



WEST OXFORDSHIRE
DISTRICT COUNCIL

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Name and date of Committee	EXECUTIVE - WEDNESDAY 20 NOVEMBER 2024
Subject	FINANCIAL PERFORMANCE REPORT 2024/25 QUARTER TWO
Wards affected	All
Accountable member	Cllr 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 Two 2024-2025
Recommendation	That the Executive resolves to: I. Note the Council's Financial Performance for Quarter Two 2024-2025
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 two quarters of the 2024/25 financial year from 1 April 2024 to 30th September 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.
- 1.4. A year end revenue forecast is included based on the data available in Q2. 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 the year.

2. MAIN POINTS

Financial Performance Revenue Budget Monitoring - Summary

- 2.1. At quarter 2 (Q2) there is an overall overspend of **£96,821** against the profiled budget for the period. At quarter 1 there was an overall overspend of £257,013 against the profiled budget.
- 2.2. The key factors driving this revenue position are 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 in the first half of the year but may yet recover should we receive a major application. The recycling contract with Suez expired at the end of September and the cost centre is showing a temporary underspend of £126,000 against the contract as officers and Suez are negotiating the final two months invoicing cost. The new contract, approved at the Executive meeting on 11th September 2024, is expected to deliver a budget saving of £300,000 from 2025/26 (£62,000 in 2024/25).
- 2.4. The Elmfield offices have been empty since August 2023 and requires capital investment before the new tenant occupies the building in January 2025. The tenant will undertake the work and has scheduled it to take 12 weeks. Rent will be paid from mid January, irrespective of whether the construction works have been completed.
- 2.5. The table below sets out the summary revenue monitoring position for the 30th September 2024 against profiled budget by service area.

WEST OXFORDSHIRE DISTRICT COUNCIL - Budget Monitoring

Revenue Budget Monitoring 2024/25 - 1st April to 30th September 2024

Service Area	Quarter 2				
	Original Budget 2024/25	Current Budget	Actual Exp	Variance (under) / over spend	Forecast to Year End
	£	£	£	£	£
Democratic and Committee Services	1,233,712	918,242	924,941	6,698	41,000
Environmental & Regulatory Services	726,038	321,201	333,075	11,874	6,500
Environmental Services	8,760,388	3,034,847	3,198,482	163,635	312,932
Finance, Human Resources & Procurement	1,089,330	613,958	613,843	(115)	1,500
ICT, Change & Customer Services	2,309,350	2,068,032	2,072,601	4,569	5,650
Land, Legal & Property	396,355	107,696	167,419	59,723	32,500
Leisure & Communities	227,208	(356,013)	(384,298)	(28,285)	(238,915)
Planning & Strategic Housing	1,061,472	573,543	677,968	104,425	169,000
Revenues & Housing Support	1,345,917	655,521	650,918	(4,603)	(20,656)
Investment Property and Retained Services	(318,880)	(342,240)	(409,014)	(66,775)	26,175
Total cost of services	16,830,890	7,594,789	7,845,934	251,145	335,686
<u>Plus:</u>					
Investment income receipts	(1,156,230)	(578,115)	(732,440)	(154,325)	(250,000)
Cost of services before financing:	15,674,660	7,016,674	7,113,494	96,821	85,686

Significant Variances

- 2.5. 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

Recycling

- 2.6. The Suez contract is currently showing as £126,000 underspent as the invoicing for the last two months of the contract are being negotiated. The new contract started on 1st October with savings anticipated to be £62,000 in this financial year. Container replacement is £51,000 overspent in Q2 and is included in the year end forecast. The final sum payable for the last two months of the Suez contract, which is expected to be finalised in Q3, could materially change the year end outturn position for the Recycling cost centre.

Green Waste

- 2.7. As reported at the end of Q1, income was £95,000 behind budget. This position has improved to £70,000 behind budget at the end of Q2 which is the forecast income position for year end. The number of licences renewed in this financial year is lower than in 2023/24 but there is also an error in the base budget. The budget should have been set based on 33,000 licences at £50 per licence i.e. £1.65m, however the budget has been set at £1.69m. This error will be corrected in 2025/26.

Trade Waste

2.8. Trade Waste income is £31,000 behind target for the first half of the year and there has been £29,000 of unbudgeted expenditure on containers. The budget for containers across the waste service is being reviewed as part of the 2025/26 budget setting process.

2.9. Household Waste

Excess expenditure on containers is £43,000 in Q2, which is likely to rise by another £10,000 by year end and has been included in the forecast figure. Unbudgeted expenditure of £20,000 is the spend on external consultants to help the Council with their ambitions to improve and increase partnership working with other Councils across Oxfordshire.

Land, Legal & Property

Elmfield

2.10. When the 2024/25 budget was set, it was anticipated that Elmfield would be tenanted from Q2 2024. Unfortunately, this timeframe slipped due to ongoing 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 agreed with the tenant, who has taken on the responsibility to deliver the works in a 12 week timeframe. Rent will be payable from mid January 2025, irrespective of whether the works have been completed.

Ubico Depot

2.11. It was reported in Q1 that reactive maintenance costs of £26,000 have been incurred for a number of small projects which, because the cost of each is less than £10,000, is not categorised as capital expenditure and therefore sits as a revenue cost. Projects include HGV charging points, a new electric shutter and external repairs to the building. In Q2, backdated service charges of £37,000 have been raised which has offset the maintenance overspends.

Democratic Services

2.12. Electoral Registration and District Elections are overspent by £18,000 in Q2, with a forecast overspend of £39,000 at year end. Increased printing and postage costs for voter registration and poll cards will continue to rise in the second half of the year requiring a review of the budget for 2025/26.

Planning & Strategic Housing

Development Management

2.13. 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 has worsened to £170,000 below target and realistically can only achieve budget if the Council receives a major application and the associated fees. At this point it is not possible to predict whether a major application will be received this financial year or not.

- 2.14. Major applications have a significant impact on our overall fee income but have an extended timeline and it is difficult to predict when exactly applications will be submitted. General economic conditions like interest rates, which have slowly started to fall, may increase planning application volumes as both individuals and developers are able to estimate their costs more confidently.

Development Management Appeals

- 2.14. External legal spend for Planning appeals at Q2 is £53,000 underspent, but there are two appeals waiting to be heard, the costs for which will be reported in future budget monitoring reports. The forecast for year end is that Planning Appeals will come in on budget, as long as the number of appeals does not exponentially rise.
- 2.15. 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.

Retained Services

- 2.16. Bank and credit card charges have been reported as overspend for the last two financial years but the taking on 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 has received a £54,000 refund of bank charges in Q2, relating to prior periods, an underspend that will persist until year end.
- 2.17. The timing of the delivery of the Asset Management Strategy (AMS) has produced an underspend of £49,000 in Corporate Finance. This variance is forecast to reduce to £20,000 at year end as the expenditure related to the AMS will be incurred in Q3.

Investment Property and Marriotts

- 2.18. In response to challenging and volatile market conditions for our Investment Property portfolio in 2023/24, the 2024/25 budget setting process revised the base budget to reflect the current rate of voids and was based on a detailed cashflow and taking account of service charges and business rates liability.
- 2.19. In Q2 Investment Property, excluding Carterton Industrial Estate is £37,000 ahead of budget and the forecast for year end is £31,000 ahead. Talisman, Des Roches, Chawley Park and all our Town Centre and out of district properties are fully occupied and are all returning rent which funds front line services. Carterton Industrial Estate is empty and requires a new roof which was approved by Executive in an increase to the Capital Programme for 2024/25 in the Q1 budget monitoring report.
- 2.20. Marriotts, which is not an Investment Property, is estimated to return £0.815m to the Council this financial year, ahead of budget by £15,000. The focus for Marriotts is on upgrading the landscaping and seating to encourage increased footfall and a local community feel. Marriotts is key to the economic development of the whole town, but it will take time to achieve full occupancy and for the total benefits to be seen. There are a number of leases that

have reached the Heads of Terms stage which will be brought forward to Executive in due course.

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 two 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.

Publica Review

- 2.22. Phase I 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 has forecast the additional employee costs to West Oxfordshire at £191,000 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.

Capital Programme Budget Monitoring

- 2.23. At the end of Q2 capital expenditure is £2.58m 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.
- 2.24. Tenants for Elmfield have taken on the responsibility to complete the refit works to the building, which will be funded through the Capital Programme. They estimate that it will be a 12 week schedule, ending in mid January 2025 when the tenancy becomes chargeable.
- 2.25. The installation of Solar PV on Council owned buildings has been more complicated than anticipated especially on buildings that are tenanted. Business cases have produced mixed results on the viability of individual schemes. Although there has been no expenditure in the first half of the year, the initial phase of work to replace the Solar PV on Elmfield started just after the end of the period.
- 2.26. The decarbonisation of Witney Leisure Centre has now moved to the appointment of external consultants to produce an investment grade proposal for the scheme. A business case will go forward to Executive in March 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. Significant improvement works will be required at the Leisure Centre in advance of any decarbonisation works, most notably to the roof which is estimated at £1.2m with further repairs to the building of £0.9m. 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.
- 2.27. 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 should result in a reduction in the Ubico contract sum for hire vehicles and repairs as these new vehicles replace vehicles at the end of their economic life.

3. CONCLUSIONS

- 3.1. As reported in Q1 there continue to be some key areas of concern which have been highlighted in the body of this report. Some overspends that have been reported cannot be mitigated and will be an overspend at year end i.e. waste and recycling containers and the Business Rates liability at Elmfield and Carterton Industrial Estate. The most significant area of potential recovery is Planning Application income should we receive a major application.
- 3.2. The revenue outturn position, which is forecast to year end in the table at £87,203 overspent 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 of these elements, which are classed as funding, will not be known until year end and therefore the table offers a guide on the cost of services position only.
- 3.3. All areas will be closely monitored and reported on in future quarterly Financial Performance Reports.

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.