



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET – 04 SEPTEMBER 2023
Subject	FINANCIAL PERFORMANCE REPORT – Q1 2023/24
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 latest budget monitoring position for the 2023/24 financial year.
Annexes	Annex A – Revenue Budget Summary Annex B – Capital Programme Summary Annex C – Non-Treasury Management Prudential Indicators
Recommendation(s)	<i>That Cabinet resolves to:</i> <i>1) Review and note the financial position set out in this report</i> <i>2) Endorses the recommendation in paragraph 8.3 that the Cabinet Transformation Working Group review in-year opportunities with Publica and Ubico and provide Cabinet with an update in November on options to mitigate the forecast financial position.</i>
Corporate priorities	<ul style="list-style-type: none">• Delivering our services to the highest standards
Key Decision	No
Exempt	No
Consultees/ Consultation	None



1. BACKGROUND

- 1.1 This report provides members with the first outturn forecast and monitoring position statement for the 2023/24 financial year and should be viewed as an update to the *2023/24 Financial Performance – High-Risk Budgets* report considered by Cabinet in July 2023.
- 1.2 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.
- 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. 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.

2. EXECUTIVE SUMMARY

- 2.1 This report sets out the outturn forecast for the financial year informed by the 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 and adverse variation of £0.448m



Table ES1 – Revenue Budget Outturn Forecast (Q1)

	2023/24 Latest Net Budget (£'000)	2023/24 Actuals to Q1 (£'000)	2023/24 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)
Revenue Budget				
Subtotal Services	17,491	5,979	17,894	403
Less: Reversal of accounting adjustments	(1,636)		(1,636)	0
Revised Subtotal Services	15,856	5,979	16,258	403
Corporate Income & Expenditure	(1,492)	(174)	(1,847)	(355)
Provisions and Risk Items	0	0	400	400
Net Budget Requirement	14,363	5,805	14,812	448
Funded by:				
Council Tax	(6,311)		(6,311)	0
Retained Business Rates	(4,389)		(4,389)	0
Government Funding - Grants	(2,905)		(2,905)	0
Government Funding - NHB	(290)		(290)	0
Collection Fund (surplus) / Deficit	393		393	0
TOTAL Funding	(13,503)	0	(13,503)	0
Budget shortfall/(surplus)	861		1,309	448

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

	Positive variation (£'000)	Adverse Variation (£'000)
Variations at a glance		
Fees & Charges - Income Shortfall		270
Overspend - Waste & Recycling containers		50
Commercial Property - Rental income shortfall (risk)		66
Pay Award (risk)		400
Savings Target shortfall (risk)		100
Other service variations		59
Ubico Contract forecast underspend	(42)	
Treasury Management Income	(200)	
Reduced Revenue financing of Capital programme	(100)	
Other Corporate Income and Expenditure	(154)	
Subtotal	(496)	945
Net Outturn Variation		448



The material forecast variations are listed below with a detailed table of all service variations in Annex A. Please note that the actual spend to date shown in Table ESI differs from the detailed position shown in Annex A as this adjusts for the timing difference on Housing Benefit Payments and 2022/23 accruals.

- Building Control income is below budget with a lower number of applications in quarter one when compared to the same period in prior year (121 applications compared to 175 in Q1 2022/23) in part due to continuing financial climate and uncertainty, £0.124m income shortfall forecast.
- Public Convenience income shortfall due to reduced footfall. Forecast income shortfall of £0.076m.
- Household waste bins, bags and containers - overspend forecast of £50k, overspend due to increased demand, increased cost of materials and longer lead times.
- Land charge income is performing below budget with income received forecast to be £70k below budget at the end of the financial year in part due to the rise in free unofficial personal searches as well as current economic uncertainty leading to a reduced demand.
- Ubico are currently forecasting a net underspend of £42k as a result of lower than estimated diesel costs, savings from resource changes to garden waste service delivery netted off forecast external support to undertake modelling of options for waste and recycling rounds, higher repairs and vehicle hire costs for garden waste vehicles.

- 2.3** The adverse income variations outlined above are unlikely to recover in the current financial year with an under performance against income budgets in previous financial years. This will need to be addressed for the 2024/25 budget and over the MTFS period.
- 2.4** The Cabinet Transform Working Group (CTWG) will continue to consider the forecast outturn, financial risks and uncertainties set out in this report. The 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** Without any improvement in the forecast outturn for the year, corrective action or additional savings the outturn variation would have to be met from the Financial Resilience reserve. 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 position. Members should note that the budgeted use of the Financial Resilience reserve utilised to set a balanced budget was £0.861m. Without mitigating and corrective action, this would increase to £1.309m and is clearly not an acceptable position.



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

Table ES2 – Capital Programme Outturn Forecast (Q1)

	2023/24 OB (£'000)	Slippage From 2022/23 (£'000)	2023/24 LAB (£'000)	2023/24 Actuals to Q3 (£'000)	2023/24 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)
Capital Programme						
Leisure & Communities	1,387	4	1,391	(28)	1,391	0
Housing/Planning and Strategic Housing	4,001	208	4,209	1,763	3,918	(291)
Environment	1,956	173	2,129	(85)	583	(1,546)
Retained & Corporate	0	0	0	0	0	0
ICT, Change and Customer Services	350	65	415	0	100	(315)
UK Rural Prosperity Fund	191	0	191	0	191	0
UK Shared Prosperity Fund Projects	28	0	28	0	28	0
Land, Legal and Property	500	370	870	0	870	0
Transformation and Investment	5,486	294	5,780	81	1,216	(4,564)
TOTAL Capital Programme	13,899	1,114	15,013	1,731	8,297	(6,716)

2.7 As set out in the *Financial Performance Report 2022/23 Outturn* report to Cabinet in July 2023, slippage of £1.114m from the 2022/23 capital programme has been included in the revised capital programme set out in Table ES2 above. The initial outturn forecast for the current year is an underspend of £6.716m with slippage likely of £2.027m.

2.8 The forecast assumes that the Strategic Property Acquisition (included in the summary line Transformation and Investment) will not proceed in the current financial year. With interest rates remaining relatively high, any future acquisition decision will need to be supported by a full business case setting out the wider benefits and financial impact over the immediate and longer-term.

2.9 The report outlines a number of risks and uncertainties regarding the outturn forecast, particularly around income performance assumptions given the volatility.

2.10 Financial Sustainability – The 2023/24 revenue budget is held in balance through the use of £0.861m of 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 have to be funded from the same reserve at year end. 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.



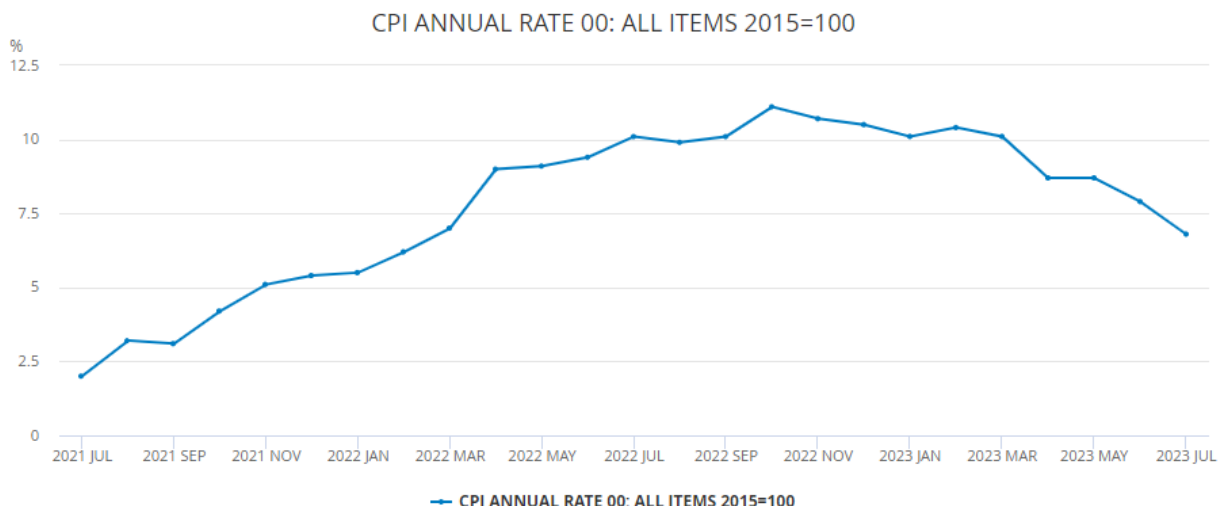
- 2.11 When taken with the 2023/24 Revenue Budget, the Council would be utilising £1.309m of the Financial Resilience reserve to support the budget which is not sustainable over the medium-term.
- 2.12 Financial Performance reports will be presented to members at the December 2023 and March 2024 Cabinet meetings.

3. EXTERNAL ECONOMIC ENVIRONMENT

- 3.1 The *2023/24 Financial Performance – High-Risk Budgets* report to Cabinet in July 2023 set out the external economic pressures on the Council.

Inflationary Pressures

- 3.2 The level of inflation, as measured by the Consumer Prices Index, for July 2023 is 6.8% (7.9% in June 2023). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 9.0% (10.7% in June 2023). Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol and tobacco) remained at 6.9% (no change from June 2023). It is this measure that has concerned the Bank of England and led to increases in interest rates.



- 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 Council will need to take into account the inflationary pressures when monitoring financial performance during the year and in assessing the impact on 2024/25 revenue and capital budgets.

Inflationary Pressures – Pay Award

- 3.5 With inflation remaining relatively high and not reducing as quickly as anticipated, this may lead to higher wage demands for both private and public sector workers.
- 3.6 The assumption made for the 2023/24 budget was for an average Pay Award of 4% across Publica, Ubico and Retained staff. Inflationary provision of £1.2m has been included in the budget for the pay award across Publica and Ubico contracts and for retained staff costs.
- 3.7 Local Government employers made a final offer to the unions in March 2023. With effect from 01 April 2023, the offer made by employers was:
- an increase of £1,925 (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 3.88% and 9.42% depending on the paygrade)
 - an increase of 3.88% on all pay points above the maximum of the pay spine but graded below deputy chief officer
 - an increase of 3.88% on all allowances
- 3.8 For reference, the financial implications of the employers offer outlined above would have been broadly similar in terms of cost when compared to 2022/23 although the Council has allowed for a higher level of pay inflation in the current year's budget. **The estimated additional financial impact of the employers offer would be around £0.400m.**
- 3.9 The unions have rejected this offer and are seeking a pay increase of RPI Inflation plus 2% at every spinal column point. **The estimated additional financial impact of the union proposal would be around £0.700m.**
- 3.10 At the time of writing this report it is unclear when the pay award will be settled and at what level. Unison undertook a disaggregated ballot of members on strike action but fell short of the 50% legal threshold required to strike in a national ballot (75% of members voted in favour of strike action but on a turnout of 31%). In a response to a joint letter from Local Government unions dated 16 August 2023 seeking an improved pay offer, Local Government employers reaffirmed the position that the *“employers’ offer has been repeatedly and unanimously reaffirmed as full and final since it was made on 23 February.”*



Energy Costs

- 3.11** The 2023/24 budget and MTFs recognised the significant increase in Energy prices experienced during the previous financial year. Government support for businesses through the energy price cap ended in March 2023.
- 3.12** Retail prices remain well above the pre-2021 average meaning the Council will continue to pay much more for energy than it did prior to 2021/22. At this stage it is too early to assess whether the additional amounts included in the budget are adequate. The Council is investing in measures to provide green energy (Solar PV) and to reduce its energy consumption over the medium-term.

Interest Rates

- 3.13** The Bank of England has increased interest rates 14 times since December 2021 in an effort to mitigate inflationary pressures with the latest increase of 0.25% taking the base rate to 5.25% on 04 August 2023. The council's treasury management advisors have forecast further increases during the year with an expectation that the base rate may peak at 5.50% to 5.75%.
- 3.14** In order to support the Capital Programme, the Council may need to undertake borrowing during the current financial year although this is dependent on a number of 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.
- 3.15** 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 others costs continue to rise and/or the need to find savings to balance the budget.
- 3.16** 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.
- 3.17** An updated Asset Management Strategy is being prepared which will review and assess the Council's assets and bring forward recommendations for the retention or disposal of the Council's land and property holdings linked to the Council's Corporate Plan and Medium-Term Financial Strategy (MTFS). Asset disposals would generate a capital receipt which could be utilised in place of external borrowing. The Asset Management Strategy will be considered by Cabinet in the autumn.



4. 2023/24 REVENUE BUDGET

- 4.1 The Revenue Budget was approved by Council at their meeting on 15 February 2023 with no adjustments made during the financial year to date.

Table 1 – Revenue Budget reconciliation

Budget Item	(£'000)
Original Budget (Council, 15 February 2023)	14,363
Adj:	
Adj:	
Adj:	
Adj:	
Latest Budget	14,363

- 4.2 At 30 June 2023 the Council's financial system shows unadjusted net expenditure of £5.805m against the profiled budget of £3.132m. Please note that the actual spend to date shown in Table ESI differs from the detailed position shown in Annex A as this adjusts for the timing difference on Housing Benefit Payments and 2022/23 accruals. The financial position is expected to remain challenging during the financial year with the Council facing significant budget pressures as outlined earlier in the report.
- 4.3 The outturn forecast for 2023/24 of £14.812m results in a forecast variance of £0.448m. Table 2 provides members with an overview of the significant 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

	2023/24 Latest Net Budget (£'000)	2023/24 Actuals to Q1 (£'000)	2023/24 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)
Revenue Budget				
Environmental & Regulatory Services	485	136	614	129
Business Sup. Svcs - Finance, HR, Procurement	1,120	445	1,120	0
ICT, Change & Customer Services	2,359	565	2,359	0
Assets, Property & Regeneration	718	231	808	90
Publica Executives and Modernisation	131	33	131	0
Revenues & Housing Support	615	1,089	615	0
Environmental Services	4,808	1,061	4,891	83
Leisure & Communities	1,918	(169)	1,953	35
Planning & Strategic Housing	1,947	1,775	1,947	0
Democratic Services	1,114	501	1,114	0
Retained and Corporate	2,277	313	2,343	66
Subtotal Services	17,491	5,979	17,894	403
Less: Reversal of accounting adjustments	(1,636)		(1,636)	0
Revised Subtotal Services	15,856	5,979	16,258	403
Corporate Income & Expenditure	(1,492)	(174)	(1,847)	(355)
Provisions and Risk Items	0	0	400	400
Net Budget Requirement	14,363	5,805	14,812	448
Funded by:				
Council Tax	(6,311)		(6,311)	0
Retained Business Rates	(4,389)		(4,389)	0
Government Funding - Grants	(2,905)		(2,905)	0
Government Funding - NHB	(290)		(290)	0
Collection Fund (surplus) / Deficit	393		393	0
TOTAL Funding	(13,503)	0	(13,503)	0
Budget shortfall/(surplus)	861		1,309	448



Table 3 – Corporate Income and Expenditure

	2023/24 Revised Budget to Q1 (£'000)	2023/24 Actuals to Q1 (£'000)	2023/24 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)
Corporate Income and Expenditure				
Contingency, other non-service income and expenditure	134	327	0	(134)
Savings & Transformation Items (See Tables 5a and 5b)	(500)		(400)	100
Treasury Management - Interest Payable	99	0	99	0
Treasury Management - Interest Receivable	(817)	(274)	(1,017)	(200)
Minimum Revenue Provision (MRP)	17	0	17	0
Revenue Contribution to Capital Outlay (RCCO)	200	0	100	(100)
Transfer to/(from) Earmarked Reserves	(625)	0	(645)	(20)
	(1,492)	53	(1,847)	(355)

Table 4 – Provisions and Risk

Provisions and Risk	2023/24 Profiled Budget to Q1 (£'000)	2023/24 Actuals to Q1 (£'000)	2023/24 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)
Ubico Pay Inflation			200	200
Ubico Growth			0	0
Energy Costs			0	0
Publica Pay Inflation			200	200
Forecast Risk			0	0
	0	0	400	400

Key variations

- 4.4** The forecast outturn position is a net overspend/adverse variance of £0.572m. Without any improvement in the forecast during the year, corrective action or additional savings the outturn variation would have to be funded from the Financial Resilience reserve at year end. 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 position. Members should note that the budgeted use of reserve utilised to set a balanced budget was £0.861m. Without mitigating and corrective action this would increase to £1.433m and is clearly not an acceptable position.



- 4.5** Annex A 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).
- 4.6** 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 underachievement of income – Building Control (£0.124m), Land Charges (£0.070m), Public conveniences (£0.076m)
 - Pay Award risk (£0.400m adverse) – see paragraphs 3.5 to 3.10 and 4.26 to 4.27
 - Savings Target Risk (£0.100m adverse) – see Section 5 of the report
 - Treasury Management performance (£0.200m positive variation)
 - Other Corporate Income and Expenditure budgets (£0.254m positive variation)
- 4.7** The building control service operates in a competitive market, although the Council has retained its market share income is below budget with a lower number of applications in quarter one when compared to the same period in prior year (121 applications compared to 175 in Q1 2022/23) in part due to continuing financial climate and uncertainty, £0.124m income shortfall forecast.
- 4.8** Income from land charges is below budget with income received forecast to be £70k 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 falls in house prices into 2023 and 2024 will inevitably lead to a reduced demand for this service.
- 4.9** Public Convenience income shortfall due to reduced footfall. Forecast net overspend of £0.076m. Cabinet approved increases to the service charges for the Council's Public Conveniences from 01 April 2023. The service requires an ongoing subsidy of £0.194m given the cost of maintaining the 15 sites the Council operates. There has been a reduced level of usage since the Covid pandemic with an income shortfall of £32k in 2021/22 and £26k in 2022/23.
- 4.10** Household waste bins and receptacles – an overspend is forecast of £50k, due to increased demand, increased cost of materials and longer lead times. This will be monitored throughout the year and reviewed as part of the 2024/25 budget setting process with consideration of developer contributions.



- 4.11** 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 £0.066m is currently forecast but will be reviewed for the Q2 report alongside the wider Asset Management Strategy.
- 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 delivered in a financially sustainable way.
- 4.13** 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 2023/24 of £8.275m is currently estimated to cost £8.232m – a net variation of £0.043m. The net reduction is a result of lower than budgeted diesel costs (fuel rate reduced from £1.45 p/l to £1.25 p/l), reduced staff costs from changes made to garden waste rounds. There are forecast increases in expenditure from higher repair, maintenance and hire costs of the garden waste fleet as a result of ageing vehicles which are due to be replaced imminently.
- 4.14** The tables below provides members with an overview of the financial performance of the Ubico Contract (Table 5a) and non-Ubico expenditure and income from fees and charges (Table 5b)

Table 5a – Ubico Contract Outturn Forecast (Q1)

Waste, Recycling, Street Cleaning and Grounds Maintenance Services	Ubico Contract Costs OB (£'000)	Ubico Contract Costs CS (£'000)	Outturn Forecast (£'000)	Outturn Variance (£'000)
WST004 Bulky Household Waste	0	0	0	0
Car Parks GM [CTW668]	63	63	65	2
CCM001 Cemetery/Churchyards GM [CTW688]	175	175	180	5
RYC002 Garden Waste Collection [CTW634]	1,315	1,316	1,336	20
WST001 Household Waste [CTW611]	1,622	1,623	1,614	(9)
RYC001 Recycling [CTW633]	2,933	2,935	2,897	(38)
RYC003 Refuse/Recycling/Food Waste [CTW635]	685	686	680	(6)
STC001 Street Cleaning [CTW666]	1,465	1,466	1,451	(16)
Trinity Road Offices GM [CTW668]	16	16	16	0
Grand Total	8,275	8,281	8,239	(42)

Table 5b – Ubico, Non-Ubico, Fees & Charges performance (Q1)

Waste, Recycling, Street Cleaning and Grounds Maintenance Services	Gross Service Cost LAB (£'000)	Income LAB (£'000)	Net Service Cost (£'000)	Expⁿ Forecast (£'000)	Income Forecast (£'000)	Net Service Forecast (£'000)	Net Service Variation (£'000)
WST004 Bulky Household Waste	57	(79)	(22)	57	(79)	(22)	0
Car Parks GM [CTW668]	63	0	63	65	0	65	2
CCM001 Cemetery/Churchyards GM [CTW688]	175	0	175	180	0	180	5
RYC002 Garden Waste Collection [CTW634]	1,353	(1,301)	52	1,373	(1,301)	72	20
WST001 Household Waste [CTW611]	1,781	(24)	1,757	1,822	(24)	1,798	41
RYC001 Recycling [CTW633]	3,245	(950)	2,295	3,207	(950)	2,257	(38)
RYC003 Refuse/Recycling/Food Waste [CTW635]	686	0	686	680	0	680	(6)
STC001 Street Cleaning [CTW666]	1,504	0	1,504	1,489	0	1,489	(16)
Trinity Road Offices GM [CTW668]	16	0	16	16	0	16	0
Grand Total	8,880	(2,353)	6,527	8,888	(2,353)	6,535	8

4.15 Performance against the Ubico Savings Target is outlined in Section 5 of this report



Treasury Management

- 4.16** Dividends from the Council's longer term investments (Pooled funds and Real Estate Investment Trusts) of £0.138m were received in the first quarter of the financial year achieving a return of over 5.3% (pooled funds) and around 2.8% (REIT). Interest from short term cash deposits with the Debt Management Office (DMO) was £0.1m by the end of the first quarter due to larger surplus balances than estimated being available to invest and interest rates rising at higher rate than budgeted. Investment income is forecast to be £0.200m higher than budgeted at the end of the financial year.
- 4.17** With the expectation of improved investment returns during the financial year, it was agreed at July Cabinet that any additional investment income above the budgeted level is transferred to a new earmarked reserve ("Treasury Management Risk") 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.
- 4.18** Council approved the Capital Strategy and the Treasury Management Strategy (including the Non-Treasury Management Investment Strategy) at their meeting on 15 February 2023. 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.
- 4.19** The CIPFA Code was updated in 2021 and includes the new requirement, mandatory from 1st 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.
- 4.20** The Council's Treasury Management Strategy for 2023/24 was approved at a meeting on 15 February 2023. Audit and Governance Committee will consider the Q1 treasury management indicators at their meeting in October 2023.
- 4.21** An overview of the non-treasury management performance is set out in Section 6 of the report (Capital Programme) with Annex C providing further details of the relevant prudential indicators.



Corporate Income and Expenditure, Provisions and Risk

- 4.22** As outlined in Tables 3 and 4 there are a number of significant 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.
- 4.23** Paragraphs 4.15 and 4.16 highlighted the performance of the Council's Treasury Management Investments, largely due to the higher than anticipated interest rates. The outturn forecast is additional income of £0.200m.
- 4.24** The Council has in prior years financed ICT capital expenditure from the revenue budget – typically around £0.200m per annum. With the outturn forecast on ICT Capital indicating expenditure of £0.100m for the year the forecast for the revenue contribution (RCCO) has been matched leading to an underspend of £0.100m. Members will need to consider how ICT Capital expenditure should be financed in future years given the budget gap forecast in 20204/25 and over the MTF5 period.
- 4.25** The 2023/24 revenue budget includes a net transfer from earmarked reserves of £0.645m to fund specific related expenditure – predominantly around new burdens and homelessness. A further £20k transfer from the Transformation and Investment Programme reserve is proposed to fund external consultancy commissioned by Ubico to support the delivery of future savings and efficiencies.
- 4.26** Paragraphs 3.5 to 3.10 set out the current position regarding the 2023/24 Pay Award which remains uncertain in terms of timing and impact on the Council's finances. The assumption made at the time the budget was set was for the pay award to increase staff costs by 4% and has been included in service budgets and the Ubico contract sum. An additional amount is held as a contingency on the basis of the uncertain inflation environment.
- 4.27** Therefore, a significant element of the financial impact from the pay award (when agreed) is already provided for in the budget. The amount over and above this, (the estimated additional financial impact of the employers offer would be around £0.400m) represents the unfunded risk and is notionally identified as a provision on the revenue budget.



4.28 A contingency budget is held centrally to mitigate any in-year cost pressures from inflation or other unforeseen events. This is reported as uncommitted to in-part offset the pay award risks highlighted in the paragraphs above.

5. SAVINGS AND TRANSFORMATION PROGRAMME DELIVERY

5.1 The 2023/24 Revenue Budget includes savings, cost reduction and additional income of £1.510m to mitigate budget pressures and to enable a balanced budget to be achieved. This included third party contract savings (£0.500m), expenditure savings (£0.456m), additional income from fees and charges (£0.415m), and corporate savings (£0.139m).

5.2 Savings proposals were reviewed to ensure they were robust and could be delivered. There is always a risk with a savings programme – savings may not be delivered in full or on time. Close monitoring of the savings programme through the Cabinet Transform Working Group (CTWG) and through the quarterly financial performance reporting is important to highlight any issues and for action to be taken to bring savings or the budget back in line.

5.3 This section sets out the current forecast position on the delivery of the savings agreed as part of the revenue budget identifying any issues and options available to the Council to address under delivery.

5.4 CTWG's role is primarily to receive regular updates on progress against the Council's Savings and Transformation programme (including Publica and Ubico savings and efficiencies targets) as part of an ongoing strategy to mitigate the budget gap, any further adverse variation that may arise during the year, and to assess proposals for 2024/25 and later financial years.

5.5 Table 6a provides members with a summary of position at the end of Q1.



Table 6a – Savings Update

	2023/24 Budget Removed (£'000)	Tracker	2023/24 Forecast Position (£'000)	2023/24 Variation (£'000)
Savings already adjusted out of Service Budgets				
Corporate Savings				
LGPS - Secondary Rate (PIA) (Budget savings)	(139)	Underway/On-Track/Complete	(139)	0
Expenditure Savings				
Remove permanent funding for Crowdfunding platform	(85)	Underway/On-Track/Complete	(85)	0
Insurance Premium	(47)	Underway/On-Track/Complete	(30)	17
Rationalisation of Postage	(20)	Slippage in Savings Delivery	(11)	9
Rationalisation of MFDs (Multifunction Devices)	(25)	Underway/On-Track/Complete	(25)	0
Google / MS 365 Procurement proposal	(10)	Underway/On-Track/Complete	(10)	0
Publica Contract - Net change in Establishment	(67)	Underway/On-Track/Complete	(67)	0
Visitor information centre funding reduction	(27)	Underway/On-Track/Complete	(27)	0
Internal audit days reduction	(20)	Slippage in Savings Delivery	0	20
Planning Appeals Budget	(40)	Underway/On-Track/Complete	(40)	0
Recycling Budget Adjustments	(16)	Underway/On-Track/Complete	(16)	0
Household Waste Budget adjustments	(9)	Underway/On-Track/Complete	(9)	0
Recycling Credits	(90)	Underway/On-Track/Complete	(90)	0
Fees and Charges				
Car Parking Fees (Sunday Charging)	0			0
Other Fees and Charges - Cost Recovery	(186)	Slippage in Savings Delivery	(142)	44
Garden Waste - fee increase	(229)	Underway/On-Track/Complete	(229)	0
	(1,010)		(920)	90

5.6 The forecast in Table 6a indicates £0.883m of the £1.010m savings already adjusted out of the revenue budget (around 87.4%) will be achieved. £0.127m (12.3%) is off-target and is largely due to under-performance of fees and charges income (Public Conveniences, Land Charges) as outlined earlier in the report. Expenditure savings arising from lower Insurance Premiums have been achieved, although this is below the anticipated level. A reduction in the level of audit days is not likely to take effect until 2024/25 due to notice periods required to make significant changes to the agreement with South West Audit Partnership (SWAP).

5.7 Table 6b provides members with an update on the performance against the Publica and Ubico savings targets (third party contract savings). A number of savings initiatives were identified as part of the 2023/24 budget setting process and were reviewed at Publica and Ubico shareholder forums. These initiatives required further scoping and planning before they could move into the delivery phase.



Table 6b – Savings Update

	2023/24 Original Net Budget (£'000)	2023/24 Forecast Savings (£'000)	2023/24 Variation (£'000)
Savings & Transformation Items			
Savings held 'below the line'		0	0
Publica Savings	(250)	(250)	0
Ubico/ESIP Savings	(250)	(150)	100
Other Corporate Savings		0	0
Additional in-year savings (as per Tracker)		0	0
Item 1			
Item 2			
	(500)	(400)	100

- 5.8 The forecast on the identification and delivery of savings against targets indicates a potential shortfall of £0.100m against the Ubico target and should be viewed as indicative at this stage of the year with further updates to CTWG and Cabinet on savings and cost reduction proposals.
- 5.9 Publica savings proposals against the £0.250m target are broadly in-line with the operating model set out in the Publica Business Plan 2022-2025 document ([link to Publica Business Plan](#)). Savings and efficiencies continue to be monitored and challenged through CTWG for robustness in terms of deliverability and the wider business case.
- 5.10 Savings proposals reviewed to date have been focussed on efficient service delivery and cost reductions including:
- Workforce Planning – one-off savings arising from vacancy management
 - Agile Working (reduced business travel costs)
- 5.11 Ubico savings proposals require further scoping and due diligence given the impact there may be on service delivery. Cost reductions have already been taken from operating a more efficient Garden Waste collection service (reduction of loaders on a small number of rounds with no impact on service quality).
- 5.12 Members should note the £42k underspend forecast on the Ubico contract sum with a cautious position adopted on savings delivery to avoid risk of double counting.



6. CAPITAL PROGRAMME

- 6.1 Council approved the Capital Programme for 2023/24 at their meeting on 15 February 2023. Cabinet approved the carry forward of unspent Capital budgets of £1.114m in the Financial Performance Report 2022/23 Outturn report to Cabinet in July 2023. The revised capital programme for 2023/24 is £15.013m. Given the budget profile of some of these schemes there has been a relatively low level of expenditure in the first quarter with a net total spend of £1.731m (£0.140m when the service loan is excluded).

Table 7 – Capital Programme budget reconciliation

Capital Programme Reconciliation	(£'000)
Original Budget (Council, 15 February 2023)	13,899
Slippage from 2022/23 (Cabinet, 17 July 2023)	1,114
Adj:	
Adj:	
Adj:	
Latest Budget	15,013

Table 8 – Capital Programme Outturn Forecast

	2023/24 OB (£'000)	Slippage From 2022/23 (£'000)	2023/24 LAB (£'000)	2023/24 Actuals to Q3 (£'000)	2023/24 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)
Capital Programme						
Leisure & Communities	1,387	4	1,391	(28)	1,391	0
Housing/Planning and Strategic Housing	4,001	208	4,209	1,763	3,918	(291)
Environment	1,956	173	2,129	(85)	583	(1,546)
Retained & Corporate	0	0	0	0	0	0
ICT, Change and Customer Services	350	65	415	0	100	(315)
UK Rural Prosperity Fund	191	0	191	0	191	0
UK Shared Prosperity Fund Projects	28	0	28	0	28	0
Land, Legal and Property	500	370	870	0	870	0
Transformation and Investment	5,486	294	5,780	81	1,216	(4,564)
TOTAL Capital Programme	13,899	1,114	15,013	1,731	8,297	(6,716)

- 6.2 As set out in the Financial Performance Report 2022/23 Outturn report to Cabinet in July 2023, slippage of £1.114m from the 2022/23 capital programme has been included in the revised capital programme set out in the table above. The initial outturn forecast for the current year is an underspend of £6.716m with slippage likely of £2.027m.



- 6.3 A summary of the key activity and variations forecast to date is provided below with Annex B providing a detailed overview of expenditure and explanation for variances against the capital programme.
- 6.4 The forecast assumes that the Strategic Property Acquisition (included in the summary line Transformation and Investment) will not proceed in the current financial year. With interest rates remaining relatively high, any future acquisition decision will need to be supported by a full business case setting out the wider benefits and financial impact over the immediate and longer-term.

Capital Receipts and Disposals

- 6.5 The Council received no capital receipts and did not make any asset disposals during the first quarter of 2023/24.

Table 9 – Capital Financing Statement Forecast

Capital Financing Statement	2023/24 OB (£'000)	Slippage From 2022/23 (£'000)	2023/24 LAB (£'000)	2023/24 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)
Capital receipts	8,036	433	8,469	6,627	(1,842)
Capital Grants and Contributions	1,576	331	1,907	1,154	(753)
Earmarked Reserves	0	0	0	0	0
Revenue Contribution to Capital Outlay (RCCO)	150	0	150	50	(100)
Community Municipal Investments (CMI)	116	350	466	466	0
Prudential Borrowing	4,021	0	4,021	0	(4,021)
	13,899	1,114	15,013	8,297	(6,716)

- 6.6 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.

Prudential Indicators

- 6.7 The detailed Non-Treasury Management prudential indicators are included in Annex C with the commentary below providing members with a high-level summary.
- 6.8 With the lower level of capital expenditure forecast for the financial year, this will reduce the underlying need to borrow. The mid-year Treasury Management report to Audit and Governance Committee will set out the wider impact on the Capital Financing Requirement and other prudential indicators measuring proportionality of capital financing costs to the Council's net revenue stream.



7. RISKS AND UNCERTAINTIES

7.1 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 other currencies, interaction between increased UK interest rates and the level of inflation.
- 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, Freedom Leisure) for the delivery of core Council services and may be more exposed to fluctuations in income and expenditure. Any additional income or expenditure pressures would increase the financial pressure facing the Council and would need to be funded through reserves or savings found elsewhere.

8. CONCLUSIONS

8.1 This monitoring report presents an update on the Council's financial position. As the report sets out, an overspend of £0.448m is forecast for the financial year which. Without mitigating or corrective action this would be financed from 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 The Cabinet Transform Working Group (CTWG) 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 CTWG review in-year opportunities with Publica and Ubico and provide Cabinet with an update in November on options to mitigate the financial position as currently forecast.

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. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

13.1 Considered within this report.

14. BACKGROUND PAPERS

14.1 None

(END)