term financial plan and / or grant stipulations.

- **Corporate Property and Assets** – this relates to the inability to recruit and / or retain staff on current terms and conditions, particularly in respect of HRA and compliance result in an adverse impact on work programmes.

- **Corporate Property and Assets** – relating to the inability or delay in letting properties or the need to offer increased incentives arising from property being returned in poor condition leading to reduced or delayed rent and consequent budget pressures.
- **Corporate Property and Assets** – relating to the quality of data and the need to improve data management processes arising from the need to implement an asset management system with risks around inability to plan property maintenance and implications on obtaining insurance cover.
- **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 moveon, 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.
- **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.
- **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. Relaxation of Change of Use, 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.
- **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 entirely within the control of the Council, although it cannot be fully controlled within the service area itself.

Financial implications

18. All financial implications are covered in the body of this report and the Appendices.

Legal issues

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

Level of risk

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

Equalities impact

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

Report author	Nigel Kennedy
Job title	Head of Financial Services
Service area or department	Financial Services
Telephone	01865 252174
e-mail	nkennedy@oxford.gov.uk

Background Papers: None