



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	OVERVIEW AND SCRUTINY COMMITTEE – 02 SEPTEMBER 2024
Subject	FINANCIAL PERFORMANCE REPORT – Q1 2024/25
Wards affected	All
Accountable member	Cllr Mike Evemy, Deputy Leader and Cabinet Member for Finance Email: mike.evemy@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Report author	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Summary/Purpose	This report sets of the initial budget monitoring position for the 2024/25 financial year.
Annexes	None (Will be included in Cabinet Report)
Recommendation(s)	That Overview and Scrutiny Committee: <ol style="list-style-type: none">1. Reviews and notes the financial position set out in this report.2. Consider and recommendations it wishes Cabinet to consider for the Cabinet meeting on 05 September 2024.
Corporate priorities	<ul style="list-style-type: none">• Delivering good services
Key Decision	No
Exempt	No
Consultees/ Consultation	None



1. BACKGROUND

- 1.1 This report provides members with the initial outturn forecast and monitoring position statement for the 2024/25 financial year.
- 1.2 The purpose of this report is to notify members of any significant variations to budgets identified in the second quarterly budget monitor exercise, highlight any key financial issues, and to inform members of options and further action to be taken.
- 1.3 In common with the almost all local authorities, the council faces several external budget pressures that are impacting on its finances over the medium-term. Whilst inflation has fallen back over the course of the calendar year, there remains uncertainty around interest rates and inflationary pressures in the current financial year which exert an influence over the Council's budget both directly and indirectly.

2. EXECUTIVE SUMMARY

- 2.1 This report sets out the outturn forecast for the financial year informed by Q1 budget monitoring.
- 2.2 Based on the budget monitoring exercise undertaken for Q1 and an assessment of the risks and uncertainties facing the Council, the outturn forecast is an adverse variation of £0.145m



Table ESI – Revenue Budget Outturn Forecast (Q1)

	2024/25 Latest Net Budget (£'000)	2024/25 Actuals to Q1 (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Revenue Budget				
Subtotal Services	18,320	3,615	18,442	121
Less: Reversal of accounting adjustments	(1,778)		(1,778)	0
Revised Subtotal Services	16,542	3,615	16,663	121
Corporate Income & Expenditure	(1,481)	(406)	(1,605)	(124)
Provisions and Risk Items	0	0	148	148
Net Budget Requirement	15,061	3,209	15,206	145
Funded by:				
Council Tax	(6,597)		(6,597)	0
Retained Business Rates	(5,014)		(5,014)	0
Government Funding - Grants	(3,206)		(3,206)	0
Government Funding - NHB	(287)		(287)	0
Collection Fund (surplus) / Deficit	(473)		(473)	0
TOTAL Funding	(15,577)	0	(15,577)	0
Budget shortfall/(surplus)	(516)		(371)	145

Table ES2 – Revenue Budget – Reconciliation of variations (Q1)

Variations at a glance	Positive variation (£'000)	Adverse Variation (£'000)
Fees & Charges	(65)	59
Commercial Property - Rental income shortfall (risk)		23
Elections		54
Car Parks (Business Rates)	(58)	
Bank Charges		26
Other service variations		10
Mobilisation costs - rezoning of Waste & Recycling		72
Treasury Management Income	(125)	
Savings Target	0	0
Publica Review - Phase 1		148
Subtotal	(247)	392
Net Outturn Variation		145

2.3 The material forecast variations are listed below with further details in Section 4 of this report.



- Forecast income variations – Underachievement: Land Charges (£24k), Cemeteries (£35k). Additional income: Bulky Waste (£38k), Green Waste (£15k)
- Commercial Property rental income (£23k adverse variation)
- Car Park Expenditure – underspend on business rates £58k
- Elections – Overspend of £54k forecast due to expenditure with Civica on the trial of Tablets that cannot be claimed through the Parliamentary Election expenses scheme.
- Bank Charges – Additional cost arising from increased volume of card and bank charges of £26k. A revised contract for debit and credit card fee processing charges will be in place later in the financial year.
- £72k additional expenditure for Communications and Customer service support for the rollout of the Waste and Recycling rezoning.
- Treasury Management and interest receivable performance (£0.125m positive variation)
- Publica Review impact (part-year) of £0.148m included as a provision.

2.4 The Cabinet Transform Working Group (CTWG) will consider the forecast outturn, financial risks and uncertainties set out in this report. CTWG will specifically be considering proposals from service delivery partners to contribute to the Council's Savings plans and will be closely monitoring the achievement of savings targets.

2.5 The outturn forecast is a net overspend/adverse variance of £0.145m. Without positive action, the outturn variation would reduce the level of budgeted surplus in-year (i.e. it would reduce the planned transfer to the Financial Resilience reserve at year end from £0.516m to £0.371m). Clearly, this is not a desirable outcome and management action must be taken by the Council, Publica and Ubico to mitigate the forecast outturn position.

2.6 A summary of the Capital Programme outturn forecast is shown in the table below.



Table ES2 – Capital Programme Outturn Forecast

Capital Programme	2024/25 OB (£'000)	Slippage From 2023/24 (£'000)	2024/25 Adjs (£'000)	2024/25 LAB (£'000)	2024/25 Actuals to Q1 (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Leisure & Communities	1,310	0	0	1,310	71	1,279	(31)
Housing/Planning and Strategic Housing	2,289	262	0	2,551	404	3,351	800
Environment	1,857	218	383	2,458	0	2,192	(266)
Retained & Corporate	0	0	0	0	0	0	0
ICT, Change and Customer Services	350	0	0	350	0	150	(200)
UK Rural Prosperity Fund	573	179	0	752	0	752	0
UK Shared Prosperity Fund Projects	134	0	0	134	0	134	0
Land, Legal and Property	300	580	0	880	0	880	0
Transformation and Investment	0	274	0	274	0	274	0
TOTAL Capital Programme	6,813	1,513	383	8,709	475	9,012	303

- 2.7** Whilst the table indicates a net overspend of £0.303m this is due to a timing difference on Disabled Facilities Grants (DFG) funding. The Capital Programme, as approved in February 2024, includes £0.700m of funding from the Better Care Fund support DFG expenditure. Through the pooling arrangements in place with Gloucestershire County Council, expenditure of up to £1.5m in 2024/25 is provided. An amendment to the Capital expenditure and financing budget will be presented to Cabinet later in the financial year.
- 2.8** Therefore, the underlying position on the capital programme (excluding DFGs) is a forecast underspend of £0.497m.
- 2.9** Financial Sustainability – The 2024/25 revenue budget, as approved by Council in February 2024, is for a surplus of £0.516m which will be transferred to the Financial Resilience Reserve. It should be noted that without any improvement in the forecast during the year, corrective action, or additional savings the outturn variation would reduce the surplus to £0.443m. Clearly, this is not a desirable outcome and further management action must be taken by the Council, Publica and Ubico to mitigate the current forecast outturn.
- 2.10** Financial Performance reports will be presented to members at the December 2024 and March 2025 Cabinet meeting with the outturn position likely to be finalised for the July 2025 Cabinet meeting.

3. EXTERNAL ECONOMIC ENVIRONMENT

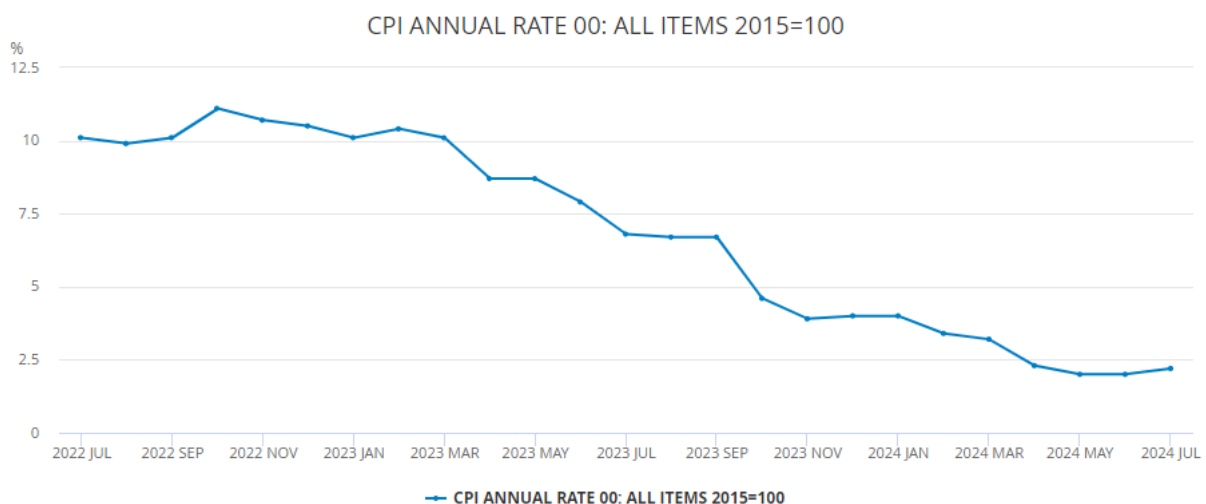
- 3.1** The *2024/25 Revenue Budget, Capital Programme and Medium Term Financial Strategy* report to Council in February 2024 outlined the external economic pressures on the Council that



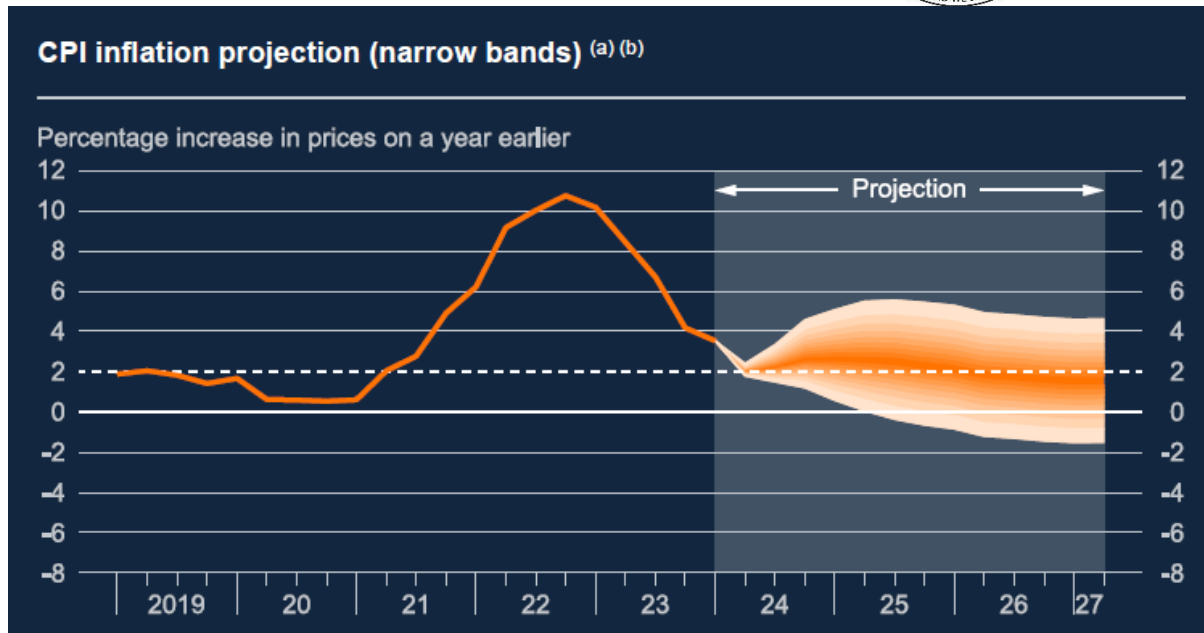
were likely to have a material impact on the budgeted and MTFS.
An update on economic environment is provided below.

Inflationary Pressures

- 3.2** The level of inflation, as measured by the Consumer Prices Index, for July 2024 is 2.2% (up from 2.0% in June 2024). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 3.6% (2.9% in June 2024). Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol, and tobacco) fell to 3.3% (3.5% in June 2024). It is this measure that concerned the Bank of England and led to increases in interest rates during 2022 and 2023 with easing of the base rate in July 2024.



- 3.3** Although general inflation has reduced since the start of the calendar year, the Council is subject to specific inflationary pressures on its services (e.g., fuel costs on waste and recycling service) which have tended to track higher than CPI and RPI.
- 3.4** The forecast for inflation is to remain close to the Bank of England's target of 2.0% (CPI) with analysts commenting on the August 2024 rate that the slow and gradual deflation remains with the expectation of further interest rate cuts in the latter half of the year. The graph below shows the different CPI forecasts that are published in the quarterly Bank of England Monetary Policy Committee report (August 2024).



Inflationary Pressures – Pay Award

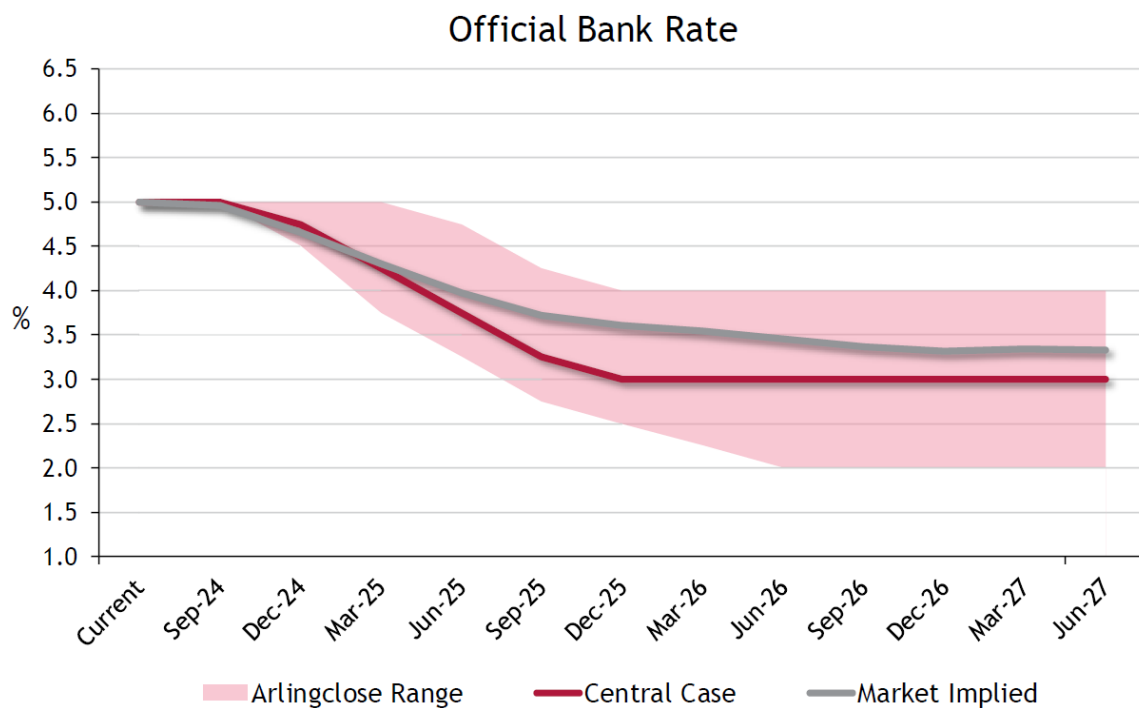
- 3.5** The assumption made for the 2024/25 budget was for an average Pay Award of 5% across Publica and Council staff with 6% budgeted for across Ubico. Inflationary provision of just under £1m has been included in the budget for the pay award across Publica and Ubico contracts and for retained staff costs.
- 3.6** Local Government employers made a final offer to the unions in May 2024. With effect from 01 April 2023, the offer made by employers was:
- an increase of £1,290 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive (equating to an increase of between 2.50% and 5.77% depending on the paygrade)
 - an increase of 2.50% on all pay points above the maximum of the pay spine but graded below deputy chief officer
 - an increase of 2.50% on all allowances
- 3.7** For reference, the financial implications of the employers offer outlined above is within the inflation allowance in the current year's budget.
- 3.8** The unions have rejected this offer and are seeking a pay increase of £3,000 or 10% at every spinal column point (whichever is the higher). **The estimated additional financial impact of the union proposal would be around £0.600m.**



3.9 At the time of writing this report it is unclear when the pay award will be settled and at what level.

Interest Rates

3.10 The Bank of England increased interest rates fourteen times since December 2021 to mitigate inflationary pressures with the base rate reaching 5.25% in August 2023. The MPC voted to reduce rates by 0.25% to 5.00% at their last meeting at the beginning of August 2024 (5-4 in favour of a reduction to 5.00% with the 4 members voting for no change). The council's treasury management advisors have forecast further reductions during the year with an expectation that the base rate may reduce to 4.25% by March 2025. The next MPC meetings are scheduled for 19 September 2024, 07 November 2024 and 19 December 2024.



3.11 Whilst there is no immediate plan to prudentially borrow to support the Capital Programme, the Council may need to undertake borrowing over the medium-term although this is dependent on several factors. Clearly, with PWLB interest rates remaining relatively high compared to the previous 12 years, this will impact the expenditure required to service any borrowing the Council undertakes. The capital financing position is set out in more detail in section 4 of this report.

3.12 The Council has limited and reducing internal resources to support the capital programme (capital receipts, earmarked reserves). This is not unique to Cotswold District Council with reports in specialist press (e.g., Public Finance) of Councils shelving or scrapping planned



capital projects as other costs continue to rise and/or the need to find savings to balance the budget.

- 3.13 With interest rates expected to remain relatively high during the financial year, the Council will need to ensure capital expenditure and capital financing decisions are made ‘in the round’. This will ensure that existing and new capital schemes are not considered in isolation and are prioritised against the Council’s Corporate Plan and reference to affordability and deliverability.
- 3.14 Cabinet adopted the Asset Management Strategy (AMS) in May 2024 which set out the principles for managing assets and provides a clear strategy for decision making and investment in the Council’s land and property assets. To support the AMS, detailed asset management plans for each asset will be considered by Cabinet at their meeting in November 2024.

4. REVENUE BUDGET

- 4.1 The Revenue Budget was approved by Council at their meeting on 21 February 2024 with no adjustments made during the financial year to date.

Table 1 – Revenue Budget reconciliation

Budget Item	(£'000)
Original Budget (Council, 21 February 2024)	15,061
Adj:	
Adj:	
Adj:	
Adj:	
Latest Budget	15,061

- 4.2 The revenue budget will be in a state of flux during the financial year as budgets will be amended to reflect the transfer of services from Publica to the Council in Phase I of the Publica Transition. Whilst it is not anticipated that the net budget position (£15.061m) will change, the composition of the budget (i.e. subjective split between Pay and Non-Pay budgets) and net service budgets will be amended. These changes will include:
- Reversal of Publica Contract Sum budgets for Phase I services
 - Establishment of relevant Pay and Non-pay budgets for Phase I services in-line with the indicative amounts included in the [Publica Review - Detailed Transition Plan](#) report approved by Council on 31 July 2024.



- A review of the remaining balance of the Publica Contract Sum with consideration of further adjustment to Phase 2 services and those services that will remain with Publica.
- 4.3** With Phase I effective from 01 November 2024, members should expect to see material adjustments to service budgets in the Q3 and Q4 financial performance reports with a revised revenue budget for 2024/25 included with the 2025/26 Budget and MTFS proposals to Cabinet and Council in February 2025.
- 4.4** As at 30 June 2024 Q1 the Council's net expenditure (excluding Funding and Parish Precepts) was £3.209m against the profiled budget of £3.451m.
- 4.5** At their meeting on 31 July 2024, Council approved the implementation of Phase I of the Publica Transition based on the Detailed Transition Plan (DTP). The report set out that the net additional impact on the revenue budget in the current financial year is estimated at £0.148m (i.e. from the effective date of the Phase I transfer of 01 November 2024). The Publica Transition will have a significant impact on the budget over the coming months and will be monitored closely. Management action taken should cost pressures start to come through. Any variation from this estimate will be reported to members through the regular quarterly financial reporting to Cabinet.
- 4.6** The outturn forecast for 2024/25 of £15.134m results in a forecast variance of £0.073m. Table 2 provides members with an overview of the material outturn variations that have been forecast across services with Tables 3 and 4 providing detail on the non-service revenue expenditure and income budgets.



Table 2 – Revenue Budget Outturn Forecast Summary

	2024/25 Original Net Budget (£'000)	2024/25 Latest Net Budget (£'000)	2024/25 Actuals to Q1 (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Revenue Budget					
Environmental & Regulatory Services	620	620	147	606	(14)
Business Sup. Svcs - Finance, HR, Procurement	1,285	1,285	485	1,285	0
ICT, Change & Customer Services	2,423	2,423	536	2,423	0
Assets, Property & Regeneration	829	829	229	853	24
Publica Executives and Modernisation	139	139	35	139	0
Revenues & Housing Support	930	930	147	930	0
Environmental Services	4,496	4,496	833	4,495	(1)
Leisure & Communities	2,342	2,342	87	2,342	0
Planning & Strategic Housing	1,653	1,653	384	1,653	0
Democratic Services	1,176	1,176	(38)	1,230	54
Retained and Corporate	2,426	2,426	771	2,484	58
Subtotal Services	18,320	18,320	3,615	18,442	121
Less: Reversal of accounting adjustments	(1,778)	(1,778)		(1,778)	0
Revised Subtotal Services	16,542	16,542	3,615	16,663	121
Corporate Income & Expenditure	(1,481)	(1,481)	(406)	(1,605)	(124)
Provisions and Risk Items	0	0	0	148	148
Net Budget Requirement	15,061	15,061	3,209	15,206	145
Funded by:					
Council Tax	(6,597)	(6,597)		(6,597)	0
Retained Business Rates	(5,014)	(5,014)		(5,014)	0
Government Funding - Grants	(3,206)	(3,206)		(3,206)	0
Government Funding - NHB	(287)	(287)		(287)	0
Collection Fund (surplus) / Deficit	(473)	(473)		(473)	0
TOTAL Funding	(15,577)	(15,577)	0	(15,577)	0
Budget shortfall/(surplus)	(516)	(516)		(371)	145



Table 3 – Corporate Income and Expenditure Q1

	2024/254 Original Net Budget (£'000)	2024/25 Revised Budget (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Corporate Income and Expenditure				
Contingency	200	200	200	0
Other non-service expenditure	52	52	52	0
Other non-service savings	(7)	(7)	(7)	0
Contingency, other non-service income and expenditure	245	245	245	0
Savings & Transformation Items	(714)	(714)	(714)	0
Treasury Management - Interest Payable	9	9	9	0
Treasury Management - Interest Receivable	(1,333)	(1,333)	(1,458)	(125)
Minimum Revenue Provision (MRP)	12	12	12	0
Revenue Contribution to Capital Outlay (RCCO)	0	0	0	0
Transfer to/(from) Earmarked Reserves	301	301	301	0
	(1,481)	(1,481)	(1,605)	(125)

Table 4 – Provisions and Risk Q1

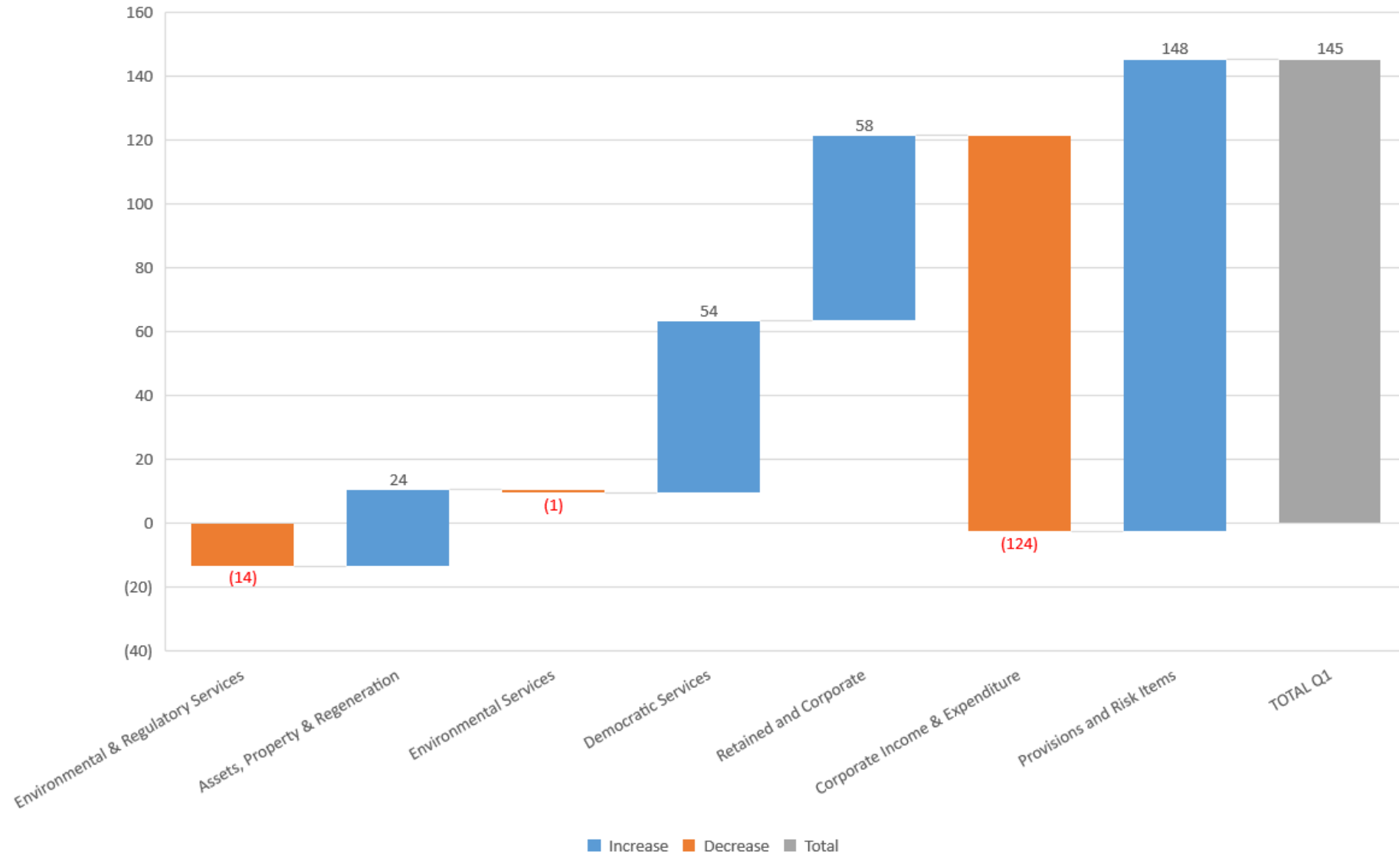
	2024/25 Original Net Budget (£'000)	2024/25 Revised Budget (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Provisions and Risk				
Savings/Contingency Risk				0
Ubico Contract				0
Publica Contract				0
Phase One Publica Review - as per July report			148	148
	0	0	148	148

Key variations

- 4.7** As outlined in paragraph 4.6, the forecast outturn position is a net overspend/adverse variance of £0.145m. Without positive action, the outturn variation would reduce the level of budgeted surplus in-year (i.e. it would reduce the planned transfer to the Financial Resilience reserve at year end from £0.516m to £0.371m). Clearly, this is not a desirable outcome and management action must be taken by the Council, Publica and Ubico to mitigate the forecast outturn position.



Summary of key Revenue Budget variations - Q1 2024/25

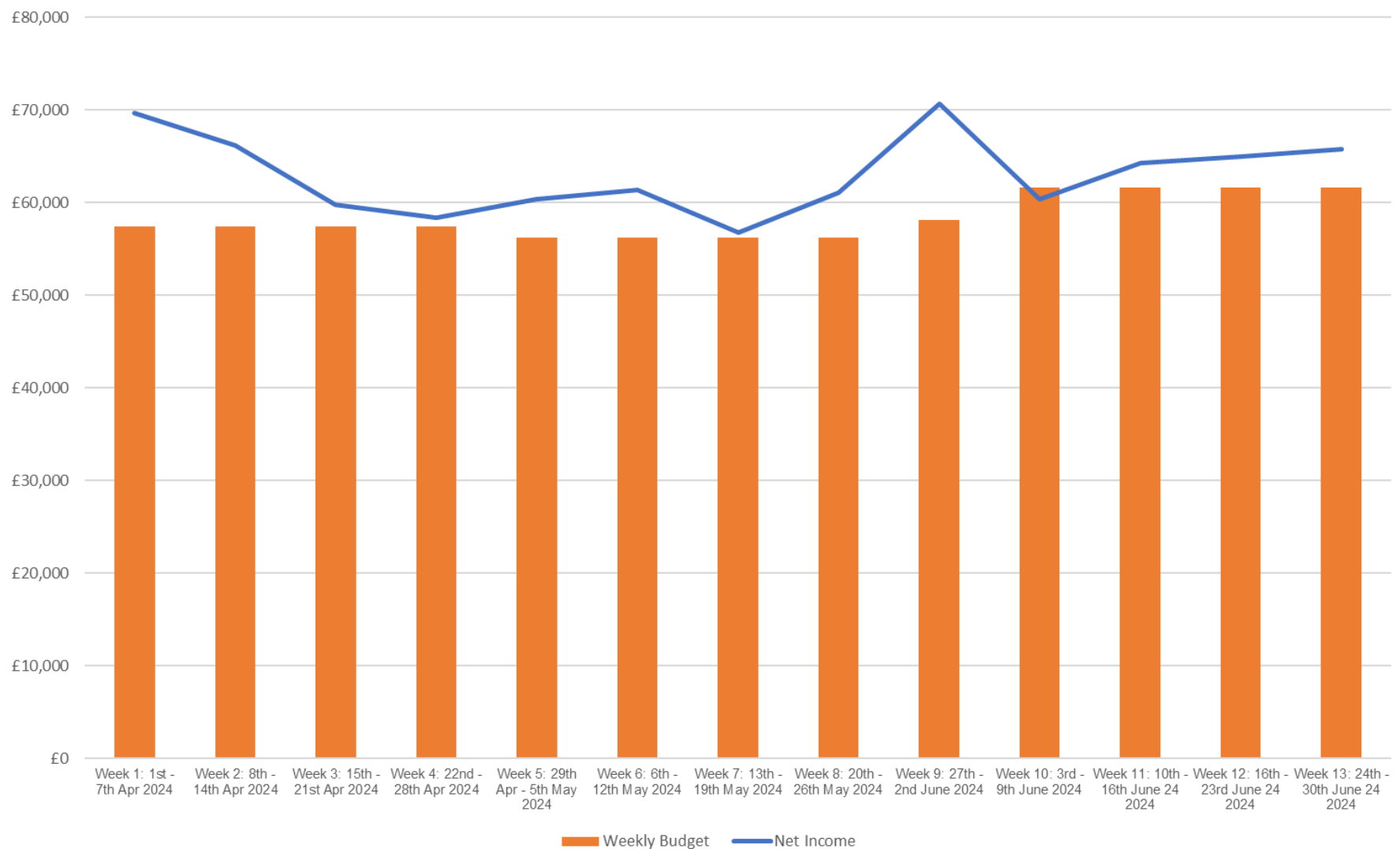




- 4.8** The material items which have had an impact on the Council's revenue budget are summarised below with narrative explaining the reasons(s) for the variation in the paragraphs that follow.
- Forecast income variations – Underachievement: Land Charges (£24k), Cemeteries (£35k). Additional income: Bulky Waste (£38k)
 - Commercial Property rental income (£23k adverse variation)
 - Car Park Expenditure – underspend on business rates £58k
 - Elections – Overspend of £54k forecast due to expenditure with Civica on the trial of Tablets that cannot be claimed through the Parliamentary Election expenses scheme.
 - Bank Charges – Additional cost arising from increased volume of card and bank charges of £26k. A revised contract for debit and credit card fee processing charges will be in place later in the financial year.
 - £72k additional expenditure for Communications and Customer service support for the rollout of the Waste and Recycling rezoning.
 - Treasury Management and interest receivable performance (£0.125m positive variation)
 - Publica Review impact (part-year) of £0.148m included as a provision.
- 4.9** The 2024/25 revenue budget included £1.350m of material increases to fees and charges and cost reductions:
- Car Parks Fees (£0.481m) additional income
 - Garden Waste Fee (£0.169) additional income
 - Waste and Recycling (£0.375m) cost reduction
 - Streets Service (£0.150m) cost reduction
 - Planning Fees (£0.100m) additional income
 - Customer Service contact centre (0.075m) further cost reduction
- 4.10** The outturn forecast for Q1 indicates these income increases, and cost reductions should be achieved in full:
- Income from Car Park fees is currently 8% above the budgeted level (6% above budgeted level when Permits and Fines are included). The graph below provides a week-by-week comparison of actual fee income against the budget up to 30 June 2024.
 - Garden Waste fee income received is £15k above the budgeted level at Q1 although likely to be higher by Q2.
 - Cabinet approved the reduced telephone access arrangements (Customer Service contact centre) on a permanent basis at their meeting on 25 July 2024.



Car Park Fee Income - Q1 Actuals vs. Budget





Garden Waste Fee	Fee	Licences	No. subject to LCTS discount	Estimated additional Income (£)	TOTAL Income (£'000)
MTFS Assumption	£64.00	22,230	1,305	0	1,465
Q1 Forecast (20 June 2024)	£64.00	21,730	1,257	49	1,480
Current position (20 August 2024)	£64.00	22,613	1,324	0	1,490

- 4.11** However, it is too early in the financial year to assess with certainty achievement of the cost reductions for the revised Waste and Recycling rounds and Streets Service. These will be analysed in detail in the Q2 Financial Performance report which will be considered by Cabinet in December 2024.
- 4.12** Where income shortfalls have been forecast, it is expected that Business Managers and Assistant Directors evaluate options for corrective action. It is unlikely income will recover in the current financial year and may have a detrimental impact on the Council's finances over the medium-term. The evaluation must include an assessment of the service cost and income, market positioning, and unit cost and benchmarking data analysis. Options should outline, if possible, how the service can be financially sustainable.
- 4.13** Income from land charges is below budget with net income received forecast to be £24k below budget at the end of the financial year due (based on the current profiled position). The income budget was reduced for the year by £19k (from £0.208m to £0.189m) recognising the downward trend on income in 2023/24 in part to the rise in free unofficial Personal Searches (through Personal Search Agents). Service performance data indicates the service is exceeding the target for completing land charge searches within 10 days but does not provide information on activity levels. Further analysis of service cost and income will be undertaken for the Q2 Financial Performance report.
- 4.14** There is a risk that the Council will not receive the budgeted level of commercial rental income given the challenging economic conditions across retail and office sectors and downward pressure on rents. An income shortfall of £23k is currently forecast but will be reviewed alongside the wider Asset Management Strategy.
- 4.15** An overspend of £54k is forecast for the Elections service. This is due to expenditure with CIVICA on the trial of Tablets at the Police and Crime Commissioner election in May 2024 and the General Election in July 2024. These costs cannot be claimed through the national election expenses scheme. Trials have been undertaken to assess whether the use of Tablets



and software would streamline the election process by reducing the opportunity for polling station errors and streamlining the count process with ballot paper accounts reconciled through the Tablet and software.

- 4.16** Car Park Expenditure (Business Rates) – the expenditure budget for business rates for the Council’s Car Parks is £0.306m and this is forecast to be underspent by £58k this year (2023/24 underspend £71k). In previous years, this underspend has mitigated income shortfalls (Fees, Permits, Fines) but current performance levels on car park fees indicate this will not be required in-year. The level of business rates for 2025/26 will be reviewed as part of the budget setting process and an over-provision of budget will be released.

Treasury Management

- 4.17** Dividends from the Council’s longer-term investments (Pooled funds and Real Estate Investment Trusts) of £0.170m were received in the first quarter of the financial year achieving a return of 4.98%. Interest from short term cash deposits with the Debt Management Office (DMO) was £0.156m due to interest rates remaining at a higher level than assumed in the budget and MTFs.
- 4.18** It should be noted that the budgeted level of investment income for 2024/25 is £1.3m – an increase of £0.515m over the 2023/24 and recognises the current interest rate position and improved returns. This is a prudent estimate for the year but is lower than the final 2023/24 level of investment income of £1.784m given the forecast interest rate reductions over the financial year.
- 4.19** It is not expected that the current interest rate level will be maintained over the MTFs period, as set out in Section 3 of this report, with expectations of investment income in 2025/26 reducing to around £1m with a further reduction to £0.5m by 2026/27.
- 4.20** Whilst the Bank of England has reduced the base rate by 0.25% and a further modest rate cuts expected during the financial year, the outturn forecast only considers the Q1 variation. The level of investment income for the year will depend on the performance of both short-term investments (Money Market Funds, deposits with the DMO) and dividends from the long-term investment. It is too early in the financial year to assess with certainty the prospects for Q2 to Q4. The table below provides members with a high-level overview of the Council’s Treasury Management investments on 30 June 2024.



Table 6 – Treasury Management Investments on 30 June 2024

[NOT FINAL]

Investment type	Balance invested at 30/06/24 (£'000)	Investment Income received to 30/06/24 (£'000)
Bank of England DMDAF	tbc	82
Money Market Funds		
Federated Money Market Fund	tbc	26
DGLS Money Market Fund	tbc	23
Insight Liquidity Money Market Fund	tbc	13
Lloyds Instant Access		8
Other Short-term deposits	tbc	5
Real Estate Investment Trusts (REIT)		
Fundamentum Housing REIT	953	8
Cash Plus Fund		
Federated Cash Plus Fund	tbc	0
Pooled Funds		
CCLA Property Fund	2,143	30
Shroders Income Maximiser Fund	821	23
CCLA Diversified Income Fund	968	11
M&G UK Income Fund	1,788	51
Investec Diversified Fund	1,793	24
Columbia Threadneedle Bond Fund	1,915	25
		326

4.21 Should Treasury Management investment returns continue to be above the budgeted level and subject to the outturn forecast, it is recommended that a proportion is transferred to the Treasury Management Risk earmarked reserve to manage higher borrowing costs in the short-term and to mitigate potential changes to the accounting treatment of gains and losses on pooled funds from March 2025.

4.22 Council approved the Capital Strategy and the Treasury Management Strategy (including the Non-Treasury Management Investment Strategy) at their meeting on 21 February 2024. Audit and Governance Committee have responsibility for reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code and receiving performance reports. The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the



CIPFA Code) which requires the Council to approve, as a minimum, treasury management semi-annual and annual outturn reports.

- 4.23** The CIPFA Code was updated in 2021 and includes the new requirement, mandatory from 01 April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are expected to be included in the Council's usual revenue and capital monitoring reports. Section 6 and **Annex x** of this report provides members with an overview on the non-treasury position.

Corporate Income and Expenditure, Provisions and Risk

- 4.24** As outlined in Tables 3 and 4 there are variations forecast across the Corporate Income and Expenditure budgets. These budgets support the General Fund Revenue budget and are typically the non-service items such as Treasury Management, financing, contingency budget, and provisions for risk.
- 4.25** As outlined earlier in this section, the performance of the Council's Treasury Management Investments is largely due to the higher than anticipated interest rates. The outturn forecast based on the Q1 returns is additional income of £0.125m and does not project this forward into Q2-Q4 given the forecast of further base rate reductions by the Bank of England.
- 4.26** Should the strong performance of Treasury Management Investments continue in Q2 and Q3, it is recommended that a further sum is transferred to the Treasury Management Reserve to mitigate the potential change to accounting treatment of Pooled Funds from March 2025.
- 4.27** As outlined earlier in this report, forecast additional expenditure of £0.148m for Phase I of the Publica Transition is included as a risk provision in the Q1 outturn forecast.
- 4.28** The *Publica Review – Detailed Transition Plan* report, approved by Council at their meeting on 31 July 2024, outlined the financial implications associated with Phase I. For the purposes of the Q1 outturn forecast it is assumed the estimated part-year impact of £0.148m remains unchanged. As with all estimates, a number of critical judgements and assumptions have been made in terms of the additional cost of service delivery from 01 November 2024. The Q2 and Q3 Financial Performance reports to Cabinet will update members on actual additional costs as they are incurred with a reconciliation against the estimates included in the DTP and this report.



4.29 The Table below shows the latest forecast for the Publica Transition Cost which is funded from the £0.500m set aside in the Council Priority: Publica Review earmarked reserve.

<< Table to be included in final draft >>

5. CAPITAL PROGRAMME

5.1 Council approved the Capital Programme for 2024/25 at their meeting on 21 February 2024. The Capital Programme has been updated reflecting decisions made by Cabinet and Council since February:

- Additional Capital scheme – Off-Street Residential Chargepoint Scheme (ORCS) £0.393m funded by external grant/Council matched funding (Council, 15 May 2024)
- Carry forward of unspent Capital budgets of £1.513m, as detailed in the Financial Performance Report 2023/24 Outturn report (Cabinet, 25 July 2024).

5.2 The revised capital programme for 2024/25 is £8.709m. Given the budget profile of some of these schemes there has been a relatively low level of expenditure in Q1 with a net total spend of £0.475m.

Table 8 – Capital Programme budget reconciliation

Capital Programme Reconciliation	(£'000)
Original Budget (Council, 21 February 2024)	6,813
ORCS Grant Scheme (Council, 15 May 2024)	383
Slippage from 2023/24 (Cabinet 25 July 2024)	1,513
Adj:	
Adj:	
Adj:	
Latest Budget	8,709



Table 9 – Capital Programme Outturn Forecast Q2

	2024/25 OB (£'000)	Slippage From 2023/24 (£'000)	2024/25 Adjs (£'000)	2024/25 LAB (£'000)
Capital Programme				
Leisure & Communities	1,310	0	0	1,310
Housing/Planning and Strategic Housing	2,289	262	0	2,551
Environment	1,857	218	383	2,458
Retained & Corporate	0	0	0	0
ICT, Change and Customer Services	350	0	0	350
UK Rural Prosperity Fund	573	179	0	752
UK Shared Prosperity Fund Projects	134	0	0	134
Land, Legal and Property	300	580	0	880
Transformation and Investment	0	274	0	274
TOTAL Capital Programme	6,813	1,513	383	8,709

	2024/25 LAB (£'000)	2024/25 Actuals to Q1 (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Capital Programme				
Leisure & Communities	1,310	71	1,279	(31)
Housing/Planning and Strategic Housing	2,551	404	3,351	800
Environment	2,458	0	2,192	(266)
Retained & Corporate	0	0	0	0
ICT, Change and Customer Services	350	0	150	(200)
UK Rural Prosperity Fund	752	0	752	0
UK Shared Prosperity Fund Projects	134	0	134	0
Land, Legal and Property	880	0	880	0
Transformation and Investment	274	0	274	0
TOTAL Capital Programme	8,709	475	9,012	303

5.3 The outturn forecast for the current year is an overspend of £0.303m although this is based on the forecast position against the approved budget for Disabled Facilities Grants (DFGs). Excluding the DFG variation (see paragraph 5.4 below) the underlying position on the capital programme (excluding DFGs) is a forecast underspend of £0.497m.



5.4 The Capital Programme, as approved in February 2024, includes £0.700m of funding from the Better Care Fund support DFG expenditure. Through the pooling arrangements in place with Gloucestershire County Council, expenditure of up to £1.5m in 2024/25 is provided. An amendment to the Capital expenditure and financing budget will be presented to Cabinet later in the financial year.

5.5 The other variations forecast on the Capital Programme are:

- Electric Vehicle Charging Points – the forecast position is for an underspend of £80k following completion of the EV Chargepoints at Rissington Road and Trinity Road. Additional EV Chargepoints are being installed through the Off-Street Residential Chargepoints Scheme (ORCS).
- Planning Documents and Scanning Solution – at the time of writing this report it was not clear whether this budget would be committed in 2024/25. This relates to the replacement or upgrade of the IDOX system used by Development Management and is likely to be subject to a detailed options appraisal following the transfer of the Development Management service to the Council as part of Phase I. For the purposes of this report, it is assumed there will be no expenditure in the current financial year although this will be kept under review.

5.6 The forecast assumes that all other capital schemes remain on target.

5.7 At their meeting on 31 October 2023 Overview and Scrutiny Committee recommended that the Capital Programme should be kept under review to ensure the revenue impact of capital expenditure and financing decisions were fully considered.

Capital Receipts and Disposals

5.8 There have been no disposals or capital receipts during Q1.

Table 10 – Capital Financing Statement Forecast

Capital Financing Statement	2024/25 OB (£'000)	Slippage From 2023/24 (£'000)	2024/25 Adjs (£'000)	2024/25 LAB (£'000)	2024/25 Outturn Forecast (£'000)	2024/25 Outturn Variance (£'000)
Capital receipts	5,006	902		5,908	5,603	(305)
Capital Grants and Contributions	1,732	232	192	2,156	2,842	686
Earmarked Reserves	0		192	192	113	(79)
Revenue Contribution to Capital Outlay (RCCO)	0			0	0	0
Community Municipal Investments (CMI)	75	379		454	454	0
Prudential Borrowing	0			0	0	0
	6,813	1,513	383	8,709	9,012	302



- 5.9 The Capital Financing position set out in the table above will be reviewed by the s151 Officer during the year as expenditure forecasts are updated to ensure a balanced use of capital resources and mitigation of current and future interest rates.

6. NON-TREASURY MANAGEMENT SUMMARY

- 6.1 The CIPFA Code was updated in 2021 and includes the new requirement, mandatory from 01 April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are expected to be included in the Council's usual revenue and capital monitoring reports.

Prudential Indicators

- 6.2 The detailed Non-Treasury Management prudential indicators are included in **Annex x** with the commentary below providing members with a high-level summary.
- 6.3 Whilst there is no underlying need to borrow with the Capital Programme financed through internal resources and external grants and contributions, any additional capital expenditure proposed during the year will need to consider the availability and cost of capital financing. The mid-year Treasury Management report to Audit and Governance Committee will set out the wider impact on the Capital Financing Requirement.

7. RISKS AND UNCERTAINTIES

- 7.1 The report outlines several risks and uncertainties around the wider economic environment. Some further risks are briefly outlined below.
- Publica Review – as set out in paragraphs 4.27 and 4.28 this report assumes the additional (part-year) cost of Phase I remains £0.148m. Members will be kept informed of progress with Phase I and the Q2 and Q3 Financial Performance reports will include a detailed reconciliation between the actual costs incurred and the estimated impact.
 - Publica Review (Agency Staff) – as outlined in paragraphs 5.12 and 5.13 of the *Publica Review – Detailed Transition Plan*, there is a risk where the cost of agency staff costs may exceed the available budget at service level. Detailed analysis will be undertaken on service pay and agency staff costs once the details of staff transferring to the Council in Phase I is finalised. Any material service variations will be reported to members.



- Publica Review (Provision for Redundancy) – as outlined in paragraphs 5.10 and 5.11 of the *Publica Review – Detailed Transition Plan*, a prudent estimate of £0.300m was reported as the Council’s share of the estimated redundancy costs associated with Phase I of the transfer of services from Publica to the Council. The improved closing balance level on the Financial Resilience Reserve recognised this commitment and will be utilised to fund the actual costs incurred. As with other elements of the Publica Review outlined above, the Q2 and Q3 Financial Performance reports will include a detailed reconciliation between the actual costs incurred against the estimate.

8. CONCLUSIONS

- 8.1** This monitoring report presents an update on the Council’s financial position. As the report sets out, an overspend of £0.073m is forecast for the financial year which. Without mitigating or corrective action this would reduce the level of the budgeted surplus that would transfer to the Financial Resilience Reserve at year end which is not considered appropriate given the scale of the financial challenge over the MTFS period.
- 8.2** Cabinet will continue to consider the impact of the forecast outturn and the impact on earmarked reserves as part of their oversight of the savings and transformation programme.
- 8.3** It is recommended that Cabinet review in-year opportunities with Publica and Ubico and provide an update in November 2024 and February 2025 as part of the 2025/26 Budget reports on options to mitigate the financial position as currently forecast across the MTFS period.

9. FINANCIAL IMPLICATIONS

- 9.1** The financial implications are set out in this report.

10. LEGAL IMPLICATIONS

- 10.1** Under Part 2 Local Government Act 2003, the Council must, from time to time during the year review the calculations it has used to set its budget. The Council’s Chief Financial Officer is required to report to the Council on the robustness of estimates made for the purposes of calculating the annual budget, and on the adequacy of proposed financial reserves. Members must have regard to that report when making decisions about the calculations in connection with which it is made.



11. RISK ASSESSMENT

11.1 Section 7 of this report sets out the financial risks and uncertainties.

12. EQUALITIES IMPACT

12.1 None.

13. BACKGROUND PAPERS

13.1 None

(END)