



Council Name	COTSWOLD DISTRICT COUNCIL
Name and Date of Committee	CABINET – 05 DECEMBER 2022
Report Number	AGENDA ITEM 10
Subject	FINANCIAL, COUNCIL PRIORITY AND SERVICE PERFORMANCE REPORT – 2022-23 QUARTER TWO
Wards Affected	All
Accountable Member	All relevant Cabinet Members
Accountable Officer	Robert Weaver, Chief Executive Email: robert.weaver@cotswold.gov.uk
Summary/Purpose	To provide an update on progress on the Council’s priorities and service performance To provide information on the Council’s financial position
Annexes	Annex A – Corporate Plan Action Tracker Annex B - Council Priorities report Annex C - Performance indicator report Annex D - Revenue Summary and Variances Annex E - Summary of gross capital expenditure
Recommendation(s)	<i>That Cabinet:</i> <i>(a) Reviews overall progress on the Council priorities, service delivery and financial performance for 2022-23 Q2</i> <i>(b) Agree that if in the event the Council receives one-off income or cost savings, this is allocated to the Financial Resilience Reserve and not committed to fund existing or new/additional expenditure.</i> <i>(c) Agree that as part of the final budget preparation process for 2023/24, a review of the Reserves and Balances strategy is undertaken to consider the adequacy of reserves in light of the financial risks faced by the Council</i> <i>(d) Agree that the Chief Executive oversees the creation of a Cabinet Transform Working Group, tasked primarily with receiving regular updates on progress against the Publica savings and efficiencies target as part of an ongoing strategy to mitigate the forecast adverse financial position.</i>
Corporate Priorities	<ul style="list-style-type: none"> ● Delivering our services to the highest standards;



	<ul style="list-style-type: none">● Responding to the challenges presented by the climate crisis;● Providing good quality social rented homes;● Presenting a Local Plan that's green to the core;● Helping residents and communities access the support they need for good health and wellbeing; and● Supporting businesses to grow in a green, sustainable manner, and to provide high value jobs
Key Decision	NO
Exempt	NO
Consultees/ Consultation	None

I. BACKGROUND

- 1.1. The Council adopted the Corporate Plan 2020-24 ('the Plan') in September 2020, and included recovery work in response to the impact of Covid-19. A spring 2022 'refresh' of the Plan was completed and approved by Council at its meeting in May 2022. The refresh sought to reflect key achievements since the introduction of the Plan, and clarify the priorities over the remaining period of the Plan (to April 2024).
- 1.2. A high level commissioning statement was approved by Cabinet in January 2020 which sets out the relationship between Publica and the Council and their respective responsibilities. Publica must ensure that it provides the necessary information to the Council so it can assess whether the commissioned services are being delivered in accordance with the agreed quality and standard. The Council's Chief Executive is responsible for reviewing and approving the information provided in this report prior to its publication.
- 1.3. The Council's Chief Executive has received a report on progress towards achieving the Council's priorities and service performance. Having assessed performance in line with the high level commissioning statement, the Chief Executive has noted the progress that has been made to deliver the actions in the Plan as well as the improvements made in service delivery in some services including the Benefits and Planning services since the end of 2021-22.
- 1.4. Particular attention has been drawn to the following:
 - The Council is in the process of appointing a contractor for the Trinity Road office refurbishments and revised layouts which will create space in the West wing to be let to tenants. An invitation to tender over a four week period in September has ended and those submissions are being evaluated. In addition, Cabinet agreed to pursue a more sustainable solution for the roof repairs at Trinity Road. A timeline of the Agile and



Atrium Roof Repair projects has been developed which sets out how both projects will proceed in a coordinated way to ensure disruption to staff is minimised;

- The rising energy prices and higher cost of living is affecting householders, in particular those on low incomes. At the end of Q2, the Council Tax collection rate was over half a percentage point up on the previous year and well ahead of the target but could be impacted as we move through the year. The Council has completed the mandatory £150 Council Tax rebate programme, and the window for applying for the discretionary scheme closed on 2 October 2022. The discretionary scheme is aimed at those who need help most, including people on benefits, people living in shared accommodation and people on a low income that were not eligible for the mandatory scheme. At the end of September 2022, the Council had paid out £3,584,550 to 23,897 households, 95% of households identified as eligible for the rebate have now been paid. Looking further ahead, the Council has reviewed and consulted on the Council Tax Support scheme for the next financial year so that more households can be helped to pay their council tax. The proposals were presented to Cabinet in November 2022 and it was agreed that they should be recommended to Council for approval;
- The Business Rates collection rate is currently looking healthy. The collection rate was depressed over the previous two years due to the impact of Covid-19. The Government is continuing to support certain businesses with extended retail relief of 50% during this financial year. As part of the Covid Additional Relief Fund (CARF), the Council distributed a total of £1,788,614 to 724 businesses that were not eligible for the extended retail relief but have been affected by Covid-19. These businesses have had their accounts credited which will help to reduce the debt owed;
- The Council is continuing to support the 'Homes for Ukraine' scheme in which people in the UK are sponsoring/hosting a Ukrainian individual or family. As at 30 September 2022 there were 132 sponsors. The need to re-match guests to new sponsors continues to rise as relationships break down or the sponsor does not wish to continue in the Homes for Ukraine scheme after 6 months. A dedicated Ukraine Housing Support Officer was recruited and started in late October 2022 to help with the re-matching, emergency accommodation and move-on advice. New sponsors and guests are being added to the scheme at a rate of a couple a week. Gloucestershire Homes for Ukraine scheme has increased financial support to help reduce the impact of the cost-of-living crisis. All sponsors will receive £125 per month during November/December 2022 and January 2023. In addition, sponsors who continue to provide accommodation beyond the first six months will receive an additional £100 per month on top of the £350 thank you payments. This is subject to any changes being announced by Government;
- Earlier this year, the Council was awarded £1,000,000 from the UK Shared Prosperity Fund for the period 2022-23 to 2024-25. The Council's Local Investment Plan, which



sets out how the Council proposes to use the funding, has been submitted to the Government and is awaiting approval. The Council has been advised that the

Government has delayed providing feedback to councils (nationally) on their Investment Plans. Year one projects have been agreed by the Council following a call for Expressions of Interest and include 'Clean and Green' projects and the feasibility study for the Old Station building in Cirencester. A further £764,292 was indicatively allocated to the Council from the Rural England Prosperity Fund for financial years 2023-24 and 2024-25. This is a capital-only fund to support rural businesses to diversify with new products and services and to provide new community infrastructure;

- A total of 71 affordable homes have been delivered so far this year well ahead of the target of 50. During Q2, forty-four homes for social rent were completed at Leaholme Court, Cirencester and 11 for affordable rent were completed (six at Dyers Lane, Chipping Campden and five at Sandy Lane Court, Upper Rissington). After last year's reduced construction activity due to Covid-19 and the challenges of Brexit on availability and cost of materials, development has started stronger in this financial year;
- The Council is continuing to undertake targeted work to combat fly tipping in locations that attract high levels. During Q2, nine enforcement actions were taken; one warning letter, seven Fixed Penalty Notices, and one prosecution. The Council was successful in prosecuting an individual for fly tipping along a bridleway near the B4450 road that leads from Stow-on-the-Wold to Bledington. The Council has also reminded householders of their 'Duty of Care' in relation to builders' waste and to only entrust their waste to an authorised waste carrier.

2. COUNCIL PRIORITY REPORT

2.1 Progress on actions in the Corporate Plan include:

- The Council has been working with Cotswold Lakes Trust, Sustrans and Gloucestershire County Council to make improvements around Cotswold Water Park that will make it easier for people to walk and cycle around the area as well as helping to disperse visitors more evenly across the Water Park. Phase 2 projects are underway and includes a feasibility study of a signalised crossing of the Spine Road, the foot/cycleway into Neigh Bridge Country Park, and a study of public transport options improving connections to Kemble station from Tetbury and Cirencester including links to Cotswold Water Park;
- Two Town and Parish forums were held at Moreton on 27 September and at Trinity Road on 6 October 2022. The presentations /discussions focused on the 'Debate not



Hate' initiative, Active Cotswold programme, raising awareness of the work of Cotswold Friends in combating loneliness and isolation, and a Q & A session;

- Following the successful trial of an offline payment solution, the remaining car parks in Phase 1 and 2 will have their machines upgraded. The car parks in Phase 3 will have the option to pay by cash removed in addition to the offline payment software upgrade;
- Cabinet agreed additional funding for the improvement works at Rissington Road car park, Bourton on the Water, in September 2022 so that work can start in November 2022. The car park requires a new drainage system, resurfacing and layout redesign which will improve the customer experience and comply with industry standards;
- In September 2022, Cabinet agreed to pursue a more sustainable solution for the roof repairs at Trinity Road. The proposed replacement composite panels in the pitched roof should result in an 87% reduction in heat loss energy across each atrium of the roof. The Agile and Atrium Roof Repair projects will be synchronised to minimise the impact on staff and efficiency;
- The Council's first Community Municipal Investment (CMI), named 'Cotswold Climate Investment' (CCI), which targeted a £500,000 fundraise closed on 16 August 2022, fully funded by over 450 investors. The Cotswold Climate Investment will support a range of projects, including installing publicly available off-street electric vehicle charging points (EVCPs) around the District to encourage electric vehicle take-up, and improving the energy and carbon performance of the Council's Cirencester offices;
- Crowdfund Cotswold won the Local Government Chronicle (LGC) 'Community Involvement' award in July 2022. Crowdfund Cotswold continues to attract wide interest across the District. The six projects that applied to the Council's 'Spring Round' completed their campaigns, with a total value of over £123,000, towards which the Council has contributed £38,750. The deadline for the Autumn round was 14 September and includes the largest project seen to date, a new skate park for Fairford;
- The Community Wellbeing team in partnership with 'World Jungle' delivered the Holiday Activity and Food programme (HAF) in the summer holidays. The provision lasted for four weeks in August 2022 and provided a wide range of activities and food boxes mainly for children on free school meals. Over 800 participants took part in 1200 sessions which included 79 children with special needs;
- In partnership with Citizens Advice, the Council has distributed £130,000 from the Household Support Fund to support people in need with costs associated with energy, food and wider essentials. The funding period was April 2022 to September 2022 and we are expecting to secure funding at a similar level for the period of October 2022 to March 2023;
- The £380,000 replacement of fitness equipment across the Council's leisure centres has been delivered by SLM Everyone Active (SLM). Cirencester Leisure Centre's gym refurbishment commenced on 18 September, and the facilities reopened to customers on 3 October 2022. This was followed by Bourton-on-the-Water Leisure Centre's gym



refurbishment which commenced on 3 October, re-opening to customers on 15 October.

- The procurement process for the appointment of Leisure and Culture Management Contractors (2 lots) has commenced. The tender notice went out on 2 September 2022 including the first stage Standard Selection Questionnaire (SSQ). The evaluation process will take place in the first two weeks of October and the successful bids will receive an invitation to submit initial tender (ISIT) on 17 October with a return date of 3 January 2023.
- The Council and Bromford Housing have entered into a Collaboration Agreement to deliver the Down Ampney housing development. A planned programme of consultation commenced on 10 October 2022 and will continue through this year, and will help to shape the initial scheme designs for this net carbon zero housing development. Cabinet approved the draft Collaboration Agreement at its meeting in November 2022.

2.2 An overview of progress against all actions in the Corporate Plan is attached at Annex A, and the Council Priority highlight report is attached at Annex B.

3. SERVICE PERFORMANCE REPORT

3.1 Overall performance for the quarter appears mixed. There have been improvements in areas where performance has fallen short of the target (Land Charges and Food Inspections). In addition, Benefits and Planning have maintained the improvements made in the previous quarter.

3.2 There are a number of improvement programmes in progress across services focussed on improving the way services communicate with customers, increasing automation and self-serve options for customers, and improving the monitoring of workflows using case management tools to help services to actively manage resources.

3.3 Some of the performance indicators that were short of their targets or showing a downward trend are considered below together with rectifying actions:

- The average call wait time for Q2 was two minutes and 21 seconds but remains comfortably within the three minute standard considered good for local authorities (GovMetric). There was a shortage of staff for the whole of the quarter which included vacant posts as well as staff undertaking User Acceptance Testing (UAT) in preparation for Salesforce 2.0 'go live' in September 2022, and training. Initial feedback from the advisors on Salesforce 2.0 is positive and should lead to some process efficiency gains.

Resolution: Recruitment to posts is progressing and improvements in capacity is expected by Q4. However, turnover of staff results in the loss of experience which increases the overall impact on capacity and service delivery.

As part of the Channel Choice project, the Customer Experience Improvement programme, and the Revenues and Benefits project, processes in services are being streamlined, and the availability of online services is being increased with further integration of forms to the back office systems which is expected to reduce call length time and the need for customer contact



- At the end of Q2, the percentage of Housing Benefit overpayments due to Local Authority error /delay improved from 0.85% to 0.49% and is now close to the national target of 0.47%. Over the course of the year, the outturn is expected to continue to improve as the caseload increases, smoothing out the variances.

Resolution: Around 20% of the HB caseload is checked by Quality Assurance officers who target areas which have high error rates such as calculation of earnings. In addition to this work, the service has signed up to the Department for Work and Pension's (DWP) Housing Benefit Award Accuracy (HBAA) initiative to tackle fraud and error. Since April 2022, the service has been reviewing a sample of cases (the government guideline is to review 10% of cases) which is estimated to be 300-400 cases per quarter. The periodic review of cases will help to identify overpayments and errors early and therefore limit the size or extent of the error.

- Performance for Land Charges searches despatched within 10 working days improved from 27.8% in Q1 to 75.1% in Q2 (Target: 90%). Performance has fluctuated over a number of quarters due increased workloads when the Stamp Duty holiday was in place and staff turnaround in the Land Charges team. More recently, there was a delay in despatching Land Charges searches due to a shortage of staff able to complete internal consultee responses in particular in the Planning service.

Resolution: New resources were allocated to improve internal consultee turnaround times. Furthermore, the service has commenced work to improve communication with those services that provide internal consultee responses (starting with Planning) and promote an understanding of the land charge service.

- Overall Planning performance for all types of applications has improved over the last 12 months, with both 'Major' and 'Minor' applications exceeding their targets, while 'Other' applications (mainly householder applications) remains short of the target. The 3.5 vacant Planning Officer posts at the beginning of 2022-23 have been recruited to and those posts commenced during Q2. The two temporary staff that had been covering the vacancies have left the organisation and their workloads have been re-distributed to the core team. The Planning Advisory Service has undertaken a review of the Planning service and identified a number of areas for improvement, including a revised approach to using Extensions of Time; communicating with agents and architects on submission of invalid planning applications and considering more succinct planning reports. These actions will form part of a Planning Service Improvement Plan.

Resolution: Retention of staff is likely to remain a challenge. The Business Manager has implemented further actions to make the recruitment and retention of staff more attractive. New starters are supported with a training programme developed to build the



professional capacity of the service, and receive support and mentoring from senior planning officers.

There is an improvement programme and roadmap in place. A new Planning Checklist has been created to help improve the quality of the applications submitted, and providing clear guidance to applicants to help reduce the impact of invalid applications on the validation team. The Checklist is at the final stages of consultation and revisions, and once

completed, a report will be drafted for sign off by the Cabinet Member for Development Management and Licensing. Other projects include the rollout of the next phase of the Enterprise software to improve case management. The software is in 'beta' and will help define customer touch points i.e. the points at which customers should be contacted during the planning process.

3.4 In spite of the challenges, there have been a number of areas where indicators have improved or are noteworthy:

- Business Rates collection rate continues to perform strongly at 10-12 percentage points higher than the previous two years, although still slightly lower than the pre-Covid year. It is likely that the Covid Additional Relief Fund distributed to businesses over the last six months has contributed to the improved collection rate even though the funding relates to the previous financial year. Looking ahead, the cost of living crisis and the slow-down in the economy may adversely affect the collection rate over the next few months.
- Performance for 'Major' applications has shown a strong performance over the last six months with all ten applications determined within agreed timescales. Performance for 'Minor' applications has recovered to some extent, and although not back at previous levels, has achieved its target over the last 12 months.
- In-Cab technology continues to have positive benefits on the number of missed bins per 100,000. In Q2, there were 40 missed bins per 100,000 scheduled collections compared to 53 in the previous quarter, and 79 in Q2 of the previous year.
- Processing times for both Council Tax Support new claims (Actual: 20 days, Target: 20 days) and changes (Actual: 3.6 days, Target: 5 days) achieved their targets. It is likely that the cost of living crisis will result in an increase in new claims over the coming months. The service continues to promote the scheme and to signpost customers to the Council's website and partner organisations.
- All but one of the eleven high risk food safety inspection were inspected within timescales. The outstanding inspection has since been completed. A re-design of the service which will increase capacity at the senior level (required for high risk inspections) should help to maintain a good level of performance.

3.5 A full report is attached at Annex C.



4. FINANCIAL PERFORMANCE

Background

- 4.1 This report provides members with an update on the forecast outturn and monitoring position statement for the financial year 2022/23. The purpose of this report is to notify members of any significant variations to budgets identified in the initial budget monitor exercise, highlight any key financial issues, and to inform members of options and further action to be taken.
- 4.2 The Council faces several external budget pressures that are impacting on the 2022/23 budget and the Council's finances over the medium-term. There remains significant uncertainty around inflation and interest rates in the current financial year which exert an influence over the Council's budget both directly and indirectly.

Inflationary Pressures

- 4.3 The current level of inflation, as measured by the Consumer Prices Index, is 10.1% (up from 9.9% in August). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 12.6%. Although general inflation is currently 10.1%, the Council is subject to specific inflationary pressures on its services (e.g. fuel costs on waste and recycling service). **UPDATE:** October CPI rate is 11.1% (up from 10.1%) with the RPI rate increasing to 14.2% (up from 12.6%)

Figure 1: Rising domestic fuel prices push CPIH and CPI inflation rates to levels last seen over 40 years ago

CPIH, OOH component and CPI annual inflation rates for the last 10 years, UK, October 2012 to October 2022



Source: Office for National Statistics – Consumer price inflation

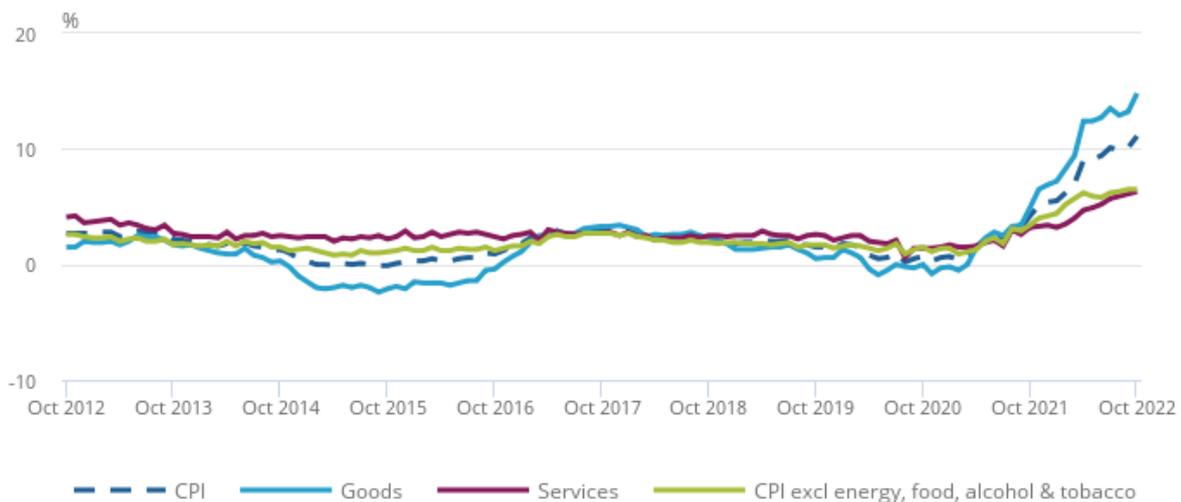


Energy Costs

- 4.4 The increase in the energy price cap in April and October 2022 is above the budgeted provision included in the MTFs for 2022/23 of £0.169m. Further pressure on prices cannot be ruled out given the volatility of Gas supply due to the conflict in the Ukraine. Whilst the Council is investing in measures to reduce its energy consumption, the significant increase in energy costs has created further budgetary pressures.

Figure 8: Energy price rise pushes up CPI goods inflation rate in October 2022

CPI goods, services and core annual inflation rates for the last 10 years, UK, October 2012 to October 2022



Source: Office for National Statistics – Consumer price inflation

Interest Rates

- 4.5 The Bank of England has increased interest rates eight times since December 2021 in an effort to mitigate inflationary pressures with the latest increase of 0.75% taking the base rate to 3%. The council's treasury management advisors have forecast a further increase by the end of 2022 and again in early 2023. Should the Council take the decision to undertake borrowing to fund its capital programme, this will impact the expenditure required to service any borrowing. No further borrowing is expected in the current financial year. The Council will however benefit from increases in investment income as outlined later in this report.



Financial Performance (Revenue)

4.6 At 30 September 2022 the Council had spent £7.289m against its net profiled budget of £7.158m resulting in an overspend of £0.131m. This position is expected to remain challenging in the second half of the financial year with the Council facing significant budget pressures as a result of the following factors:

- Increases in energy costs.
- The impact of the employee pay award.
- The impact of pay and fuel inflation and continued high levels of recycling volumes on our waste contract with Ubico.
- Inflationary increases in minor contracts and other costs.
- Pressure on income including car parking fees, planning fees and other fees and charges due to the cost of living crisis and permanent changes to behaviour post Covid-19.
- Some exceptional one off items.

4.7 The outturn forecast for 2022/23 of £13.976m results in a forecast variance of £1.381m. The table below provides members with an overview of the significant outturn variations that have been forecast by budget holders.

Table I – Revenue Budget Outturn Forecast summary

	2022/23 Net Budget (£'000)	2022/23 Profiled Budget to Q2 (£'000)	2022/23 Actuals to Q2 (£'000)	2022/23 Outturn Forecast (£'000)	2022/23 Outturn Variance (£'000)
Revenue Budget					
Environmental & Regulatory Services	473	265	275	500	28
Business Sup. Svcs - Finance, HR, Procurement	1,014	836	833	1,014	0
ICT, Change & Customer Services	1,986	944	974	2,021	35
Assets, Land, Legal & Property	750	322	405	926	176
Chief Executive and Modernisation	88	62	72	97	9
Revenues & Housing Support	342	256	322	443	102
Environmental Services	3,916	1,944	1,914	4,074	158
Leisure & Communities	1,368	190	164	1,367	(1)
Planning & Strategic Housing	1,743	303	373	1,712	(31)
Democratic Services	1,058	548	561	1,064	6
Retained and Corporate	1,359	1,503	1,395	1,447	88
Subtotal Services	14,096	7,175	7,287	14,667	571
Corporate Income & Expenditure	(1,501)	0	0	(1,876)	(375)
Provisions and Risk Items	0	0	0	1,185	1,185
Net Budget Requirement	12,595	7,175	7,287	13,976	1,381
Funded by:					
Council Tax	(6,158)			(6,158)	0
Retained Business Rates	(3,462)			(3,462)	0
Government Funding - Grants	(2,197)			(2,197)	0
Government Funding - NHB	(810)			(810)	0
Collection Fund (surplus) / Deficit	0			0	0
TOTAL Funding	(12,626)	0	0	(12,626)	0
Budget shortfall/(surplus)	(31)			1,350	1,381



Table 2 – Material Variations summary

	2022/23 Forecast variance (£'000)
Significant Budget Variances	
Income (Over)/Under achieved	
Car Park income	343
Recycling Credits/Waste incentive payments	(250)
Garden waste Income	(35)
Additional refuse collection/sale of refuse bags	60
Regulatory income	17
Planning Income	19
Land Charges Income	63
	217
Other Expenditure Pressures/(Underspends)	
Household and recycling minor contracts	(91)
Planning Appeals	(50)
Postage Costs	40
Fines and penalties	28
Other net variances	89
	16
Corporate Income & Expenditure	
Minimum Revenue Provision (MRP)	(124)
Investment and Interest Income	(250)
Estimated impact of Pay Award	382
Reversal of National Insurance increase	(29)
Ubico Contract variations	674
Inflationary increase in Energy Costs	212
Corporate provision for risks	157
	1,023
All other non-material variations	125
	1,381

- 4.8** The forecast outturn is £0.141m above the £1.240m pressure highlighted in the November 2022 Budget and Medium Term Financial Strategy report. Without any mitigating actions, there would be an increase in the level of the General Fund balance required to support the revenue budget in the current financial year. Members should note that the forecast use of reserve to close the budget gap in 2022/23 and 2023/24 is currently £2.9m. This is clearly not sustainable and options to reduce the forecast overspend and budget gap must be considered over the coming weeks and months.



4.9 The long term impact of the pandemic and cost of living crisis will continue to be monitored and reported to members during 2022/23. **Whilst the Council has sufficient reserves to support the revenue budget in the short term action will need to be taken to ensure that the Council is financially sustainable over the MTFs period.**

4.10 Annex D provides a detailed analysis and includes commentary against the most significant variances. This report highlights a number of budget variances across a range of service areas; excluding those where the income and expenditure variance are comparable and offset against each other (net nil variance).

Income

4.11 Income from car park fees, fines and permits has continued to be impacted by changes in user behaviour following the pandemic and in part due to the cost of living crisis. Income from car park fees, fines and permits at the 30 September was £0.126m below budget. The outturn forecast is for an income shortfall of £0.344m at year end based on the current downward trend on income and the impact from the refurbishment of the Rissington Road car park from November 2022 in line with the Council Plan.

4.12 As reported in Q1 income from land charges has continued to performed below budget with income received forecast to be £63k below budget at the end of the financial year due in part to the rise in free unofficial Personal Searches (through Personal Search Agents). Current economic uncertainty, the rise in interest rates and inflation along with forecasts of a significant drop in house prices into 2023 will inevitably lead to a reduced demand for this service.

4.13 Income from recycling has exceeded budget. Recycling credits and waste incentive payments from Gloucestershire County Council were £81k higher than estimated as a result of higher levels of recycling and a general increase in commodity values. Income is forecast to be £0.178m higher than budgeted by the end of the financial year. This budget will be reviewed as part of the 2023/24 budget setting process.

4.14 There remains a risk that we will experience further pressure on income from fees and in the second half of the financial year as a result of the cost of living crisis.

Expenditure

4.15 Along with most local authorities, the assumption on pay inflation was for a 2.5% to meet the expected Local Government pay award. Members will be aware of the wider inflationary environment which has resulted in an agreement between Local Government Employers and the Unions of a £1,925 per FTE employee pay award. Clearly, this is significantly above the



level budgeted for with the outturn forecast including an estimate of the shortfall in the Publica contract, retained salary budgets and members allowance budget of £382k.

- 4.16** From the 6th November 2022, the 1.25% point cut to National Insurance rates for employees and employers takes effect across the UK. The employer cut will result in an estimated budget saving of £29k which will mitigate some of the pay award pressure outlined above.
- 4.17** The Council's Environmental Services (grounds maintenance, street cleaning, domestic waste collection, recycling collections etc.) are provided by Ubico Ltd. The contract with Ubico for 2022/23 of £7.214m is now estimated to cost £7.798m. The impact of inflation has increased the base cost of key elements of this contract including fuel and pay inflation resulting in a forecast overspend of £0.584m including £0.267m for the pay award including increase in agency staff costs. Diesel costs are expected to drive a significant budget variance of £0.309m as a result of high fuel costs.
- 4.18** Due to high levels of garden waste and recycling materials Ubico has operated additional collection rounds at an estimated cost of £0.360m per annum. As part of the Environmental Services Improvement Programme, the Commissioning Team are working with Ubico to deliver services more efficiently and to reduce the cost of the service.
- 4.19** The Council has had a significant increase in the cost of its energy with the Government providing support through a non-domestic price cap from October 2022. Since April 2022, the Council has purchased energy through the day ahead market (a financial market where market participants purchase and sell electric energy at financially binding day-ahead prices for the following day) on the advice of our broker. This has been less expensive than it would have been to enter into a fixed term contract.
- 4.20** The Government's announcement that a price cap would be introduced for the unit cost of non-domestic energy has reduced charges to 40.2p p/kw from 55p p/kwh in September 2022. Despite this and the cap on the unit cost, it is currently expected that the total cost of electricity and gas for buildings operated by the council in 2022/23 will be approximately £0.388m against a budget of £0.170m. There still remains uncertainty underpinning these estimates due to the volatility of wholesale markets as well as the impact of changing energy suppliers in April 2022 and the phasing of sites moving from one supplier to another. More detailed work will be undertaken in Q3 to obtain an updated forecast.
- 4.21** As reported in Q1 expenditure in respect of the processing of recycling continues to be underspent and is forecast to be underspent by £91k at the end of the financial year. This budget has been revised as part of the 2023/24 budget setting process



Treasury Management

4.22 Dividends from Pooled funds and REIT of £0.250m were received in the first half of the financial year achieving a return of 4.6% (pooled funds) and 2.7% (REIT). Interest from short term cash deposits, money market funds and call accounts was £0.118m higher than budgeted at the end of the second quarter due to larger surplus balances than estimated being available to invest and interest rates rising at higher rate than budgeted. Interest income of £60,000 budgeted as a result of planned service loans will not be achieved as drawdown is not expected until 2023/24. Investment income is forecast to be £0.310m higher than budgeted at the end of the financial year.

4.23 The Council will not be required to make a budgeted minimum revenue provision charge in 2022/23 resulting in a saving of £0.124m due to the Council not undertaking borrowing to support the capital programme.

Capital Activity

4.24 The Council's capital budget for 22/23 including carry forwards from 2021/22 and additional adjustments approved in year is £41.006m. A total of £1.730m has been spent against these schemes at the end of Q2 with a further £3.606m committed.

Table 3 – Capital Programme summary

Capital Programme	2022/23 Budget (£'000)	2022/23 Actuals to Q2 (£'000)	2022/23 Comm. Exp (£'000)	2022/23 Outturn Forecast (£'000)	2022/23 Outturn Variance (£'000)
Disabled Facilities Grants	700	516	314	830	130
ICT-related schemes	550	20	100	120	(430)
Rural Broadband	500	0	0	0	(500)
Car Park schemes	532	0	433	433	(100)
Waste and Recycling schemes	545	14	476	490	(55)
Trinity Road – Carbon Efficiency Works	970	0	90	90	(880)
Bromford JVP – Carbon Zero Affordable Homes	200	0	105	105	(95)
Investment in Lesiure services	1,690	0	380	380	(1,310)
Changing Places Toilets	163	0	163	163	0
Tetbury Homeless Property	1,442	1,144	298	1,442	0
Trinity Road Agile Working	975	24	951	975	0
Recovery Investment Strategy	32,364	0	0	0	(32,364)
All other schemes	375	13	296	309	(66)
TOTAL Capital Programme	41,006	1,730	3,606	5,336	(35,670)

4.25 Cabinet agreed in May 2022 to purchase a property in Tetbury that it previously leased to use as temporary emergency accommodation. Funding of £1.442m for the purchase and



capital works was allocated from the Recovery Investment Strategy budget in the capital programme. This purchase was completed in August 2022 at a cost of £1.14m.

- 4.26** Cabinet have recommended to Council that the Recovery Investment Strategy (RIS) is rescinded. Therefore, a significant element of the capital programme (£32.4m) will not be delivered and will be removed when the capital programme is revised in February 2023. There may still be opportunities that arise from time-to-time but these will be considered strictly on a business case basis taking into account any refresh of the budget and MTFs proposals and the affordability of any borrowing at the time. If approved, any such initiatives will be added to the capital programme.
- 4.27** Schemes previously included with the RIS (Tetbury Homeless Property, Trinity Road Agile Working) are now presented individually within Annex E. The strategic property acquisition (£4.36m) which was to be funded from the RIS budget is not expected to take place until 2023/24. This will be included as a separate item in the 2023/24 capital programme approved by Council in February 2023.
- 4.28** A full list of expenditure and explanation for variances against the capital programme is attached to this report at Annex 'E'.

Capital Receipts and Disposals

- 4.29** During the second quarter of 2022/23 the Council sold the vacant Cotswold Club. The property has been sold for £0.375m resulting in a net capital receipt of £0.369m after fees. It is anticipated this will be available to support investment in zero carbon affordable housing projects across the District.

Risks and Uncertainties

- 4.30** The report outlines a number of risks and uncertainties around the wider economic environment. Some further risks are briefly outlined below.
- Assumptions made in the forecast are based on projections for inflation and interest rates. Uncertainty remains around Government policy, volatility of GBP (£) against US Dollar (\$), US interest rates which may lead to higher inflation and interest rates and UK Gilt prices (and hence PWLB rates).
 - This report includes initial forecasts for income from fees and charges and this remains a risk to the Council given the impact of higher prices, energy costs on the cost of living, and the impact of recessionary pressures on the economy. This may lead to reduced demand for council services and hence lower income from fees and charges.
 - The Council is dependent on a number of key partners (e.g. Ubico, Publica, SLM) for the delivery of core Council services and may be more exposed to fluctuations in income and



expenditure. Any additional income of expenditure pressures would increase the financial pressure facing the Council and would need to be funded through reserves or savings found elsewhere.

Recommended Actions

- 4.31** A number of recommendations are outlined below to address the projected variation. Subject to Cabinet approval, these will be implemented immediately and will form the framework for future Finance and Performance reports to Cabinet.
- 4.32 Recommended Action #1:** Delivery of contract efficiencies and cost savings must be a priority over the remainder of the financial year for Publica to support the Council's financial position. Cabinet are recommends that the Chief Executive oversees the creation of a Cabinet Transform Working Group, tasked primarily with receiving regular updates on progress against the Publica savings and efficiencies target as part of an ongoing strategy to mitigate the forecast adverse financial position
- 4.33 Recommended Action #2:** In the event the Council receives one-off income or cost savings, it is proposed this is allocated to the Financial Resilience reserve and not committed to fund existing or new/additional expenditure.
- 4.34 Recommended Action #3:** As part of the final budget preparation process for 2023/24, a review of the Reserves and Balances strategy is undertaken to consider the adequacy of reserves in light of the financial risks faced by the Council

5. CABINET

- 5.1** This summary performance report will be reviewed by the Cabinet at its meeting on 5 December 2022; and any comments from this Committee will be reported to the Cabinet.

6. FINANCIAL IMPLICATIONS

- 6.1** As described in Section 4 of the report.

6. LEGAL IMPLICATIONS

- 6.1** There are no legal implications arising directly from this report.

7. RISK ASSESSMENT

- 7.1** Contained in this report.



8. EQUALITIES IMPACT

8.1 None.

9. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

9.1 Contained in this report.

10. ALTERNATIVE OPTIONS

10.1 None.

11. BACKGROUND PAPERS

11.1 None

(END)