



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and Date of Committee	OVERVIEW AND SCRUTINY COMMITTEE – 17 JULY 2024 EXECUTIVE – 22 JULY 2024
Subject	FINANCIAL PERFORMANCE REPORT 2023/24 QUARTER FOUR
Wards Affected	All
Accountable Member	Councillor Alaric Smith – Executive Member for Finance. email: alaric.smith@westoxon.gov.uk
Accountable Officer	Madhu Richards – Director of Finance. email: madhu.richards@westoxon.gov.uk
Report Author	Georgina Dyer – Chief Accountant. email: georgina.dyer@westoxon.gov.uk
Purpose	To report the financial performance of the Council in 2023/24.
Annexes	Annex A – Revenue Outturn Annex B – Capital Outturn and Capital Slippage
Recommendations	That the Executive resolves to: <ol style="list-style-type: none">1. Note the 2023/24 financial performance;2. Recommend to Council to carry forward the capital budget of £4,086,328;3. Recommend to Council to approve the transfers to and between Earmarked Reserves as detailed in the report.
Corporate Priorities	<ul style="list-style-type: none">• Working Together for West Oxfordshire
Key Decision	YES
Exempt	NO
Consultees / Consultation	N/A

I. EXECUTIVE SUMMARY

- I.1** 2023/24 was a financially challenging year. In February 2023, the Council set a balanced budget using £350,129 of general fund reserves and the in-year quarterly reporting consistently forecast a higher figure for the use of general funds.
- I.2** At year end the overspend on cost of services is £972,473. This is driven by pressure on fee earning activities such as Building Control, Land Charges and Development Management. In addition, there is a significant overspend on the Ubico contract, due to the impact of the NJC pay award and additional costs for vehicle hire. Voids and rent free periods in our Investment Property portfolio exacerbated this year end position.
- I.3** The final outturn position is a contribution to general fund reserves of £11,215. This is due to one off beneficial variances which are specific to 2023/24 and are unlikely to reoccur in the future.
- I.4** Firstly, there is an additional £503,703 treasury management investment income where the Council has benefited from high interest rates for the full financial year in our Money Market account trading and high yield returns on our Pooled funds. The global economic circumstances that have held up this position for the last 12 months i.e. high inflation and high interest rates, are now starting to change. Inflation has been falling across developed economies for the last few months and our Treasury advisors believe that interest rates in the UK are likely to start falling in the Autumn of 2024.
- I.5** The uncertainty around the Leisure Contract at the time of budget setting made it prudent to include an income contingency and to reduce the amount of management fee income that was expected to be received. However, during the year ongoing discussions with GLL have meant that fee income was invoiced at the contracted level and all but 12% had been paid by the year end. The resulting underspend of £997,853 had a significantly positive impact on our cost of services. The budget for 2024/25 does not include an income contingency or reduced management fee income, therefore no variance is expected to be reported in the next financial year.
- I.6** Publica returned a net refund to the Council of £251,000 relating to early delivery against savings targets and a slightly higher employee turnover position. The Publica Transition will have an impact on the revenue budget in future years and the impact of this will be built into the 2025/26 budget process.
- I.7** The Capital Programme for the year was approved at £14.4m but expenditure by year end was only £4.2m. Much of the expenditure in the Capital Programme was budgeted to be from external borrowing with the resulting interest costs and MRP (Minimum Revenue Provision) included in the 2023/24 budget. MRP is the charge that must be made to revenue to pay off the principal amount of borrowing taken out to fund the capital programme, similar to depreciation in the private sector.
- I.8** The lower level of capital expenditure was due to the lack of suitable investment opportunities for the Investment Recovery Programme and the slippage of major projects

such as Carterton PSDS, Waste Vehicle replacement and the Agile Working project (which includes monies for Elmfield); all of which will be undertaken in 2024/25.

- 1.9** The reduced capital expenditure meant that the Council did not need to take out external borrowing in the year, saving £516,348 in budgeted interest costs and correspondingly, without additional assets, the MRP is £311,775 below budget.
- 1.10** The budget for 2024/25 has been set based on lower interest rates and a smaller capital programme. The variances that we have seen this financial year are not expected to feature in the next financial year.

There are a number of budget variances identified in the report across a range of service areas, commentary for the most significant of these is set out below. A full list of variances by cost centre is listed in Annex A.

These figures are subject to External Audit review; however no material change is expected from what is being reported here.

WEST OXFORDSHIRE DISTRICT COUNCIL - Budget Monitoring				
Revenue Budget Monitoring 2023/24 - Quarter 4, 1st April to 31st March 2024				
	Quarter 4			
	Original Budget 2023/24 £	Current Budget £	Actual Exp £	Variance (under) / over spend £
Service Area				
Democratic and Committee Services	1,194,664	1,217,467	1,241,925	24,458
Environmental & Regulatory Services	594,312	601,812	740,231	138,419
Environmental Services	8,041,444	7,870,525	8,706,734	836,209
Finance, Human Resources & Procurement	1,035,476	1,076,080	1,090,668	14,588
ICT, Change & Customer Services	2,210,013	2,105,529	2,031,862	(73,667)
Land, Legal & Property	1,147,227	1,172,814	1,339,992	167,178
Leisure & Communities	1,282,513	1,272,765	230,784	(1,041,981)
Planning & Strategic Housing	1,174,379	1,215,027	1,390,694	175,667
Revenues & Housing Support	1,406,799	(853,884)	(1,164,702)	(310,818)
Investment Property and Retained Services	(3,125,286)	(1,556,043)	(513,622)	1,042,420
Total cost of services	14,961,541	14,122,092	15,094,566	972,473
Plus:				
Investment income receipts	(1,102,228)	(1,277,228)	(1,780,931)	(503,703)
Cost of services before financing:	13,859,313	12,844,864	13,313,634	468,770
Funding				
General Government Grants	(2,941,995)	(3,086,995)	(3,210,979)	(123,984)
Retained Business Rates	(4,349,327)	(5,349,327)	(5,145,342)	203,985
Interest Payable	522,375	522,375	6,027	(516,348)
MRP	813,391	813,391	501,616	(311,775)
RCCO	540,100	540,100	494,683	(45,417)
Earmarked Reserves	(542,252)	2,050,017	2,069,668	19,651
Disposal of fixed assets	0	0	(74,430)	(74,430)
Covid	0	0	18,058	18,058
Capital Charges	(1,731,690)	(2,026,458)	(2,026,311)	147
Contribution from GF	(350,129)	(350,129)	0	350,129
Council Tax	(5,819,781)	(5,819,781)	(5,819,781)	0
Contribution to General Fund	0	138,057	126,844	(11,215)

2. FINANCIAL REPORTING – REVENUE

2.1 Building Control

Throughout the financial year, reporting has shown a consistently pessimistic picture of the performance of Building Control income against budget. Income for 2023/24 is £135,000 below target, compared to £77,000 in 2022/23. The service continues to struggle against competition from the private sector and the general state of the economy. With interest rates remaining at 5.25% mortgage and borrowing costs continue to impact the volume of house renovations and moves which shrinks the market for Building Control commercial services. Some mortgage rates are beginning to come down and the advice from our Treasury Advisors is that interest rates will begin to fall incrementally in the Autumn. This should boost demand and it will be important to try and maintain our market share. The income budget for 2024/25 has been reduced by £93,000 and performance in Q1 of 2024/25 is on target.

2.2 Land Charges

Income is £77,000 below target but is on par with income achieved in 2022/23. The income budget for 2024/25 has been reduced by £75,000 and Q1 2024/25 results are close to target. Competition from Personal Search companies remains strong, putting pressure on our market share.

2.3 Leisure Contract

A prudent income contingency and a reduced income target was included in the 2023/24 budget representing the uncertainty, in February 2023, of the level of achievable income from the leisure contract. Discussions have been ongoing with GLL to review the nature of the contract subject to a change of HMRC policy on VAT recovery and the potential impact of the PSDS projects at Carterton and Witney Leisure Centres.

Income invoiced in the year is £713,000 more than budgeted, only 12% of which remained unpaid at year end; and the income contingency provides an underspend of £400,000. This is offset against expenditure on equipment purchase of £91,000 and professional fees relating to the repairs at Chipping Norton Leisure Centre of £25,000. Expenditure on updating the internal areas of Chipping Norton Leisure Centre will be incurred in 2024/25, to repair water damage to the walls, floors and reception area.

The current leisure contract expires in 2027 and is likely to change both the nature of the leisure offering in West Oxfordshire and the income return.

2.4 Environmental Services – Waste Contract

The Waste Contract as a whole is £654,000 overspent, £322,000 of which relates to additional Ubico contract costs for vehicle hire and the NJC pay awards for 2022/23 and 2023/24.

Recycling - the Suez contract is £243,000 overspent at £1.243m an increase of £171,000 on 2022/23. The contract with Suez ends in September 2024 with a new contract coming into

force with an expected saving of at least £300,000 a year. Work is ongoing with the new contractor to determine the annual contract cost.

Green Waste – the service achieved 97% of its income target (set at £1,525,995) but additional costs for the Ubico contract and bins are showing as a revenue overspend of £73,000. The 2024/25 budget includes an increase in the green licence fee by £5 a year to £50 which is expected to generate an additional £165,000 of income. To set the licence fee for 2024/25, the fees of the 10 nearest local authorities were benchmarked. The average cost of a licence in those authorities in 2023/24 was £54 versus the West Oxfordshire charge of £45. The increase to £50 puts West Oxfordshire as the second lowest licence fee out of 11 authorities.

Trade Waste – the performance of Trade Waste is encouraging, at £29,000 above the income target. In this financial year we have taken the customer service & administration elements back into Publica from Ubico which has enabled quicker resolution to customer issues and the introduction of direct debit payments has dramatically reduced issues with aged debt.

Bins & Boxes – there is an overspend of £93,000 on bins and boxes across the service, £74,000 of which are for recycling. Overspends are driven not only by additional houses and replacement of damaged bins, but also from the long lead time for the suppliers to deliver to the Council. It is therefore difficult for the service to accurately predict when orders need to be placed to make sure that sufficient stock is held to fulfil requests from residents.

2.5 Development Management Applications

Planning Application income has always been volatile, with significant variations month on month. Much of the volatility is created by major applications and the lengthy discussions that are required before an application is submitted. In 2023/24 income is £81,000 below budget. The government announced a 25% increase in Planning Application fees in December 2023, the full benefit of which should be seen in 2024/25.

2.6 Development Management Appeals

Over the last 18 months the number of Planning Appeals and subsequent Planning Inquiries has increased. For many appeals we are obliged to employ specialist barristers to defend the Council's position. Each appeal, depending on how complicated, costs the Council between £20,000 and £40,000 on average. The overspend for 2023/24 is £184,000 or 18.9% of the total cost of services overspend for the year. At the time of setting the budget, £90,000 was considered a prudent increase to the budget for Planning Appeals, this is now looking inadequate and will be monitored and reported in the quarterly budget monitoring reports for 2024/25.

2.7 Investment Property

We have seen a mixed year for Investment Property with an overall overspend of £892,00 due to voids, rent free periods and service charges, driven by Marriotts (£315,585), Des Roches (£209,286), Town Centre Properties (£114,576) and Carterton Industrial Estate (£176,108). This position is consistent with quarterly budget monitoring reporting throughout the year but demonstrates that the 2023/24 budget was not realistic. The 2024/25 budget setting process considered the variances in 2023/24, and the 2024/25 was based on a detailed cashflow, as well as including a budget for service charges and business rates, and so we should see less volatility in the quarterly reporting in 2024/25.

Despite the overspend in 2023/24, there is cause for optimism as several new tenants have moved into our properties in the last 12 months, reducing our level of voids, with an increase in income for Des Roches, Talisman, Marriotts and Elmfield coming through in 2024/25. As reported in the 2024/25 Budget Report, Between Towns Road is expected to be vacant for the whole of the next financial year, reducing our income by £350,000 which has been included in the 2024/25 budget. A report will come to Executive on the future of the building in due course.

2.8 Publica

The Publica contract has returned a net refund to the Council of £251,000 relating to early delivery against savings targets and a slightly higher employee turnover position. An additional 4% is included in the 2024/25 budget to fund the annual pay award, however, if consistent with previous years, the actual pay award will not be confirmed until much later in the financial year. The Publica Transition will have an impact on the revenue budget in future years and the impact of this will be built into the 2025/26 budget process.

2.9 Non Distributed Costs

There are two elements to the pension contribution the Council makes for employees. Firstly, there is the amount paid monthly through payroll which is balanced by a secondary cash element paid direct to the LGPS that keeps the payroll contribution at a steady rate and funds historic pension liability. The primary contribution of 17.6% has not changed in the last five years, but the secondary cash contribution this year is higher than the budget and is £141,000 overspent at year end, as reported in quarterly budget monitoring. The 2024/25 budget includes a confirmed secondary pension cost from the actuary of £766,000, an increase of £116,900.

However, the Publica Transition and TUPE of staff back to the Council is likely to impact pension costs during 2024/25 and beyond. The pension scheme actuaries will be able to advise on the required pension rate for the remainder of 2024/25, and beyond, once Phase I has been approved and finalised.

2.10 Local Council Tax & Business Rates Collection

Throughout the year the Revenues Team have put a significant amount of resource into tackling the backlog of liability orders that go through the Magistrates Court, to collect Council Tax and Business Rates arrears. It is a statutory responsibility for the Billing Authority to collect arrears which go back into the Collection Fund, of which the Council retains 9.85% with the remainder being distributed to the County Council (78.5%) and Thames Valley Police (11.65%).

The income from liability orders however is retained by the Council to cover the costs of administering the service. In 2023/24 there is a £279,000 surplus which is not ring fenced to Revenues administration but goes into the General Fund to support core Council services.

2.11 Admin Buildings

Across the Council's admin buildings there is an overspend of £96,000 which represents a combination of overspends on reactive maintenance, the delayed timeline for renting out Elmfield and underspends on utility costs. The overall saving on utilities in 2023/24 has been £68,000 due to a partnership agreement the Council has entered into with the Publica partner Councils and Cheltenham Borough Council and the subsequent change in utilities provider mid-year. The 2024/25 budget has been reduced by £77,000 to take into account that the Council no longer occupies Elmfield.

3. FUNDING

3.1 Retained Business Rates and Pooling

The accounting arrangements for Business Rates are complex and statute requires recognition of items charged in one financial year to be resolved in the following year i.e. the deficit arising in 2023/24 (the shortfall in collectable rates vs expected due to the Govt's reliefs) will be repaid to the Collection Fund in 2024/25. This deficit has therefore been budgeted for in 2024/25 and will be funded by the Business Rates deficit earmarked reserve set up specifically for this repayment.

As the Billing Authority the Council collects 100% of the '*payable*' income but distributes 50% of the '*budgeted*' income (regardless of whether the actual cash collected has reduced significantly due to Govt reliefs) to Central Government and 10% to the County Council on a monthly basis.

The table below shows the calculation of the budgeted / expected Business Rate income for the Council vs the Actual.

	Budget 2023/24	Actual 2023/24	
	£m	£m	
Total BR Income	41.305	40.196	Expected vs Collectable
WODC share 40%	16.522	16.522	WODC receive 40%. 50% goes to Govt with 10% going to the County, fixed through NNDR 1 at Budget Setting. Uncollectable income compensated by exceptional S31 Grant.
Less Tariff	-13.759	-13.759	This is a Govt specified adjustment to reduce our collected rates to the baseline funding level they determine.
Deficit Payable	-0.991	-0.991	Fixed at Budget Setting
S31 Grant	5.074	4.895	Grant received to compensate for lost business rates income due to Central Gov policy
Renewables	0.272	0.271	Income retained by WODC for renewable energy schemes
BR Income	7.118	6.938	
Less Levy	-2.239	-0.566	This represents 50% of excess funding over baseline net of Pool Gain
Net Business Rates	4.879	6.372	
Movement to Reserves	0	-1.227	To fund the deficit paid out in 2024/25 & 2025/26 relating to 2023/24 & 2024/25
Retained Income	4.879	5.145	

4. TRANSFER TO EARMARKED RESERVES

The table below shows the proposed movements to earmarked reserves.

After the proposed movements to earmarked reserves, the final outturn position will be an £11,215 surplus which will go to the General Fund.

Reserve	Transfers To Reserves	
	£	
Business Rates Deficit Reserve	1,227,910	S31 grant to fund Business Rates deficit relating to 2022/23 & 2023/24 to be repaid to the Collection Fund in 2024/25 & 2025/26.
Project Contingency Reserve	75,000	Reserve delegated to Director of Finance to fund feasibility studies and external consultant work for projects i.e. Weavers Fold, Housing Option Appraisal, Hensington Road etc
Service Resilience Reserve	30,000	Part of the ICT underspend in 2023/24 to fund migration to the Cloud platform to improve data security and management software changes to be compliant with ISO 27001, projects delayed from 2023/24 to be implemented in 2024/25
Climate Change Reserve	49,932	Grant funding - Coronation Living Heritage Fund to be spent in 2024/25
Homelessness Prevention Reserve	325,000	Specific grant allocation for Domestic Abuse Safe Accommodation county wide scheme, Domestic Abuse & Rough Sleeping Specialist post and a Flexible Homelessness Prevention Fund to reduce reliance on Bed & Breakfast accommodation.
Total Proposed Movement	1,707,842	

5. FINANCIAL REPORTING - CAPITAL

- 5.1 The capital programme approved by Council as part of the budget for 2023/24 totalled £14,440,557. At year end £4,247,831 had been spent against this budget.
- 5.2 The majority of the underspend is related to the Investment Recovery Programme, budgeted at £5,000,000 but due to high borrowing costs, no suitable financially viable projects were identified in the year that complied with the approved Investment Strategy.
- 5.3 Other significant underspends represent delays in key projects i.e. Carterton PSDS, replacement of Waste Vehicles and the element of Agile working, including Elmfield, that will be undertaken in 2024/25.
- 5.4 A full breakdown of the schemes for the year and expenditure at 31st March is attached at Annex B.

6. FINANCIAL IMPLICATIONS

- 6.1 The positive outturn position for 2023/24 is due to one off factors. The underlying cost of services overspend is of concern making the budget setting process for 2025/26 likely to be a challenging one.

7. CONCLUSION

- 7.1 The outturn for 2023/24, with a cost of services overspend of £972,473 underlines the continuing pressure on the Council's finances, as identified in the MTFS approved by Council in February. The uncertainty around future Local Government funding, the end of the Statutory override for Pooled Fund investments and the Publica Review remain risks to the revenue budget. Mitigation of these risks, through the repurposing of some earmarked reserves, was agreed by Council at budget setting for 2024/25. This should, in the short to medium term, preserve an adequate general fund balance to endeavour to be able to set a balanced revenue budget.

As detailed in this report, there are several key factors which impact the financial stability of the Council. Some, such as the recycling and leisure contracts, are within the control of the Council while others, such as the financial settlement and interest rate movements, the Council has no control over.

By careful financial management and doing the best possible in terms of the factors within our control, the Council can put itself in the best position to be able to withstand the adverse impact when factors beyond our control go against us.

8. LEGAL IMPLICATIONS

- 8.1 None

9. RISK ASSESSMENT

- 9.1 Not applicable

10. EQUALITIES IMPACT

- 10.1 None

11. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 11.1 None

12. BACKGROUND PAPERS

None