



WEST OXFORDSHIRE  
DISTRICT COUNCIL

## WEST OXFORDSHIRE DISTRICT COUNCIL

Name and date of Committee	<b>Finance and Management Overview and Scrutiny Committee: Wednesday 6 September 2023.</b>
Subject	<b>Financial Performance Report 2023/24 Quarter One</b>
Wards affected	All
Accountable member	Cllr Dan Levy Cabinet Member for Finance Email: dan.levy@westoxon.gov.uk
Accountable officer	James Howse, Interim Chief Finance Officer Tel: (01993) 861210 Email: james.howse@westoxon.gov.uk
Annexes	Annex A – Detailed Revenue budget comparison Annex B – Capital spend against budget
Corporate priorities	Council approved its Council Plan 2023-27 in January 2023. The Plan sets out a Council vision that is “to support West Oxfordshire to be fit for the future” through action across a set of priority themes: <ol style="list-style-type: none"><li>1. Putting Residents First</li><li>2. A Good Quality of Life for All</li><li>3. A Better Environment for People and Wildlife</li><li>4. Responding to the Ecological and Climate Crisis</li><li>5. Working Together for West Oxfordshire</li></ol>
Key Decision	No
Exempt	No

## FINANCIAL PERFORMANCE SUMMARY

### WEST OXFORDSHIRE DISTRICT COUNCIL - Budget Monitoring

#### Revenue Budget Monitoring 2023/24 - Quarter 1, 1st April 2023 to 30th June 2023

Quarter 1			
Original Budget 2023/24	Profiled Budget	Actual Exp	Variance (under) / over spend
£	£	£	£

#### Service Area

Democratic and Committee Services	1,194,663	386,153	401,402	15,249
Environmental & Regulatory Services	594,312	121,272	147,656	26,385
Environmental Services	8,041,444	696,270	808,394	112,124
Finance, Human Resources & Procurement	1,035,473	916,503	917,269	766
ICT, Change & Customer Services	2,210,012	854,746	843,510	(11,236)
Land, Legal & Property	1,147,227	444,636	471,685	27,049
Leisure & Communities	1,282,513	190,159	170,186	(19,973)
Planning & Strategic Housing	1,174,379	296,633	236,041	(60,592)
Revenues & Housing Support	1,406,799	215,399	174,279	(41,120)
Investment Property and Retained Services	(3,037,786)	(1,196,415)	(855,047)	341,368
<b>Total cost of services</b>	<b>15,049,036</b>	<b>2,925,356</b>	<b>3,315,375</b>	<b>390,020</b>

Plus:

Investment income receipts	(1,189,728)	(297,432)	(363,609)	(66,177)
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<b>Cost of services before financing:</b>	<b>13,859,308</b>	<b>2,627,924</b>	<b>2,951,766</b>	<b>323,842</b>
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The 2023/24 budget was approved by full Council in February 2023 and set an overall annual revenue budget of £350,129 deficit to be funded from General Fund balances.

This report sets out the revenue budget position as at Quarter 1 (Q1). It shows an overall Q1 overspend compared to the profiled Q1 budget of £323,842. This means that the overall revenue outturn position is likely to be worse than the budgeted deficit of £350,129. Further action is therefore required to mitigate the risk of a significantly increased 2023/24 deficit.

Poor performance in some income generating areas is a continuation of that seen in 2022/23 i.e. Building Control, Land Charges and voids in our Investment Property portfolio. Building Control and Land Charges have been underperforming against budget for a number of years due to a decline in market share. Whilst the reasons for this can be complex, strategies will need to be implemented to reverse this decline so as not to add to the significant budget gap identified in the Medium Term Financial Strategy (MTFS).

As part of the 2024/25 budgeting process, the MTFS will be revisited during the Autumn to incorporate inflationary increases in salaries, contract costs and revised expectations on income. On the basis of the Q1 position reported here, it is expected that there will be significant additional pressures on the Council's MTFS, particularly in relation to reduced income. These pressures will be modelled and brought back to the Executive and Council as part of the budget setting cycle.

## SIGNIFICANT VARIANCES

A full list of variances by cost centre is included in Annex A

### 1.1. Recycling – Part of Environmental Services, £112,124 overspent at Q1

An additional £80,000 of growth was included in the budget for the Suez contract, taking the budgeted sum to £1m for the 2023/24 financial year. At the end of Q1 this contract is £40,000 overspent and is forecast to be up to £200,000 overspent at year end. This represents an increase in costs for this contract of £558,000 since 2020/21. With no increase in income from recycling credits or savings in the Ubico contract to offset it, this growth will increase the budget gap.

### 1.2. Green Waste – Part of Environmental Services, £112,124 overspent at Q1

Income is £68,000 below budget. As 98% of green waste income is collected by the end of August the forecast is that the service will be £65,000 overspent at year end. The licence fee was increased by £5 for 2023/24 to £45 with current figures showing that licence renewals have fallen 4% from 2022/23. Fees & charges are reviewed individually as part of the budget setting process which begins in Q2.

### 1.3. Development Management – Part of Planning & Strategic Housing, £60,592 underspent at Q1

Planning Fee income is £85,000 above target at the end of the quarter, a 39% improvement on the equivalent period last year, boosted by a major application received in June. Planning income is very volatile and is arguably the most inconsistent income stream in the Council with significant increases/decreases seen on a monthly basis. Whilst comparison against previous periods is standard to provide context for current performance, previous results are not a guarantee of future performance. Much is dependent on the receipt of major applications which are impacted by general economic conditions i.e. interest & inflation.

### 1.4. Homelessness – Part of Revenues & Housing Support, £41,120 underspent at Q1

Focussed work during the first quarter of the year has been done by the Homelessness Team to reduce the number of clients housed in Travelodge and to increase the pace of move on and secure tenancies being found. The result is that the average number of clients in emergency accommodation has reduced from 60 to 50 since reporting the 2022/23 outturn, a significant improvement, not just for our clients but also financially for the Council.

The Government have recognised the additional pressure placed upon Homelessness Services nationally from the Afghan & Ukrainian Refugee schemes and has provided an additional £220,541 funding which the Council received in April 2023. The under spend in Homelessness is a timing difference between the grant being received and the profiling of the related expenditure. The grant will be fully spent by the end of this financial year.

1.5. Legal – Part of Land, Legal & Property, £27,049 overspent at Q1

The overspend relates to court costs for a Judicial Review application brought against the Council by the Friends of The Cotswolds in relation to a Planning matter and external consultant work to undertake a review of Legal Services across the Publica partner Councils. The review recommended that transformation work to implement better systems and increased capacity across the legal services was required.

1.6. Building Control – Part of Environmental & Regulatory Services, £26,385 overspent at Q1

Income is £24,000 below budget, a decline of 26% compared to the same period last year. The service struggles against competition from the Private sector and the general state of the economy. With the sharp rise in interest rates over the last year, mortgage and borrowing costs have impacted on the volume of house renovations and moves which shrinks the market for Building Control commercial services. The latest estimates for the Bank of England base rate is that it will peak this year at 5.75% and will fall gradually. Building Control income has been below budget for the last decade in spite of the budget being reduced periodically. The forecast for this year is that income will be underachieved by £90,000. It would be appropriate to undertake a review of the service to determine if there are any strategies that could be put in place to reverse the decline in income and to set an achievable budget in 2024/25 and beyond without simply cutting the targets more sharply and accepting the losses.

1.7. Land Charges – Part of Land, Legal Property, £27,049 overspent at Q1

Similar to Building Control, Land Charges struggles against competition from Personal Search companies and therefore sees a below budget performance in their income. LLCI searches have transferred to the Land Registry, for which we have received compensation funding from the government of £14,000 per year for two years. The impact of the transfer of these basic searches will therefore not be seen in the budget until 2025/26. In Q1 income is £17,000 below budget almost the same as Q1 2022/23 and the outturn last year was income £66,000 less than budget. The forecast for this year is therefore similar to outturn last year.

1.8. Investment Property – Part of Retained Services, £341,368 overspent at Q1

Q1 performance in Investment Property follows on from the outturn position reported to Members in July 2023, with income £296,000 below budget. This was due to vacant units in Des Roches, Talisman & Marriotts Close. During Q1 new tenancies have been signed for Unit 1 Talisman and Des Roches and Sports Direct will be opening in Marriotts Close in September. It is now a market standard to offer rent free or rent reduced periods for new tenants in return for the stability of a 10-15 year lease so most of the positive impact on rental income will be seen in 2024/25 and beyond. This area will therefore be a significant pressure on the 2023/24 outturn position. An updated forecast will be provided in the Q2 reporting.

## Council Tax & Business Rates Update

In recognition of previously identified Covid related arrears issues, this report includes an update on the Council Tax and Business Rates position.

The tables shows the arrears specific to 2020/21 to 2022/23, which have been most effected by the Pandemic and Cost of Living Crisis and compares the Q1 position to that at 31<sup>st</sup> March 2023.

Council Tax Arrears	20/21	21/22	22/23	Total
	£	£	£	£
31.03.2023	1,282,456	2,209,117	2,993,806	6,485,379
Collected in Q1	-90,963	-168,766	-435,126	-694,855
Credited/Refunded in Q1	-98,967	-44,964	-248,552	-392,483
Balance 30.06.23	1,092,526	1,995,387	2,310,128	5,398,041

Business Rates Arrears	20/21	21/22	22/23	Total
	£	£	£	£
31.03.2023	400,670	749,187	1,319,753	2,469,610
Collected in Q1	-87,699	-117,195	-290,540	-495,434
Credited/Refunded in Q1	-106,778	-221,352	-86,229	-414,359
Balance 30.06.23	206,193	410,640	942,984	1,559,817

The above tables show that in Q1 some £1,190,289 (£694,855 council tax + £495,434 business rates) has been collected in relation to 2020/21, 2021/22 & 2022/23 arrears.

It should be noted that levels of Council Tax refunds raised in Q1 for the selected years stand at £47,835 and Business Rates refunds stand at £315,684. The remainder relate to credits for reliefs that have been applied for in the current financial year and backdated where appropriate.