



COTSWOLD
DISTRICT COUNCIL

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET – 17 JULY 2023
Subject	FINANCIAL PERFORMANCE REPORT 2022/23 OUTTURN
Wards affected	All
Accountable member	Cllr Mike Every, Deputy Leader and Cabinet Member for Finance Email: mike.every@cotswold.gov.uk
Accountable officer	David Stanley, Deputy Chief Executive and Section 151 Officer Email: david.stanley@cotswold.gov.uk
Report author	Michelle Burge, Chief Accountant Email: michelle.burge@publicagroup.uk
Summary/Purpose	This report sets out the outturn position for the 2023/24 financial year.
Annexes	Annex A – 2022/2023 Revenue Variances and Outturn Annex B – 2022/2023 General Fund and Revenue Reserves Annex C – 2022/23 Capital Programme Outturn
Recommendation(s)	<i>That Cabinet:</i> <i>1. Reviews and notes the financial position set out in this report.</i> <i>2. Approve the carry forward of unspent capital budget included in table 5 of £1.114m into the 2023/24 Capital Programme.</i>
Corporate priorities	Deliver the highest standard of service
Key Decision	NO
Exempt	NO
Consultees/ Consultation	None



1. BACKGROUND

- 1.1** This report provides members with an update on the outturn position for the financial year 2022/23. The purpose of this report is to notify members of any significant variations to budget, highlight any key financial issues and approve the carry forward of unspent capital budget to 2023/24.
- 1.2** The Council has faced several external budget pressures throughout 2022/23 which will continue to impact the Council's finances over the medium-term. There remains significant uncertainty around inflation and interest rates which exert an influence over the Council's budget both directly and indirectly.

2. EXECUTIVE SUMMARY

- 2.1** This report sets out the financial outturn position for the 2022/23 financial year.
- 2.2** The reported outturn of an adverse variance of £1.274m against budget is in line with forecast outturn position reported at Q3 of £1.220m.
- 2.3** Material changes since Q3 are listed below:
- Assets, Land, Legal and Property. Expenditure in respect of double glazing at Querns Road property of £0.020m forecast in Q4 of 2022/23 delayed until 2023/24. Recharges to tenants at Trinity Road offices were £0.015m higher than estimated at Q3 due to higher energy costs.
 - Planning and Strategic Housing. Appeals expenditure £0.040m higher than forecast at Q3 due to higher proportion of costs in final quarter of 2022/23 and a small number of costs miscoded to legal cost centre not identified until Q4.
 - Car park income remained below budgetary expectations with a net income shortfall of £0.433m (£0.409 reported in Q3). Energy costs was also £0.016m higher than estimated due to delays in receiving invoices from suppliers.
 - Cemetery fees overachieved against budget by £0.034m, £0.028m higher than forecast at Q3, due to higher proportion of fees being received in final quarter of financial year.
 - Public Conveniences. Net overspend of £0.034m (£0.007m forecast at Q3, adverse movement of £0.027m) Due to lower level of fees collected in final quarter of financial year and higher cleaning costs following increase in contract charge.
 - Revenues and Benefits. £0.150m overachievement of income from council tax liability order identified in final quarter of 2022/23 due in part to covid related backlog where debt was not pursued during the pandemic. This offset additional postage and IT costs in relation to the council tax energy rebate scheme enabling £0.136m of

new burdens grant to be transferred to earmarked reserves to fund future resource pressures.

- Retained. £0.042m expenditure in relation to repair work at Old Station property to make safe a wall to be funded from UKSPF grant funding rather than from base budget. Bank charges £0.015m higher than estimated at Q3, work underway to review. Surplus contributions refunded from Publica of £0.166m and a further £0.041m of underspend from higher than estimated 3rd party contract charges and additional government grant funding for resource pressures.
- Corporate income and expenditure. £0.200m of revenue budget is to be utilised to finance the capital programme to minimise the use of capital receipts resulting in a nil underspend against the RCCO budget. (£0.100m underspend forecast at Q3).

2.4 The impact from inflation and the wider external economic environment has been significant with limited movement between Q3 and outturn. The material items which have had an adverse impact on the Council's revenue budget are summarised below:

- Pay Award- Publica contract, (£0.339m adverse variance) (£0.300m reported at Q3)
- Ubico contract (Waste and Recycling, Street Cleaning). The net variation on the contract of £0.479m (£0.839m gross adverse variance, £0.479m after contribution from earmarked reserve) due to pay award, diesel costs and service growth (£0.437m reported at Q3)
- Energy costs – Gas and Electricity prices (£0.303m adverse variance) (£0.248m reported in Q3)
- A shortfall in income from Car Parks (net shortfall of £0.433m), Planning (£0.190m), Building control (£0.082m) and Land Charges (£0.078m).



Table ES1 Revenue Budget Outturn

Table ES1 Revenue Budget Outturn Revenue Budget - Summary Table	2022/23 Original Net Budget £'000	Revised Net Budget £'000	2022/23 Outturn £'000	2022/23 Outturn Variance £'000
Subtotal Services	14,840	15,464	17,237	1,773
Less Reversal of Accounting Adjustments	-1,367	-1,636	-1,633	3
Revised Subtotal Services	13,473	13,828	15,604	1,776
Corporate Income and Expenditure (Note 1)	-878	-5,365	-5,937	-572
Net Budget Requirement	12,595	8,463	9,667	1,204
Funded by:				
Council Tax	-6,158	-6,145	-6,066	79
Retained Business Rate	-3,462	658	657	-1
Government Funding - Grants	-3,006	-3,007	-3,015	-8
TOTAL Funding	-12,626	-8,494	-8,425	70
Budget shortfall/(Surplus)	-31	-31	1,242	1,274

Table ES2 Capital Programme 2022/23 Outturn

Capital Programme	2022/23 Original Budget (£'000)	2022/23 Revised Budget (£'000)	2022/23 Outturn (£'000)	2022/23 Outturn Variance (£'000)
Leisure and Communities	1,741	428	444	16
Housing/Planning and Strategic Housing	900	2,383	1,975	-408
Environment	1,963	961	740	-221
ICT, Change and Customer Services	550	70	55	-15
Rural Broadband	500	0	0	0
UK Shared Prosperity Fund Projects	0	11	14	3
Land, Legal and Property	516	516	95	-421
Transformation and Investment	35,000	1,510	1,237	-273
TOTAL Capital Programme	41,170	5,879	4,560	-1,319

- 2.5** The outturn on the Council's Capital Programme takes into account decisions made in November 2022 and February 2023 around the rescinding of the Recovery Investment Strategy (RIS) and reprofiling of the capital budget to reflect anticipated slippage on schemes.
- 2.6** As set out in the 2023/24 Revenue Budget, Capital Programme and Medium-Term Financial Strategy report, the capital programme for 2022/23 has reduced from £41.005m to £5.879m for the reasons set out in the paragraph above. The outturn represents an underspend/slippage of £1.237m.

3. 2022/23 REVENUE BUDGET

- 3.1** As at the 31 March 2023, the Council is reporting a deficit of £1.242m against an original budgeted surplus of £0.031m. The Council has faced significant budget pressures as a result of the following factors:
- Inflationary pressures, the level of inflation has remained stubbornly high, the Council is subject to specific inflationary pressures on its services (e.g., fuel cost of waste and recycling services)
 - High energy prices
 - Continuing impact of higher fuel costs and increased level of recycling volumes on our waste contract with Ubico.
 - 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.
- 3.2** The outturn for 2022/23 results in an adverse variance of £1.274m. The table below provides members with an overview of the significant outturn variations reported.



Table 1 - Revenue Budget Outturn Summary

	2022/23 Original Net Budget £'000	2022/23 Revised Net Budget £'000	2022/23 Outturn £'000	2022/23 Outturn Variance £'000
Table 1 - Revenue Budget Outturn Summary				
Environmental & Regulatory Services	473	493	506	13
Business Support Services - Finance, HR Procurement	1,014	1,022	1,098	76
ICT, Change & Customer Services	1,986	2,024	2,046	22
Assets, Land, Legal & Property	750	774	929	155
Chief Executive and Modernisation	88	145	162	17
Revenues & Housing Support	342	137	172	35
Environmental Services	3,916	4,345	5,190	845
Leisure & Communities	1,368	1,640	1,560	-80
Planning & Strategic Housing	1,743	1,406	1,573	167
Democratic Services	1,058	1,174	1,205	31
Retained and Corporate	2,102	2,303	2,794	491
Subtotal Services	14,840	15,463	17,235	1,772
Less: Reversal of accounting adjustments	-1,367	-1,636	-1,633	3
Revised Subtotal Services	13,473	13,827	15,602	1,775
Corporate Income and Expenditure (Note 1)	-878	-5,365	-5,937	-572
Net Budget Requirement	12,595	8,462	9,665	1,203
Funded by:				
Council Tax	-6,158	-6,145	-6,066	79
Retained Business Rate	-3,462	658	657	-1
Government Funding - Grants	-3,006	-3,007	-3,014	-7
TOTAL Funding	-12,626	-8,494	-8,423	71
Budget shortfall/(Surplus)	-31	-31	1,242	1,274

Table 2 Corporate Income and Expenditure

Corporate Income and Expenditure	2022/23 Original Net Budget £'000	Revised Net Budget £'000	2022/23 Outturn £'000	2022/23 Outturn Variance £'000
Note 1 Corporate Income and Expenditure				
Savings/Corporate Items	-97	-92	-47	45
Interest Payable	7	7	9	2
Interest Receivable	-654	-654	-1165	-511
Minimum Revenue Provision	125	125	0	-125
RCCO	200	200	200	0
Transfer to/(from) Earmarked Reserves (Including Business Rate Reserve transfer)	-459	-4,951	-4,934	17
Total	-878	-5,365	-5,937	-572

- 3.3** A full list of all cost centres and budget variances is attached to this report at Annex A. These figures are subject to external audit review during the autumn; however, the figures are not expected to change materially from those being reported.
- 3.4** Annex A includes details of both the original and 'Budget Q4', the variances have been reported against the 'Budget Q4' that is the budget adjusted to reflect accounting adjustments such as changes in depreciation and movements to/from reserves. These adjustments have no overall impact on the net budget.

Treasury Management

- 3.5** Dividends from Pooled Funds and REIT on £0.449m were received in the 2022/23 financial year, achieving a return of over 4% (pooled funds) and around 2.5% (REIT). Interest from short term cash deposits with the Debt Management Office (DMO) was £0.401m and from Money Market Funds £0.204m by the end of the financial year due to interest rates rising at a higher rate than budgeted and larger surplus balances than estimated being available to invest. Interest income of £72,000 budgeted as a result of planned service loans was not achieved as drawdown is expected in 2023/24. Total investment income was £0.510m higher than budgeted by the end of the financial year.
- 3.6** The Council has not been required to make a minimum revenue provision charge in 2022/23 resulting in a saving of £0.125m as a result of the Council not undertaking borrowing support the capital programme.

Retained Business Rates and Pooling

- 3.7** The Council administers Business Rates (National Non-Domestic Rates) on behalf of the Government. The Council retains some Business Rates income as part of its core Government Funding. For the 2022/23 financial year, after adjustments for prior year deficits, tariff and levy payable to government and Section 31 grant to compensate for reliefs granted this amounts to £3.4 million in line with the budget and forecast.
- 3.8** The accounting arrangements for Business Rates are complex. Statute requires recognition of items charged in one financial year to be resolved in the following year i.e., the deficit arising in 2022/23 (shortfall in collectable rates vs expected due to the Government reliefs) will be repaid to the Collection Fund in 2023/24.
- 3.9** A transfer of £4.120m has been made from earmarked reserves to contribute towards the deficit of £4.896m reported in 2021/22.
- 3.10** The Gloucestershire Business Rates Pool was set up in 2013/14 to maximise the business rate income retained within the County and to support economic growth within the area of the Local Enterprise Partnership. The Council has benefitted from being part of the Gloucestershire 50% pool in 2022/23. A gain of £309,000 is recognised in the 2022/23 outturn.

Council Tax

- 3.11** Retained Council tax income amounts to £6.065m in 2022/23. This includes a transfer of £12,624 from a compensation grant earmarked in 2020/21. The underachievement of budgeted income of £0.079m is due to having fully utilised the Council Tax income guarantee grant (TIG) in prior years resulting in the deficit on the collection fund being funded through the general fund.

Transfers to/from Earmarked Reserves

- 3.12** The outturn position includes a number of transfers between earmarked reserves. The largest of these is a transfer from the Business Rate Smoothing Reserve of £4.121m as detailed in 3.9 above.
- 3.13** The government provided further new burdens funding throughout the year in relation to the implementation of business rate relief and council tax rebate energy support schemes, surplus funding has been transferred to an earmarked reserve to support resource costs in 2023/24.
- 3.14** Annex 'B' summarises the proposed movements made between the revenue account to/from earmarked reserves in 2022/23 and the adjustments that will be undertaken in Q1 of 2023/24.

General Fund Balance

- 3.15 As at 1 April 2022, the Council's General Fund balance stood at £2.553m. The budget set in February 2022 estimated that there would be a revenue surplus of £0.031m resulting in an increase to the General Fund. The lump sum payment to the LGPS in 2020/21 of £3.628m provided capacity in the revenue budget to top up the General Fund balance by £1.634m in 2022/23. Due to the overspend on the Council budget (after movements to/from earmarked reserves), there will be a net contribution from the General Fund balance of £0.449m.
- 3.16 The budget approved in February 2023 recommended that the General Fund balance is maintained at a minimum level of £1.760m and that a Financial Resilience Reserve is created to enable the Council to mitigate short term fluctuations in income and expenditure. As shown in table 3 below this would result in a movement from the General Fund to Financial Resilience Reserve of £1.153m resulting in a General Fund balance at 31 March 2023 of £1.760m and Financial Resilience Reserve balance of £1.153m. Further adjustments and transfers from reserves will be made in Q1 of 2023/24 as illustrated in Annex 'B'.

3.17 **Table 3 General Fund Balance**

	2022/23 Budget £'000	2022/23 Outturn £'000
Opening Balance	-2,536	-2,553
Transfer to General Fund to 'pay back' lump sum LGPS contribution	-1,634	-1,634
Revenue budget (surplus)/deficit	-31	1,274
Movement to Financial Resilience Reserve	0	1,153
General Fund Closing Balance 31/3/23	-4,201	-1,760

4. CAPITAL PROGRAMME

- 4.1 Council approved the revised Capital Programme for 2022/23 at their meeting on 15 February 2023 recognising changes made during the year, predominantly the rescinding of the Recovery Investment Strategy. The revised capital programme for 2022/23 was £5.879m. A total of £4.56m has been spent against these schemes at the end of the financial year.



Table 4 Capital Programme Summary

Capital Programme	2022/23 Original Budget (£'000)	2022/23 Revised Budget (£'000)	2022/23 Outturn (£'000)	2022/23 Outturn Variance (£'000)
Leisure and Communities	1,741	428	444	16
Housing/Planning and Strategic Housing	900	2,383	1,975	-408
Environment	1,963	961	740	-221
ICT, Change and Customer Services	550	70	55	-15
Rural Broadband	500	0	0	0
UK Shared Prosperity Fund Projects	0	11	14	3
Land, Legal and Property	516	516	95	-421
Transformation and Investment	35,000	1,510	1,237	-273
TOTAL Capital Programme	41,170	5,879	4,560	-1,319

- 4.2** The outturn of £4.560m results in an underspend/slippage of £1.319m with a carry forward on the unspent capital budget into 2023/24 of £1.114m requested in respect of the following schemes:

Table 5 Carry Forward of Unspent Budget

Capital Programme by Service Area	C/Fwd to 2023/24 (£'000)	Notes:
Leisure and Communities		
Crowdfund Cotswold	4	Balance of Capital allocation to be carried forward for future schemes supported via Crowdfund Cotswold and to fund the small legacy sum of £2,000 outstanding from the preceding scheme, the Community Projects Fund.
Housing/Planning and Strategic Housing		
Private Sector Housing Renewal Grant (DFG)	208	£1.3m transferred to CDC in 2022/23. Actual £1.1m. Balance required to fund 2023/24 DFGs.
Environment		
Electric Vehicle Charging Points	50	Slippage. Allocation required for future EVCP installations funded by CMI.



Changing Places Toilets	123	Facilities still to be installed at Cirencester Abbey Grounds, Birdland at Bourton on the Water and Cotswold Country Park and Beach.
ICT, Change and Customer Services		
ICT Capital	65	Slippage due to supply shortages. Laptops (£40k) Chips (£25k)
Land, Legal and Property		
Trinity Road Carbon Efficiency Works (Council March 2022)	370	Works delayed to 2023/24 including Solar PV, budget carried forward to 2023/24.
Transformation and Investment		
Tetbury Homeless Property (Cabinet May 2022)	294	Balance of Capital allocation for purchase of Ridgeway House, Tetbury. Capital works required as detailed in purchase report
TOTAL Capital Programme	1,114	

- 4.3** A full list of expenditure and explanations for variances against the capital programme is attached to this report at Annex 'C'.

Capital Receipts and Disposals

- 4.4** The Council received no capital receipts and did not make any asset disposals during the final quarter of 2022/23. During the second quarter of 2022/23 the Council sold the vacant Cotswold Club. The property sold for £0.375m resulting in a net capital receipt of £0.369m after fees. It is anticipated that this will be available to support investment in net carbon affordable housing projects across the district.

5. ALTERNATIVE OPTIONS

- 5.1** None

6. CONCLUSIONS

- 6.1** This report presents the Council's outturn financial position for 2022/23. As the report sets out, an overspend of £1.243m is reported for the financial year which is to be financed from the General Fund Balance. This is broadly in line with the position reported in Q3. Inflationary



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and service pressures identified during 2022/23 remain challenging and are expected to continue throughout 2023/24.

- 6.2** The newly established Cabinet Transform Working Group (CTWG) will need to consider the impact of the outturn and the impact on earmarked reserves as part of their oversight of the savings and transformation programme.

7. OVERVIEW AND SCRUTINY COMMITTEE

- 5.1** This report was reviewed by the Overview and Scrutiny Committee at its meeting on the 11th July; and any comments from that Committee will be reported to the Cabinet.

6. FINANCIAL IMPLICATIONS

- 6.1** The financial implications are set out within this report.

7. LEGAL IMPLICATIONS

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

8. RISK ASSESSMENT

- 8.1** Contained in this report.

9. EQUALITIES IMPACT

- 9.1** None.

10. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 10.1** None

11. BACKGROUND PAPERS

- 11.1** None

(END)