



WEST OXFORDSHIRE
DISTRICT COUNCIL

WEST OXFORDSHIRE DISTRICT COUNCIL

Name and Date of Committee	EXECUTIVE – 15 NOVEMBER 2023
Subject	FINANCIAL PERFORMANCE REPORT 2023/24 QUARTER TWO
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	Madhu Richards – Director of Finance. Email: madhu.richards@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 Two 2023-2024.
Recommendation	<i>That the Executive Resolves to:</i> <i>1. Note the Council's Financial Performance for Quarter Two 2023-2024</i>
Corporate Priorities	<ul style="list-style-type: none">• Putting Residents First• A Good Quality of Life for All• A Better Environment for People and Wildlife• Responding to the Climate and Ecological Emergency• Working Together for West Oxfordshire
Key Decision	NO
Exempt	NO

FINANCIAL PERFORMANCE SUMMARY

WEST OXFORDSHIRE DISTRICT COUNCIL - Budget Monitoring

Revenue Budget Monitoring 2023/24 - Quarter 2, 1st April to 30th September 2023

Quarter 2				
Original Budget 2023/24	Profiled Budget	Actual Exp	Variance (under) / over spend	Forecast Year End
£	£	£	£	£

Service Area

Democratic and Committee Services	1,194,664	695,474	682,408	(13,066)	(14,501)
Environmental & Regulatory Services	594,312	255,591	301,936	46,345	101,657
Environmental Services	8,041,444	3,322,730	3,515,172	192,442	305,390
Finance, Human Resources & Procurement	1,035,476	1,233,976	1,228,749	(5,227)	5,537
ICT, Change & Customer Services	2,210,013	1,525,756	1,529,308	3,552	18,518
Land, Legal & Property	1,147,227	555,798	582,876	27,078	106,467
Leisure & Communities	1,282,513	172,505	(105,915)	(278,420)	(551,886)
Planning & Strategic Housing	1,174,379	568,625	632,127	63,502	56,129
Revenues & Housing Support	1,406,799	730,132	635,632	(94,500)	9,591
Investment Property and Retained Services	(3,125,286)	(599,640)	(168,273)	431,367	846,268
Total cost of services	14,961,541	8,460,948	8,834,020	373,072	883,170

Plus:

Investment income receipts	(1,102,228)	(638,614)	(688,000)	(49,386)	(100,000)
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Cost of services before financing:	13,859,313	7,822,334	8,146,020	323,686	783,170
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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 2 and a forecast position for the year end.

It should be noted that the inclusion of a forecast outturn position is a new development. It is anticipated that this will be an ongoing feature of Financial Performance Reports, and that the processes underpinning it will continue to be refined and modified.

As at Q2, there is an overall overspend compared to the profiled budget, of £323,686.

The position at year end is forecast to be £783,170. This would require an additional contribution from the General Fund of £433,041.

The key factors driving this position relate to the waste and leisure contracts and to underperformance of income budgets (primarily relating to investment properties).

The 2024/25 budgeting process is well underway along with an update to the Medium Term Financial Strategy (MTFS) and Investment, Treasury Management and Capital Strategies. A first draft of the budget will be going forward to Scrutiny Committee and Executive at the beginning of December focussing on revenue (cost of service) changes and pressures. The Local Government finance settlement will be announced just before Christmas and will confirm the level of central government funding in terms of New Homes Bonus, Revenue Support Grants (RSG), Funding

Guarantee Grants etc and this will be incorporated into a second draft of the budget to go forward to Scrutiny Committee and Executive in January, followed by a final update for Council Tax and Retained Business Rates in February.

SIGNIFICANT VARIANCES

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:

Environmental Services - £192,442 overspent at Q2

I.1 Recycling

At the end of Q2 the Suez contract is £135,000 overspent. This is forecast to rise to £265,000 overspend at year end. This is due to a significant rise in tonnages of recycling collected which have increased handling costs. With the contract coming to an end in 2024 the Waste team are currently exploring alternative service delivery models to bring this spend down to achieve sustainable ongoing savings for the Council. There is an additional overspend of £40,000 on recycling bins so far this year, representative of the additional number of homes built in the district in recent years and resident's desire to recycle their waste rather than send it to landfill.

I.2 Green Waste

Income is £51,000 below budget and the service is forecast to be £55,000 overspent at year end. The Waste team have begun a modelling exercise with Ubico, to analyse the capacity for additional collections with the current vehicle fleet and a potential fee increase for 2024/25. Proposals will be put forward to the Executive as part of the budget setting process where a realistic income budget will need to be agreed.

I.3 Trade Waste

Trade Waste is invoiced in April & September therefore the full income for the year has already been raised. Income has exceeded target by £20,000 and tipping charges to the County Council are £10,000 underspent. This overall underspend of £30,000 is not expected to change significantly by the end of the year.

I.4 Household Waste

So far this year there has been no expenditure on bins, producing an underspend of £20,000 at Q2 with a forecast of a £40,000 underspend for the year. This lack of expenditure offsets the overspend on boxes in the recycling service and shows the cyclical nature of box replacement for the different areas of the waste service.

Environmental & Regulatory Services - £46,345 overspent at Q2

I.5 Building Control

Income is £54,000 below budget, a decline of 16% compared to the same period last year. Current economic conditions are impacting the service more than anticipated, with the forecast for the under achievement of income rising from £90,000 to £100,000 at Q4. Discussions are ongoing with Officers responsible for this service to finalise a plan to mitigate the impact of changing market conditions

and general economic factors. A re-assessment of the income budget will be carried out as part of the budget setting process for 2024/25.

Land, Legal & Property - £27,078 overspent at Q2

1.6 Land Charges

Similar to Building Control, Land Charges struggles against competition from the private sector. In Q1 income was £17,000 below target increasing to £39,000 below target in Q2 and forecasted to be £100,000 at year end. Direct competition from the Personal Search companies has significantly impacted our Land Charges income over the last 3 years taking 70% market share, aided by the requirement that we provide access to our data free of charge to Personal search companies and any individual who requests it.

Leisure and Communities - £278,420 underspent at Q2

1.7 The inclusion of an income contingency in the 2023/24 budget was due to significant uncertainty, at the time of setting the budget in February 2023, about the level of income achievable from the leisure contract. Invoices are being raised for the contractual amount which is producing a significant underspend, as shown in Annex A, of £247,833. Officers are working with GLL to improve the outcomes of this contract for both parties.

Planning & Strategic Housing - £63,502 overspent at Q2

1.8 Development Management

Income from Planning applications is difficult to forecast as it is not consistent throughout the year and there is no discernible pattern when looked at over the longer term. Last year income was significantly below target until two major applications were received in Q4 which turned the outturn position into a surplus from the deficit that had been reported in the first 3 quarters of the year.

Major applications often have an extended timeline and it is very difficult to predict when exactly they will be submitted. General economic conditions like interest rates and inflation which although still high are stabilising, which may have a positive impact on planning application volumes as both individuals and developers are able to more confidently estimate their costs.

1.9 Development Management Appeals

Whilst this cost centre is not currently overspent, it should be noted that external legal spend has increased dramatically since 2020. A significant proportion of this expenditure relates to Planning Appeals & Inquiries. Spend to date sits at £104,000 across the Council compared to £168,000 of expenditure in the whole of 2022/23. A single Planning Inquiry can cost the Council up to £55,000 for significant sites and an average of £20,000-£30,000 for more standard sites as well as the requirement to pay the opponent's court costs for certain matters.

Investment Property and Retained Services - £431,367 overspent at Q2

1.10 Bank Charges

There is currently an overspend of £67,000 relating to the costs incurred to process debit & credit card payments to the Council. Procurement is finalising an agreement through the relevant framework to take up a new contract for our card processing which will save the Council £80,000 a year based on current volumes and cost per transaction. It is hoped that the new acquirer contract

will be in place by Q4 which should reduce the overspend at year end to £62,000. The new contract is expected to bring Bank Charges back within the existing budget so no additional growth will be required in 2024/25.

1.11 Non Distributed Costs

There are two elements to the pension contribution the Council makes for its 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. The employer rate has been 17.6% for the last 5 years and the cash element moves year on year. The cash contribution this year is higher than the budget and will be £141,000 overspent by the end of the year. As part of the budget setting process the Actuaries for the LGPS will advise on an increased cash contribution required for next year versus a potential change in employers contribution. The budget will account for the most advantageous combination of the two elements.

1.12 Investment Property

An analysis and reconciliation of all investment property income and expenditure has been undertaken for Q2 reporting. The Q2 position is an overspend of £292,176, due to the void units and rent free periods as expressed in Q1. The forecast for year end is an overspend of £599,970, driven mainly by Marriotts, Des Roches and the delay in renting out Elmfield.

A number of these void units have now been let and positive negotiations are ongoing with a number of possible tenants for the remaining void units, with reports coming forward to Executive for approval as these negotiations are finalised.

The 24/25 budget setting process is currently revisiting this income figure and the underlying assumptions for investment property income.

It should be noted that, although income budgets are currently not being met, rent from investment properties of circa £4.6m will be achieved in 23/24, which directly funds the provision of core services.

Revenues & Housing Support, £94,500 underspent at Q2

1.13 Homelessness

It was reported in Q1 that the Government had provided an additional £220,541 of funding to relieve the pressure placed on the Homelessness service from the Afghan & Ukrainian Refugee schemes. Homelessness is currently £91,000 underspent and this represents a timing difference between the grant and the expenditure against it. All grant monies must be spent by 31st March 2024 so the expectation is that Homelessness will be very close to budget at the end of the year.

Council Tax & Business Rates Update

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

The tables show 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 Q2 position to that at 31st 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 & Q2	-190,451	-368,148	-711,067	-1,269,666
Credited/Refunded	-114,455	-72,631	-222,615	-409,701
Balance 30.09.23	977,550	1,768,338	2,060,124	4,806,012

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 & Q2	-114,842	-251,133	-746,250	-1,112,225
Credited/Refunded	-57,411	-193,507	112,773	-138,145
Balance 30.09.23	228,417	304,547	686,276	1,219,240

The above tables show that in the first 2 quarters of the year £2,381,891 (£1,269,666 council tax + £1,112,225 business rates) has been collected in relation to 2020/21, 2021/22 & 2022/23 arrears.

Over and above amounts recovered through direct payments to the Council there are also amounts of refunds and credits for reliefs that have been applied for in the current financial year and backdated where appropriate.