WEST OXFORDSHIRE DISTRICT COUNCIL	**WEST OXFORDSHIRE DISTRICT COUNCIL**
Name and date of Committee	**EXECUTIVE - 12 MARCH 2025**
Subject	**FINANCIAL PERFORMANCE REPORT 2024/25 QUARTER THREE**
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
Annexes	Annex A – Detailed Revenue Budget Comparison Annex B – Capital Spend against Budget
Purpose	To detail the Council's financial performance for Quarter Three 2024-2025
Recommendation	That the Executive resolves to: 1. Note the Council's Financial Performance for Quarter Three 2024-2025 2. Delegate authority to the Director of Finance, in consultation with the Executive Member for Finance, to review earmarked reserves to mitigate against the financial risks identified in this report.
Corporate Priority	Working Together for West Oxfordshire
Key Decision	Yes
Exempt	No
Consultees	None

1. BACKGROUND

1.1. The purpose of this report is to provide an update on the financial performance of the council's activities for the first three quarters of the 2024/25 financial year from 1st April 2024 to 31st December 2024.

1.2. The report considers the significant variances in revenue income and expenditure against the approved revenue budget set by Full Council on 28th February 2024 which anticipated a contribution of £5,107 to General Fund reserves.

1.3. The report also includes progress in delivering the approved Capital Programme for 2024/25.

1.4. A year end revenue forecast is included based on the data available at the end of Q3. This forecast does not include any potential variances in funding i.e. Interest on external borrowing, Minimum Revenue Provision, Retained Business Rates income and General Government Grants. These items made a significant impact on the 2023/24 outturn position, but at this stage in the year it is not possible to accurately predict their final position for 2024/25.

2. MAIN POINTS

Financial Performance Revenue Budget Monitoring - Summary

2.1. At quarter 3 (Q3) there is an overall overspend **£34,344** against the profiled budget for the period, an improvement from the Quarter 2 position of £96,821 overspent.

2.2. The key factors driving this revenue position continue to be income shortfalls in garden waste and development management, the delayed Elmfield office letting, the empty Carterton Industrial Estate units and increased expenditure on waste and recycling container replacement.

2.3. Development Management income has struggled significantly this year and although it is forecast to improve in Q4, there is no expectation that the income target set for 2024/25 will be achieved. The 20% increase in Planning fees announced by the Government in December 2023 was expected to increase the income collected by the Council and the budget was set on that basis. The 2025/26 budget has been set with a more realistic income target for Planning fee income based on the performance in the current year.

2.4. The refurbishment works to Elmfield offices are now complete with the new tenant taking up occupation of the building on 12th February 2025. They have been successful in renting out 99% of the available floor space to local small enterprises, indicating that there is a strong local market demand for this type of all inclusive workspace.

2.5. The table below sets out the summary revenue monitoring position to 31st December 2024 against profiled budget by service area.

WEST OXFORDSHIRE DISTRICT COUNCIL - Budget Monitoring

Revenue Budget Monitoring 2024/25 - 1st April to 31st December 2024

	Quarter 3				
	Original Budget 2024/25 £	Current Budget £	Actual Exp £	Variance (under) / over spend £	Forecast to Year End £
Service Area					
Democratic and Committee Services	1,233,712	1,266,101	1,371,792	105,691	95,000
Environmental & Regulatory Services	726,038	551,510	556,329	4,819	12,000
Environmental Services	8,760,388	5,516,036	5,661,451	145,415	200,927
Finance, Human Resources & Procurement	1,089,327	759,960	752,275	(7,685)	1,000
ICT, Change & Customer Services	2,309,350	2,975,672	2,957,304	(18,368)	(5,000)
Land, Legal & Property	396,355	210,064	324,733	114,669	87,759
Leisure & Communities	227,208	(1,120,527)	(1,346,582)	(226,055)	(208,715)
Planning & Strategic Housing	1,061,472	1,034,519	1,220,854	186,334	137,556
Revenues & Housing Support	1,345,917	660,784	680,547	19,763	(11,656)
Investment Property and Retained Services	(318,880)	(485,446)	(510,167)	(24,721)	7,367
Total cost of services	**16,830,887**	**11,368,674**	**11,668,535**	**299,862**	**316,238**
Plus:					
Investment income receipts	(1,156,230)	(787,173)	(1,052,690)	(265,517)	(375,000)
Cost of services before financing:	**15,674,657**	**10,581,501**	**10,615,846**	**34,344**	**(58,762)**

Significant Variances

2.6 A full list of variances by cost centre is included in Annex A. The most significant variances, listed by Service Area (as set out in the table above), are as follows:

Democratic Services

Registration of Electors

2.7 The cost of printing and posting electoral registration forms and poll cards has risen significantly since the beginning of the year which has resulted in an overspend of £91,000. This has been addressed in the setting of the 2025/26 budget and therefore should not be a significant ongoing variance next year.

Environmental Services

Green Waste

2.8 As reported at the end of Q2, income was £70,000 below budget. This position has improved to £64,000 below budget at the end of Q3 whilst an overspend on bins & boxes and an underspend in the printing and postage of Garden Waste licences bring the forecast outturn for 2024/25 to £70,000.

2.9 Recycling

The new contract for processing our Dry Mixed Recycling started on 1st October 2024. In the first four months of operation, the average monthly cost has dropped by £23,000, which, even when taking into account the two invoices under the previous Suez contract that have not yet

been agreed, we are likely to come in on budget this financial year. The budget for 2025/26 includes a saving for the processing of recycling of £300,000. Q3 figures include an overspend on bins and boxes of £30,000, partially offset by a small saving in Marketing. The budget for bins and boxes across Environmental Services has been reviewed for 2025/26 and increased by £78,000.

Trade Waste

2.10 Trade Waste income has improved in Q3 to being £36,000 ahead of the income target compared to a disappointing performance for the first half of the year of £31,000 behind. Billing for this service occurs twice a year, in April and September and it is therefore apparent that the number of customers increased between the two billing cycles. There is also an underspend of £8,000 for tipping charges and there has been £29,000 of unbudgeted expenditure on containers. The year end position is forecast to be the same as Q3 as no further significant income or expenditure is expected.

2.11 Household Waste

Excess expenditure on containers is £33,000 in Q3 is not expected to rise by year end. Expenditure of £20,000 on external consultants, to aid the Council with their ambitions to improve and increase partnership working across Oxfordshire, will be funded through the Project Contingency reserve in this financial year. The bulk of the project expenditure in the coming years will be funded through the Extended Producer Responsibility Grant allocation, announced in December 2024.

Land, Legal & Property

Elmfield

2.12 When the 2024/25 budget was set, it was anticipated that Elmfield would be tenanted from Q2 2024. Unfortunately, this timeframe slipped due to discussions around the capital works required to bring the building up to a letting standard. As an empty building, the Council bears the liability for Business Rates and therefore has incurred the full annual charge in April 2024. The capital works have now been completed and the tenant took occupancy of the building on 12th February 2025.

Ubico Depot

2.13 It was reported in Q1 that reactive maintenance costs overspend of £26,000 had been incurred for a number of small projects which, because the cost of each is less than £10,000, were not categorised as capital expenditure and therefore sat as a revenue cost. At Q3 this figure has increased to £32,000. Projects include HGV charging points, a new electric shutter and external repairs to the building. Ubico are forecasting an underspend of £28,000 for the West Oxfordshire contract in 2024/25, with any surplus being returned to the Council at year end.

Legal

2.14 The Council entered into a new Service Level Agreement (SLA) for a Shared Legal Service with Cotswold and Forest of Dean in August 2024. A subsequent review of cost sharing between the three Councils has provided a modest reduction to the amount payable by West Oxfordshire. There are currently two vacancies in the service which have resulted in an underspend of £22,000 in Q3, which is expected to rise to £45,000 at year end.

Planning & Strategic Housing

Development Management

2.15 Income from Planning applications is difficult to forecast as it is not consistent throughout the year and there is no discernible pattern over the longer term. At Q1 income was reported as £76,000 below target, a 23% drop from the same period last year. At Q2 this income position had worsened to £170,000 below target and in Q3 it sits at £240,000 below target.

Realistically we can only achieve the income target if the Council receives a major application and the associated fees during Q4. At the time of writing, the income position has improved by £112,000, with the year end forecast at a prudent £145,000 behind target. The budget for 2025/26 has been reviewed and reduced by £143,000 to represent a more realistic income target for the next year and it will be reviewed annually as part of the budget setting process.

Development Management Appeals

2.16 External legal spend for Planning appeals at Q3 is £40,000 underspent, but there are two appeals waiting to be heard, the costs for which will be reported in the next budget monitoring report. The forecast for year end is that Planning Appeals will come in slightly below budget, as long as the number of appeals does not rise.

Retained Services

2.17 Bank and credit card charges have been reported as overspent for the last two financial years but the start of a new contract for credit card processing has brought costs back within the original budget envelope for the year in 2024/25. The Council received a £54,000 refund of bank charges in Q2, relating to prior periods and savings from the new contract are a further £9,000. As a consequence of the refund, the forecast for Q4 is an underspend of £70,000.

Investment Property

2.18 Between Towns Road, the empty office building in Cowley, is showing an overspend of £71,000 due mainly to Business Rates liability and additional security costs. It is clear that there is limited market appetite for large office premises in that location and therefore it will take some time to find a new commercial tenant. Officers are currently conducting an asset review to consider alternative options for the site . A report will be brought to the Executive for approval in the first half of 2025/26.

2.19 Talisman Business Centre in Bicester is showing an underspend of £25,000 for reactive maintenance which is expected to remain consistent to year end. In addition the budget

includes an income contingency of £56,000 (£42,000 at Q3) which will not now be required in full. The Q4 forecast is therefore an underspend of £80,000.

2.20 Carterton Industrial Estate Plots 1,2 & 3 are vacant and the Council has been liable for Business Rates of £41,000 plus £31,000 on minor repairs and security. Major roof repairs are being tendered in order to bring the buildings up to standard to let. Lettings for all three units are anticipated to complete shortly.

Leisure Contract

2.21 The budget includes a £200,000 income contingency against the contract sum, which will potentially show as a variance in Q4. Income for the first three quarters of the year is slightly higher than anticipated due to CPI inflation. The current contract is due to end in 2027, with work already well underway to scope the future offering by the Council to improve accessibility to leisure and wellbeing services and to increase the breadth of activities on offer. This work will need to consider the impact of the Local Government Reform announcement in December 2024.

Publica Review

2.22 Phase 1 of the transition of staff from Publica back to the Council was approved by full Council on 24th July 2024. A detailed transition cost model forecast the additional employee costs to West Oxfordshire at £213,000 a year, with one off costs of £274,000. This is in line with the estimates included in the 2024/25 budget and reserves set aside to meet one off costs.

2.23 The Transition Plan for Phase 2 is due to go to the Council for approval in March 2025. Indicative costs of £200,000 for enduring growth have been included in the 2025/26 base budget with £300,000 of one off costs budgeted to be funded from earmarked reserves.

Risks and Mitigation

2.24 There are some key risks, identified in the Budget Paper for 2025/26 and listed below for ease of reference, which could have a significant impact on the Council's revenue position and financial stability in the coming years. It is recommended that any surplus in the revenue outturn for 2024/25 be transferred to the budget deficit reserve to help mitigate against the funding gap from 2026/27 onwards as identified in the MTFS relating to the Leisure Contract and the Business Rates reset.

2.25 The existing leisure contract returns a significant level of income to the Council, which is unlikely to be matched by any new contract. The leisure offering by the Council is currently under review and until the project is further advanced it is not possible to say what any new contract will look like. It is however likely that in the early years the Council will not receive any income but rather will be paying a fee to the leisure operator. This is in line with the early years of the current contract. The impact on the MTFS is a potential loss of income of £2.4m from 2027/28.

2.26 The full impact of funding changes is expected in 2026/27 when it is believed that the delayed Business Rates reset will come into effect. The MTFS estimates the potential impact of this change as a 37.5% loss of Business Rates income and assumes a level of dampening of the impact from the government that has not yet been confirmed.

2.27 It is recommended that an earmarked reserve is set up to ensure that the extensive work required to fully explore and scope the optimal unitary solution for submission to Ministry of Housing, Communities and Local Government (MHCLG) in November 2025, is adequately

resourced. Discussions have already begun with Leaders across Oxfordshire but are at a very early stage.

2.28 The statutory override for Financial Instruments (pooled funds), which requires fair value gains and losses to be taken to an unusable reserve unless the fund is sold, is set to end in 2025/26. It was therefore recommended by our Treasury advisors Arlingclose, that it would be prudent to create an earmarked reserve to smooth out the impact of any unrealised gains or losses to protect our revenue position and our ability to fund front line services. This was approved by the Executive in February 2024.

In September 2024 one of our Pooled Funds, operated by UBS, was closed, resulting in a capital loss of £497,000.

2.29 It is requested that authority is given to the Director of Finance, in consultation with the Executive Member for Finance, to review existing earmarked reserves to better align them with Council Priorities, to create the specific risk reserve for Local Government Reorganisation mentioned above and to top up existing risk reserves i.e. Investment Property, Financial Instrument Revaluation (Pooled Funds) and the Budget Deficit Reserve.

Capital Programme Budget Monitoring

2.30 At the end of Q3 capital expenditure is £4.02m against an approved Capital Programme for the year of £11.28m, which includes slippage from 2023/24 of £4m for the decarbonisation of Carterton Leisure Centre, Agile Working, Electric Vehicle charging points and Waste Vehicle replacement.

2.31 The Agile working programme has completed at Elmfield, upgrading the building for new tenants who have taken up occupation of the building in February. There are some urgent works required to Woodgreen i.e. fascias and windows, for which a detailed specification of works is currently being undertaken. This work forms the last part of the Agile Working programme.

2.32 The Solar PV replacement at Elmfield Solar has been completed with all costs accounted for in Q3.

2.33 An Investment Grade Proposal (IGP) for the decarbonisation of Witney Leisure Centre is due to be received on 10th March. A business case will go forward to Executive in June 2025, but it is not possible to say at this stage if the scheme will be financially viable. The current capital programme includes a 12% contribution to the scheme from Council funds, in the amount of £224,866 with the rest of the funds coming from a grant. Any additional expenditure over and above the budgeted cost envelope of £224,866 to the Council will have a significant impact on the scheme's viability in the absence of further grant funding.

2.34 A separate Solar PV project at Windrush Leisure Centre, funded through Sports England grant is moving at pace, for completion before the end of the current financial year.

2.35 The four new waste vehicles, approved by Executive in January 2024, have now been delivered and will reduce our reliance on hire vehicles to sustain service levels and has resulted in a reduction in the Ubico contract sum for 2025/26 as new vehicles replace vehicles at the end of their economic life.

3 CONCLUSIONS

3.1 As reported in Q2, there continue to be some key areas of concern which have been highlighted in the body of this report. The forecast cost of service overspend of £316,238 is expected to be mitigated by the continued strong performance of our Treasury Management activities i.e. interest received from short term deposits and dividends from Pooled Funds which are significantly higher than budget for the second year in a row as interest rates have not fallen away as quickly as initially thought.

3.2 The revenue outturn position, forecast to be £58,762 underspent at the end of the year, does not include the non revenue budget lines which can materially change the final outturn position i.e. retained Business Rates, Publica contract refund, Interest on external borrowing and Minimum Revenue Provision. All these elements, which are classed as funding, will not be known until year end and therefore the year end forecast offers a view on the cost of services position only.

3.3 Although this is an encouraging position overall at the end of Q3, risks remain. Budget monitoring and control are crucial to the financial stability of the Council and our ability to deliver the highest standard of services to our residents.

4 FINANCIAL IMPLICATIONS

These are set out within section 2 of the paper.

5 LEGAL IMPLICATIONS

There are no legal implications arising from this paper.

6. RISK ASSESSMENT

6.1. Officers will continue to monitor budgets closely throughout the year to identify mitigating actions which will enable the overall budgetary position to be brought back in line with budget where possible.

7. EQUALITIES IMPACT

No direct equalities impact with regards to the content of this report.

8. CLIMATE CHANGE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

None arising from this report.