



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET – 7 MARCH 2024
Subject	FINANCIAL PERFORMANCE REPORT – Q3 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
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Summary/Purpose	This report sets of the latest budget monitoring position for the 2023/24 financial year.
Annexes	Annex A – Capital Programme Outturn Forecast Annex B – Non-Treasury management Investment Prudential Indicators
Recommendation(s)	That Cabinet reviews and notes the Q3 financial position set out in this report.
Corporate priorities	<ul style="list-style-type: none">• Delivering Good Services
Key Decision	NO
Exempt	NO
Consultees/ Consultation	None



1. BACKGROUND

- 1.1** This report provides members with the third outturn forecast and monitoring position statement for the 2023/24 financial year and should be viewed in the context of the *2024/25 Revenue Budget, Capital Programme and Medium-Term Financial Strategy* report considered by Cabinet and Council in February 2024.
- 1.2** The purpose of this report is to notify members of any significant variations to budgets identified in the second quarterly budget monitor exercise, highlight any key financial issues, and to inform members of options and further action to be taken.
- 1.3** In common with the almost all local authorities, the council faces several external budget pressures that are impacting on its finances over the medium-term. There remains some uncertainty on the impact from inflation and interest rates on the final quarter's financial performance.

2. EXECUTIVE SUMMARY

- 2.1** This report sets out the outturn forecast for the financial year informed by the Q3 budget monitoring. Members should note this is based on early outcomes from the budget monitoring work given the publication deadlines for Overview and Scrutiny Committee. A complete view on the Q3 monitoring position will be included in the updated report that Cabinet will consider at their meeting on 07 March 2024.
- 2.2** Overview and Scrutiny Committee considered an early draft of this report at their meeting on 27 February 2024.
- 2.3** Based on the budget monitoring exercise undertaken for Q3 and an assessment of the risks and uncertainties facing the Council, the outturn forecast is a positive variation of £0.056m. This represents a much-improved position for the financial year and is a movement in the variation of £0.318m.



Table ES1 – Revenue Budget Outturn Forecast (Q3)

	2023/24 Latest Net Budget (£'000)	2023/24 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)	Q2 2023/24 Outturn Variance (£'000)	Movement from Q2
Revenue Budget					
Subtotal Services	17,534	18,479	944	907	37
Less: Reversal of accounting adjustments	(1,636)	(1,636)	0	0	0
Revised Subtotal Services	15,899	16,843	944	907	37
Corporate Income & Expenditure	(1,536)	(2,933)	(1,398)	(1,043)	(355)
Provisions and Risk Items	0	398	398	398	0
Net Budget Requirement	14,363	14,308	(56)	263	(318)
Funded by:					
Council Tax	(6,311)	(6,311)	0	0	0
Retained Business Rates	(4,389)	(4,389)	0	0	0
Government Funding - Grants	(2,905)	(2,905)	0	0	0
Government Funding - NHB	(290)	(290)	0	0	0
Collection Fund (surplus) / Deficit	393	393	0	0	0
TOTAL Funding	(13,503)	(13,503)	0	0	0
Budget shortfall/(surplus)	861	805	(56)	263	(318)

Table ES2 – Revenue Budget – Reconciliation of variations (Q3)

	Positive variation (£'000)	Adverse Variation (£'000)	Q2 Outturn Variance (£'000)	Movement from Q2 (£'000)
Variations at a glance				
Fees & Charges - Income Shortfall		242	256	(14)
Overspend - Waste & Recycling containers		44	50	(6)
Commercial Property - Rental income shortfall (risk)		74	75	(1)
Old Station - Temporary scaffolding costs		48	0	48
Pay Award (Publica impact)		198	198	0
Pay Award (Ubico impact)		0	0	0
Bad Debt Provision		50	50	0
Additional Transfer to Reserves (TM Reserve)		150	150	0
Savings Target shortfall (risk)		82	250	(168)
Other service variations		149	138	11
Ubico Contract forecast overspend (inc Pay Award impact)		133	134	(1)
Treasury Management Income	(920)		(796)	(124)
Reduced Revenue financing of Capital programme	(208)		(202)	(6)
Other Corporate Income and Expenditure	(97)		(39)	(58)
Subtotal	(1,225)	1,169		
Net Outturn Variation		(56)	263	(319)



2.4 Improvements in Treasury Management Investment

Income and an increase in the underspend reported by Publica across all partner Councils are the updated material variations. The majority of forecast variations from Q2 remain materially unchanged with additional variations reported on Old Station and Investment Property income.

Q3 revised variances

- Improved forecast of Treasury Management investment income due to continued higher investment balances and interest rates. Forecast outturn for the financial year is £1.763m, an income surplus of £0.946m.
- Forecast underspend of £0.900m across the total Publica contract sum for all Councils. The indicative amount that is applicable to Cotswold District Council is £0.275m. The underspend has largely arisen due to vacancy management.
- Building Control income (no change over Q2 forecast) below budget with a lower number of applications in Q1 and Q2 when compared to the same period in prior year (264 applications in Q1 and Q2 2023/24 compared to 315 in Q1 and Q2 2022/23) in part due to continuing financial climate and uncertainty. Q3 applications received 108. £110k income shortfall forecast.
- Public Convenience income shortfall due to reduced footfall. Forecast income shortfall of £55k.
- Household waste bins, bags, and containers - overspend forecast of £44k, overspend due to increased demand, increased cost of materials and longer lead times.
- Land charges income is performing below budget with net income received forecast to be £77k 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.
- Old Station – additional revenue cost of £48k for temporary scaffolding to ensure the property is safe prior to the commencement of capital works.
- Investment Property – void costs and rental income loss of £74k associated with the investment property formerly occupied by Wilko.
- Ubico are currently forecasting a net overspend of £133k due to the pay award (£145k adverse) and vehicle costs (£82k adverse), although lower than estimated diesel costs (£204k favourable) reduce the overall forecast position.
- Forecast deficit (£0.282m) on the Leisure and Culture contracts which will be transferred to the Contract Smoothing reserve (a sub-reserve of the Financial Resilience reserve).

2.5 In the Q2 report it was indicated that the adverse income variations outlined above were unlikely to recover over Q3 and Q4 due to longer-term under performance against income



budgets in previous financial years. The 2024/25 budget and MTFs approved by Council on 21 February 2024 has revised down the income budgets for Building Control and Land Charges.

- 2.6** 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.
- 2.7** The 2024/25 Revenue Budget, Capital Programme and Medium-Term Financial Strategy to Cabinet and Council provided members with an updated capital budget for the financial year and is shown in the table below. This is not materially different from the Q2 outturn forecast although there is slippage of £0.370m into 2024/25 across the Trinity Road (Carbon Efficiency) and £0.126m Trinity Road (Agile Working) projects which accounts for the majority of the additional forecast outturn variance.

Table ES2 – Capital Programme Outturn Forecast

Capital Programme	2023/24 OB (£'000)	2023/24 REV (£'000)	2023/24 Actuals to Q3 (£'000)	2023/24 Outturn Forecast (Q3) (£'000)	2023/24 Outturn Variance (£'000)
Leisure & Communities	1,387	79	83	102	23
Housing/Planning and Strategic Housing	4,001	4,765	2,789	4,727	(38)
Environment	1,956	566	285	565	(1)
Retained & Corporate	0	0	0	0	0
ICT, Change and Customer Services	350	100	25	100	0
UK Rural Prosperity Fund	191	191	0	175	(16)
UK Shared Prosperity Fund Projects	28	28	0	20	(8)
Land, Legal and Property	500	567	(0)	84	(483)
Transformation and Investment	5,486	1,216	623	1,025	(191)
TOTAL Capital Programme	13,899	7,512	3,805	6,798	(714)

- 2.8** Financial Sustainability – The 2023/24 revenue budget is held in balance using £0.861m of the Financial Resilience Reserve. It was noted in the Q2 report 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 was not a desirable outcome and further management action must be taken by the Council, Publica and Ubico to mitigate the current forecast outturn.
- 2.9** When taken with the 2023/24 Revenue Budget, the Council would be utilising £0.805m of the Financial Resilience reserve to support the budget. Although this is an improved position,



members should note the reliance on the Financial Resilience reserve over the last 2 financial years to balance the budget (£2.047m) which is not sustainable over the medium-term.

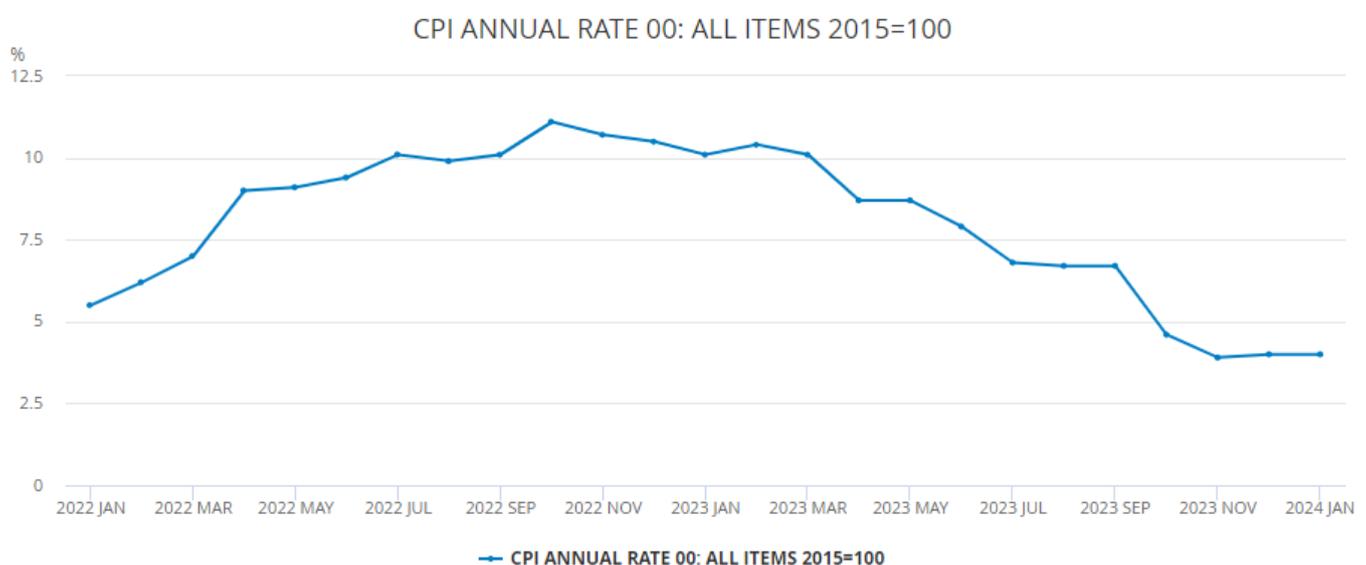
2.10 The draft outturn position will be reported to the July 2024 Cabinet meeting.

3. EXTERNAL ECONOMIC ENVIRONMENT

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

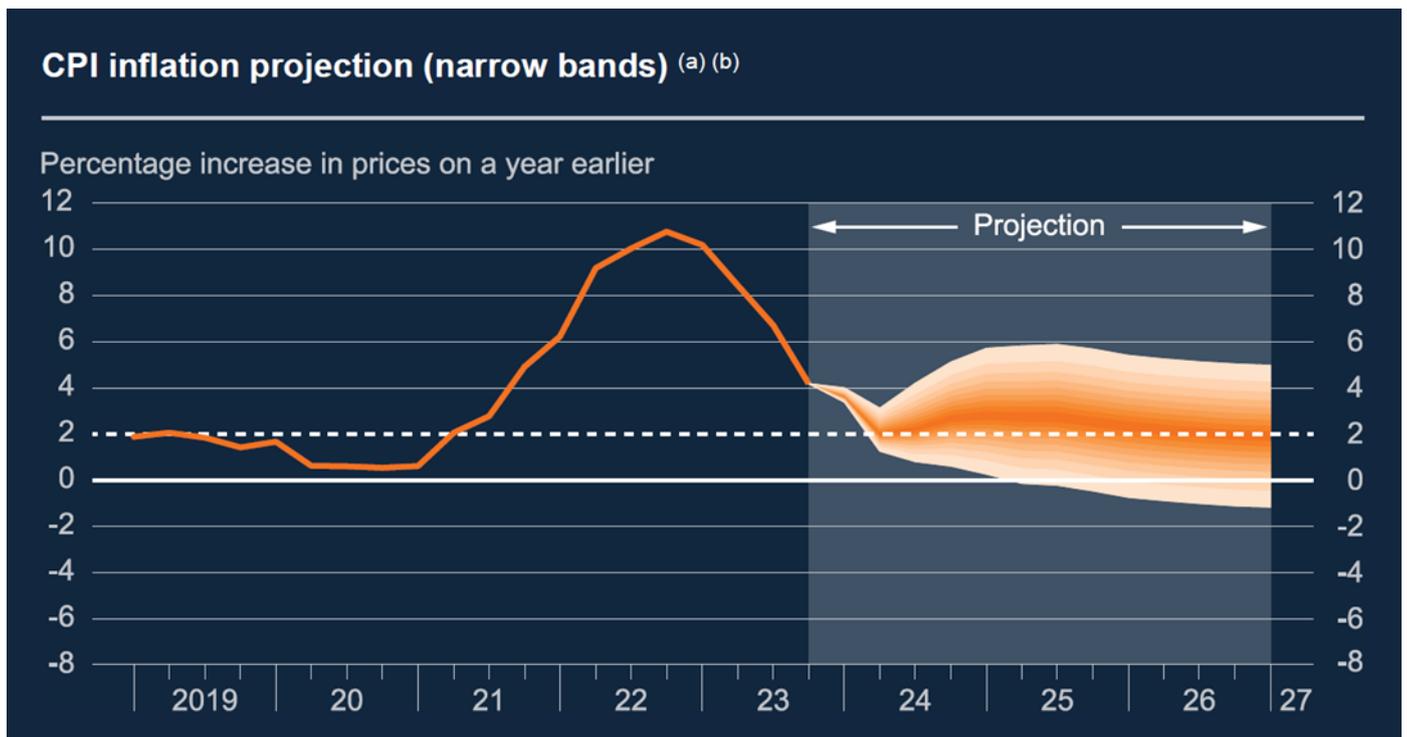
Inflationary Pressures

3.2 The Office for National Statistics (ONS) released inflation figures from the 12 months to January 2024 on 14 February 2024. The level of inflation, as measured by the Consumer Prices Index, is 4.0% (no change from December 2023). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 4.9% (5.2% in December 2023). Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol, and tobacco) remained at 5.1% for the third month (5.1% in December 2023). Whilst prices of food and beverages reduced this was offset by the impact of increased fuel prices. It is this measure that has concerned the Bank of England and led to increases in interest rates during 2023.





- 3.3 Although general inflation has reduced since the start of 2023, the Council is subject to specific inflationary pressures on its services (e.g., fuel costs on waste and recycling service) which have tended to track higher than CPI and RPI.
- 3.4 The forecast for inflation is for a return towards the Bank of England's target of 2.0% (CPI) although it is worth noting recent commentary suggesting the bank should consider revising the target to 3.0%. The graph below shows the different CPI forecasts that are published in the quarterly Bank of England Monetary Policy Committee report (February 2024).



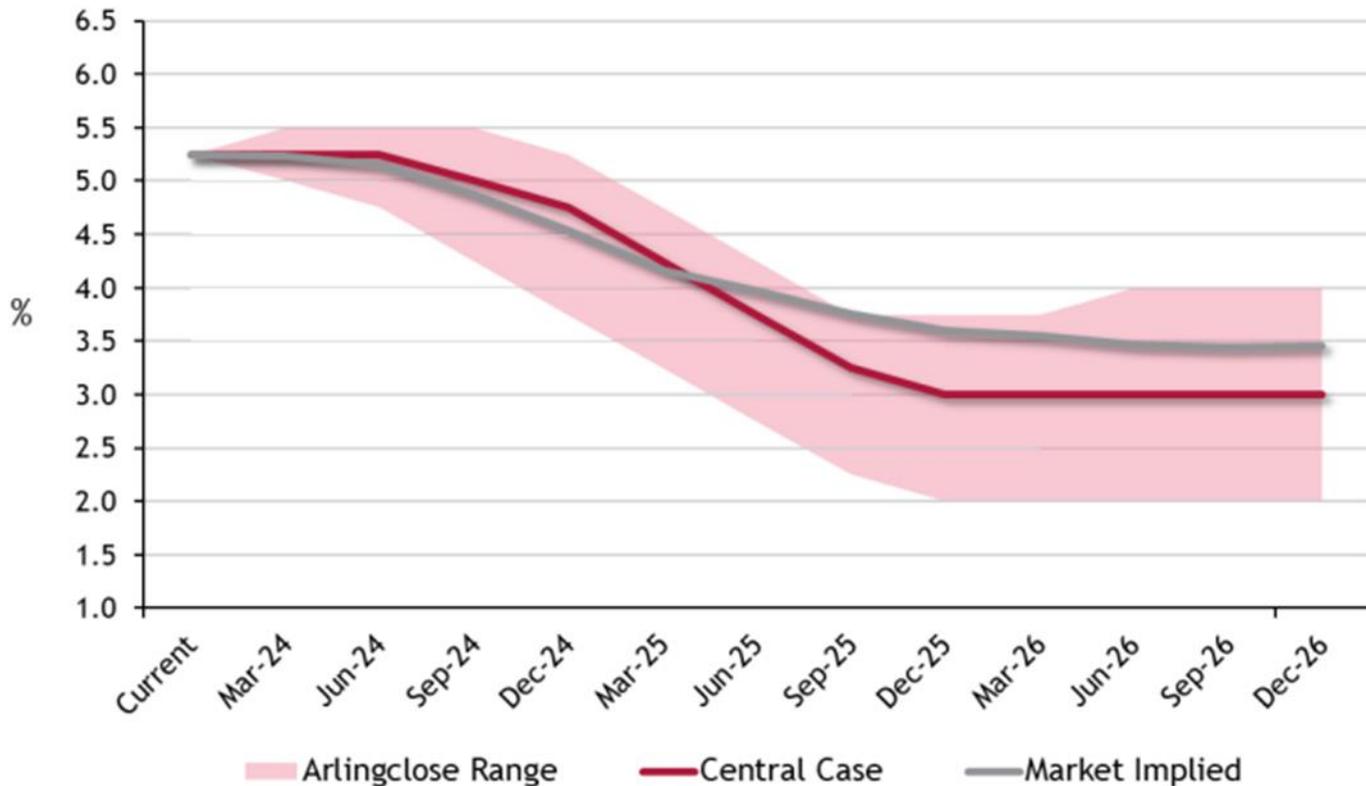
- 3.5 The continuation of elevated levels of inflation throughout the year and the Bank of England's forecast over the medium-term will need to be taken into account when assessing the impact on 2024/25 revenue and capital budgets.

Interest Rates

- 3.6 The Bank of England has increased interest rates fourteen times since December 2021 to mitigate inflationary pressures with the last increase of 0.25% taking the base rate to 5.25% on 04 August 2023. The MPC voted to maintain rates at 5.25% at their latest meeting on 01 February 2024 (the Monetary Policy Committee voted by a majority of 6-3 to maintain the official Bank Rate at 5.25%. Two members preferred to increase Bank Rate by 0.25 percentage points, to 5.5%. One member preferred to reduce Bank Rate by 0.25 percentage points, to 5%). The council's treasury management advisors believe this is the peak for the bank rate. The next MPC meeting is scheduled for 21 March 2024.



Official Bank Rate



- 3.7** To support the Capital Programme, the Council may need to undertake borrowing during the current financial year although this is dependent on several factors. 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.
- 3.8** The Council has limited and reducing internal resources to support the capital programme (capital receipts, earmarked reserves). This is not unique to Cotswold District Council with reports in specialist press (e.g., Public Finance) of Councils shelving or scrapping planned capital projects as other costs continue to rise and/or the need to find savings to balance the budget.
- 3.9** With interest rates expected to remain high during the forthcoming 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.
- 3.10** 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 April 2024.

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 On 31 December 2023, the Council is reporting net expenditure of £10.443m against the profiled budget of £10.804m. The financial position is expected to remain challenging during the remainder of the financial year and into 2024/25 with the Council facing significant budget pressures as outlined earlier in the report.
- 4.3 The outturn forecast for 2023/24 of £14.308m results in a forecast variance of £0.056m – a reduction of £0.318m against the Q2 forecast. 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 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)	Q2 2023/24 Outturn Variance (£'000)	Movement from Q2
Revenue Budget					
Environmental & Regulatory Services	486	599	114	110	4
Business Sup. Svcs - Finance, HR, Procurement	1,120	1,129	9	23	(14)
ICT, Change & Customer Services	2,359	2,333	(26)	0	(26)
Assets, Property & Regeneration	725	819	94	26	68
Publica Executives and Modernisation	131	131	0	0	0
Revenues & Housing Support	615	688	73	62	11
Environmental Services	4,815	4,916	101	281	(180)
Leisure & Communities	1,918	2,238	320	265	55
Planning & Strategic Housing	1,947	1,949	2	0	2
Democratic Services	1,104	1,121	17	(8)	25
Retained and Corporate	2,315	2,556	241	149	92
Subtotal Services	17,534	18,479	944	907	37
Less: Reversal of accounting adjustments	(1,636)	(1,636)	0	0	0
Revised Subtotal Services	15,899	16,843	944	907	37
Corporate Income & Expenditure	(1,536)	(2,933)	(1,398)	(1,043)	(355)
Provisions and Risk Items	0	398	398	398	0
Net Budget Requirement	14,363	14,308	(56)	263	(318)
Funded by:					
Council Tax	(6,311)	(6,311)	0	0	0
Retained Business Rates	(4,389)	(4,389)	0	0	0
Government Funding - Grants	(2,905)	(2,905)	0	0	0
Government Funding - NHB	(290)	(290)	0	0	0
Collection Fund (surplus) / Deficit	393	393	0	0	0
TOTAL Funding	(13,503)	(13,503)	0	0	0
Budget shortfall/(surplus)	861	805	(56)	263	(318)



Table 3 – Corporate Income and Expenditure

	2023/24 Revised Budget (£'000)	2023/24 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)	Movement since Q2 (£'000)
Corporate Income and Expenditure				
Contingency, other non-service income and expenditure	105	41	(64)	(45)
Savings & Transformation Items	(500)	(418)	82	(168)
Treasury Management - Interest Payable	99	8	(91)	(6)
Treasury Management - Interest Receivable	(817)	(1,737)	(920)	(124)
Minimum Revenue Provision (MRP)	17	0	(17)	0
Revenue Contribution to Capital Outlay (RCCO)	200	100	(100)	0
Transfer to/(from) Earmarked Reserves	(639)	(927)	(288)	(13)
	(1,536)	(2,933)	(1,398)	(355)

Table 4 – Provisions and Risk

	2023/24 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)	Q2 2023/24 Outturn Variance (£'000)	Movement since Q2 (£'000)
Provisions and Risk				
Additional Transfer to Reserves (TM Reserve)	150	150	150	0
Bad Debt Provision	50	50	50	0
Publica Pay Inflation	198	198	198	0
Forecast Risk	0	0	0	0
	398	398	398	0

Key variations

- 4.4** The forecast outturn position is a net positive variance of £0.056m. Whilst this is an improved position compared to Q2, it is important the Council is not complacent on the Q3 position. Without the continuation of positive action, any adverse outturn variation would have to be funded from the Financial Resilience reserve at year end. Clearly, this would not be 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.
- 4.5** 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 (£0.110m), Land Charges (£0.077m), Public conveniences (£0.055m)



- Forecast overspend on the Ubico Contract (£0.133m overspend, £0.012m underlying underspend excluding the pay award)
- Forecast deficit (£0.282m) on the Leisure and Culture contracts which will be transferred to the Contract Smoothing reserve.
- Commercial Property rental income (£0.074m adverse variation)
- Pay Award impact (£0.198m adverse) – see paragraphs 3.6 to 3.8 and 4.26.
- Savings Target Risk – Publica Q3 forecast of £0.275m underspend mitigates in part the £0.250m adverse on Ubico savings target.
- Treasury Management and interest receivable performance (£0.920m positive variation) – improvement of £0.124m over Q2
- Reduced Revenue financing of Capital programme (£0.208m positive variation)
- Adjustments for Bad Debt Provision and a proposed additional transfer to earmarked reserves (£0.200m)

- 4.6** 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 (264 applications compared to 315 in Q1+Q2 2022/23) in part due to continuing financial climate and uncertainty. 108 applications received in Q3. £0.110m income shortfall forecast.
- 4.7** Income from land charges is below budget with net income received forecast to be £77k 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 has reduced demand for this service.
- 4.8** Public Convenience income shortfall of £0.055m is forecast due to reduced footfall. One-off expenditure reductions reduce the forecast net overspend to £0.052m. Cabinet approved increases to the service charges for the Council's Public Conveniences from 01 April 2023. The service was subject to a review by Overview and Scrutiny Committee (Public Conveniences Review Group) and reported the outcome of the review and recommendations in January 2024.
- 4.9** 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 £0.074m is forecast but will be reviewed alongside the wider Asset Management Strategy.



4.10 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 £8.414m – a net overspend of £0.133m. This is predominantly due to the impact of the pay award (£0.145m overspend), additional costs associated with vehicle repairs and vehicle hire (£0.082m overspend). This is offset by a reduced volume and cost of fuel (£0.204m underspend) which is lower than the assumed cost included in the budget).

4.11 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 (Q3)

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	69	5
CCM001 Cemetery/Churchyards GM [CTW688]	175	175	190	15
RYC002 Garden Waste Collection [CTW634]	1,315	1,316	1,347	31
WST001 Household Waste [CTW611]	1,622	1,623	1,711	88
RYC001 Recycling [CTW633]	2,933	2,935	2,917	(18)
RYC003 Refuse/Recycling/Food Waste [CTW635]	685	686	642	(44)
STC001 Street Cleaning [CTW666]	1,465	1,466	1,520	54
Trinity Road Offices GM [CTW668]	16	16	17	1
Grand Total	8,275	8,281	8,414	133
Less: Pay Award impact				(145)
Net variation on contract (excluding Pay Award)				(12)



Table 5b – Ubico, Non-Ubico, Fees & Charges performance (Q3)

	Gross Service Cost LAB (£'000)	Income LAB (£'000)	Net Service Cost (£'000)	Exp ⁿ Forecast (£'000)	Income Forecast (£'000)	Net Service Forecast (£'000)	Net Service Variation (£'000)
Waste, Recycling, Street Cleaning and Grounds Maintenance Services							
WST004 Bulky Household Waste	73	(79)	(6)	73	(79)	(6)	0
Car Parks GM [CTW668]	63	0	63	69	0	69	5
CCM001 Cemetery/Churchyards GM [CTW688]	175	0	175	190	0	190	15
RYC002 Garden Waste Collection [CTW634]	1,353	(1,301)	52	1,383	(1,301)	82	31
WST001 Household Waste [CTW611]	1,781	(24)	1,757	1,919	(24)	1,896	138
RYC001 Recycling [CTW633]	3,245	(950)	2,295	3,227	(950)	2,277	(18)
RYC003 Refuse/Recycling/Food Waste [CTW635]	686	0	686	642	0	642	(44)
STC001 Street Cleaning [CTW666]	1,504	0	1,504	1,558	0	1,558	54
Trinity Road Offices GM [CTW668]	16	0	16	17	0	17	1
Grand Total	8,896	(2,353)	6,543	9,079	(2,353)	6,725	183

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



- 4.13** Household waste bins and receptacles – an overspend is forecast of £44k, due to increased demand, increased cost of materials and longer lead times.
- 4.14** The contract with Freedom Leisure to operate the Council's Leisure and Cultural services commenced in August 2023 for an initial period of 10 years. In common with contracts of this type, there is an uneven profile of payments to and from the operator over the duration of the contract. The forecast for 2023/24 is for a deficit (payment from the Council to the operator) of £0.282m and this is reflected in the net adverse variance of £0.320m for the Leisure and Communities summary line in Table 2.
- 4.15** Based on operator forecasts submitted with tender documentation, the Council will need to set aside adequate funding from the financial resilience reserve in the first five years of the contract, with a surplus on the contract (payment from the operator to the Council) in the remaining years of the contract term.

Treasury Management

- 4.16** Dividends from the Council's longer-term investments (Pooled funds and Real Estate Investment Trusts) of £0.383m were received in the three quarters of the financial year achieving a return of over 5.15% (pooled funds) and around 2.85% (REIT). Interest from short term cash deposits with the Debt Management Office (DMO) was £0.5m by the end of the third quarter due to larger surplus balances than estimated being available to invest and interest rates rising at higher rate than budgeted and remaining high. Investment income is forecast to be £0.960m 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 01 April 2023, of quarterly reporting of the treasury management prudential indicators. An overview of the non-treasury management performance is set out in Section 6 of the report (Capital Programme) with Annex B providing further details of the relevant prudential indicators.

4.20 Audit and Governance Committee considered the mandatory mid-year Treasury Management report at their meeting on 30 November 2023.

Corporate Income and Expenditure, Provisions and Risk

4.21 As outlined in Tables 3 and 4 there are several significant variations were forecast in Q2 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.

4.22 Paragraph 4.16 in this report provided members with an initial update on the performance of the Council's Treasury Management Investments. The outturn forecast is additional income of £0.920m, largely due to the higher than anticipated interest rates.

4.23 With the strong performance of Treasury Management Investments, the Q2 report recommended that £0.150m is transferred to the Treasury Management Reserve to mitigate the potential change to accounting treatment of Pooled Funds from March 2025.

4.24 As reported in Q2, 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 MTFS period.

4.25 The 2023/24 revenue budget includes a net transfer from earmarked reserves of £0.625m 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 As outlined in the Q2 report (paragraph 4.23 and 4.18) further transfers were agreed to mitigate risk.



- a transfer of £0.150m is transferred to the Treasury Management Reserve to mitigate the potential change to accounting treatment of Pooled Funds from March 2025.
- A provisional transfer of £0.282m is made to the “Contract Smoothing” earmarked reserve to transfer the forecast deficit in respect of the leisure and culture contract in 2023/24.

4.27 An allowance of £0.198m is included in Table 4 recognising the Publica element pay award impact the revenue budget. The impact of the pay award on Ubico costs has already been included in the service revenue expenditure forecasts.

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.

4.29 The 2023/24 revenue outturn forecast includes an allowance to increase the bad debt provision by £50k to reflect the increased probability of sundry, council tax and business rate debtors remaining unpaid because of the cost-of-living crisis and recessionary pressures on the economy.

Publica Review

4.30 Members will be aware from *Publica Review* report in November 2023 ([Publica Review report link](#)) and the *2024/25 Revenue Budget, Capital Programme and Medium-Term Financial Strategy Report* in February 2024 ([Budget and MTFS report link](#)) that £0.500m has been set aside in the Corporate Priorities: Publica Review reserve to fund the transition programme cost.

4.31 Whilst there has not been a material level of expenditure incurred by the end of Q3, the table below sets out the commitments on the transition programme that will be funded from this reserve in 2023/24.



Table 6 – Publica Transition Costs

Item	Description	Provider	Approval Date	2023/24 Forecast (£)	CDC Share (£)
Programme Director	Interim Programme Director (AP) sourced through Tile Hill	Tile Hill	21-Dec-2023	70,785	23,595
External Legal advice	External Legal advice to support transition of service from Publica to Councils including TUPE advice	Trowers & Hamlins	21-Dec-2023	10,000	3,333
Human Engine Report	Consultancy and support provided July to October 2023	Human Engine	N/A	26,400	6,600
Local Partnerships	20 days consultancy in 2023/24 - LGA funded	Local Partnerships	21-Dec-2023	0	0
Local Partnerships	Additional support outside of the LGA-funded consultancy	Local Partnerships	15-Feb-2024	0	0
Programme Office	Backfill costs for HR and Finance roles	Publica	29-Feb-2024	11,900	3,967
				119,085	37,495

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 7 provides members with a summary of position at the end of Q3.



Table 7 – Savings Update

	2023/24 Budget Removed (£'000)	Issue highlighted in budget monitoring?	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)	No	Underway/On-Track/Complete	(139)	0
Expenditure Savings					
Remove permanent funding for Crowdfunding platform	(85)	No	Underway/On-Track/Complete	(85)	0
Insurance Premium	(47)	No	Underway/On-Track/Complete	(30)	17
Rationalisation of Postage	(20)	Yes	Slippage in Savings Delivery	(11)	9
Rationalisation of MFDs (Multifunction Devices)	(25)	No	Underway/On-Track/Complete	(25)	0
Google / MS 365 Procurement proposal	(10)	No	Underway/On-Track/Complete	(10)	0
Publica Contract - Net change in Establishment	(67)	No	Underway/On-Track/Complete	(67)	0
Visitor information centre funding reduction	(27)	No	Underway/On-Track/Complete	(27)	0
Internal audit days reduction	(20)	Yes	Slippage in Savings Delivery	0	20
Planning Appeals Budget	(40)	No	Underway/On-Track/Complete	(40)	0
Recycling Budget Adjustments	(16)	No	Underway/On-Track/Complete	(16)	0
Household Waste Budget adjustments	(9)	No	Underway/On-Track/Complete	(9)	0
Recycling Credits	(90)	No	Underway/On-Track/Complete	(90)	0
Fees and Charges					
Other Fees and Charges - Cost Recovery	(186)	Yes	Slippage in Savings Delivery	(122)	64
Garden Waste - fee increase	(229)	No	Underway/On-Track/Complete	(229)	0
	(1,010)			(900)	110



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, as approved by Council in February 2024 is £7.512m. Annex A sets out the detailed forecast outturn with commentary from budget holders and is summarised in Table 9 below.

Table 8 – 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
Revised budget changes	(7,501)
Adj:	
Adj:	
Latest Budget	7,512

Table 9 – Capital Programme Outturn Forecast Q3

Capital Programme	2023/24 OB (£'000)	2023/24 REV (£'000)	2023/24 Actuals to Q3 (£'000)	2023/24 Outturn Forecast (Q3) (£'000)	2023/24 Outturn Variance (£'000)
Leisure & Communities	1,387	79	83	102	23
Housing/Planning and Strategic Housing	4,001	4,765	2,789	4,727	(38)
Environment	1,956	566	285	565	(1)
Retained & Corporate	0	0	0	0	0
ICT, Change and Customer Services	350	100	25	100	0
UK Rural Prosperity Fund	191	191	0	175	(16)
UK Shared Prosperity Fund Projects	28	28	0	20	(8)
Land, Legal and Property	500	567	(0)	84	(483)
Transformation and Investment	5,486	1,216	623	1,025	(191)
TOTAL Capital Programme	13,899	7,512	3,805	6,798	(714)

- 6.2 The capital programme no longer includes the Strategic Property Acquisition scheme (included in the summary line Transformation and Investment). 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.



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

Capital Receipts and Disposals

- 6.4 The Council received a capital loan repayment of £0.956m from Cottsway Housing in Q3 2023/24 in line with the terms of the unsecured development loan facility. The Council did not make any asset disposals during Q1 to Q3 2023/24.

Table 10 – Capital Financing Statement Forecast Q3

Capital Financing Statement	2023/24 OB (£'000)	2023/24 LAB (£'000)	2023/24 Outturn Forecast (£'000)	2023/24 Outturn Variance (£'000)
Capital receipts	8,036	5,062	4,424	(638)
Capital Grants and Contributions	1,576	1,959	1,933	(26)
Earmarked Reserves	0	0	0	0
Revenue Contribution to Capital Outlay (RCCO)	150	100	50	(50)
Community Municipal Investments (CMI)	116	391	391	0
Prudential Borrowing	4,021	0	0	0
	13,899	7,512	6,798	(714)

- 6.5 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.

7. NON-TREASURY MANAGEMENT SUMMARY

- 7.1 The CIPFA Code was updated in 2021 and includes the new requirement, mandatory from 01 April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are expected to be included in the Council's usual revenue and capital monitoring reports.
- 7.2 An overview of the non-treasury management performance is set out in Section 6 of the report (Capital Programme) with Annex B providing further details of the relevant prudential indicators.



8. RISKS AND UNCERTAINTIES

8.1 The risks and uncertainties outlined in the Q2 report and in the 2024/25 Revenue Budget, Capital Programme and Medium-Term Financial Strategy report to Cabinet and Council remain relevant.

- 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 does not include updated 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 in the final quarter.
- The Council is dependent on several 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.
- Publica Review – At their meeting on 02 November 2023, Cabinet recommended that Council approve the recommendations set out in the Publica Review report undertaken by Human Engine. The report highlighted the need for a transition plan (to be reported to Cabinet and Council in the new year) and the completion of extensive due diligence. The Human Engine report identified the preferred option of returning the majority of services to the Council. There is a risk over the remainder of the financial year to service delivery outcomes (ability to provide services at current levels if staff turnover increases) and to costs (increased cost associated with agency/interim staff). The impact from the review outcomes will need to be kept under scrutiny over the coming weeks. As with many insourcing and transformation projects, there is an increased level of uncertainty amongst staff.
- It is difficult at this early stage to set out the financial impact of the transition plan on the Council's finances. Cabinet and Council will consider the initial Local Partnerships Transition Plan report in March 2024.
- The transition of services from Publica to Council will clearly have a material impact on the Council's resources and budget over the next two years. For the purposes of the 2024/25 revenue budget and the MTFs, it is assumed the cost of services will remain within the cost envelope set out over the medium-term.



- In order to fund the one-off costs of transition, Council approved £0.500m to be set aside in the Corporate Priority: Publica Review reserve.

9. CONCLUSIONS

- 9.1** This monitoring report presents an update on the Council's financial position. As the report sets out, an indicative underspend of £0.056m is forecast for the financial year which. Without continued mitigating or corrective action any adverse variation 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.
- 9.2** Cabinet will continue to consider the impact of the forecast outturn and the impact on earmarked reserves as part of their oversight of the savings and transformation programme.

10. FINANCIAL IMPLICATIONS

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

11. LEGAL IMPLICATIONS

- 11.1** 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.

12. RISK ASSESSMENT

- 12.1** Section 8 of this report sets out the financial risks and uncertainties.

13. EQUALITIES IMPACT

- 13.1** None.



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14. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

14.1 Considered within this report.

15. BACKGROUND PAPERS

15.1 None

(END)