

Cherwell District Council

Budget Planning Committee

13 September 2022

Monthly Performance, Finance and Risk Monitoring Report

Report of Assistant Director of Finance

This report is public

Purpose of report

This report summarises Cherwell District Council's (CDC's) forecast revenue and capital outturn for 2022/2023 as at July 2022 to give the Committee the opportunity to consider the finance aspects of the report.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the contents of this report.

2.0 Introduction

- 2.1 CDC monitors its financial position on a monthly basis. This report provides the forecast outturn position for the year end based on the position as at July of 2022.

Revenue Budget

- 2.2 CDC's revenue financial position for July 2022 shows an overspend of £1.050m. This is made up of £0.623m savings Non-delivery and business as usual costs of £0.427m.
- 2.3 The largest overspend forecast within Environmental Services of £0.623m, of which £0.458m relates to a reduction in anticipated car park income due to lower than anticipated usage levels.

Capital Budget

- 2.4 The capital budget for 2022/23 is £27.229m. Spend for the year is £21.020m, and £5.243m is to be reprofiled into future years. There is an overall forecast reduction in the spend on capital schemes of £0.966m.

- 2.5 The total capital budget across multiple years is £32.432m. Spend on the total budget is forecast at £34.835m

3.0 Report Details

- 3.1 The Council's forecast position for 2022/2023 is an overspend of £1.050m shown in Table The majority of the forecast overspend is due to the continued impacts of the Covid-19 pandemic relating to commercial and car parking income streams and the cost-of-living crisis linked to increasing fuel costs.

The Council notes that national pay negotiations are ongoing and that the employers have made an offer to the Trade Unions which has not been accepted. The forecast for this month only includes the current pay award which has been allocated at a local level. Once the outcome of the national pay negotiations has concluded this will be factored into the MTFS for the Council.

Report continues on next page

3.2 Report Details

Table 1: Forecast Year End Position

Service	Original Budget £m	Current Budget £m	Forecast July 2022 £m	July Variance (Under) / Over £m	% Variance to current budget %	June Variance (Under) / Over £m	Change since Previous (better) / worse £m	
HR & OD	0.822	0.815	0.815	0.000	0.0%	0.000	0.000	
Wellbeing & Community	3.339	4.331	4.556	0.225	5.2%	0.225	0.000	
Customer Focus	1.606	1.663	1.724	0.061	3.7%	0.063	(0.002)	Green
Chief Executive	5.767	6.809	7.095	0.286	4.2%	0.288	(0.002)	Green
Finance	2.850	3.009	3.009	0.000	0.0%	0.005	(0.005)	Green
Legal & Democratic	1.709	1.833	1.884	0.051	2.8%	0.027	0.024	Red
ICT	1.235	1.235	1.458	0.223	18.1%	0.119	0.104	Red
Property	(3.196)	(1.918)	(2.026)	(0.108)	5.6%	0.310	(0.418)	Green
Resources	2.598	4.159	4.325	0.166	4.0%	0.461	(0.295)	Green
Planning & Development	1.752	1.842	1.806	(0.036)	-2.0%	(0.043)	0.007	Red
Growth & Economy	0.336	0.385	0.335	(0.050)	-13.0%	(0.040)	(0.010)	Green
Environmental	4.057	4.083	4.706	0.623	15.3%	0.565	0.058	Red
Regulatory	1.112	1.266	1.266	0.000	0.0%	0.020	(0.020)	Green
Communities	7.257	7.576	8.113	0.537	7.1%	0.502	0.035	Red
Subtotal for Directorates	15.622	18.544	19.533	0.989	5.3%	1.251	(0.262)	Green
Executive Matters	4.316	1.448	1.841	0.393	-27.1%	0.065	0.328	Red
Policy Contingency	3.554	3.500	3.168	(0.332)	-9.5%	(0.280)	(0.052)	Green
Total	23.492	23.492	24.542	1.050	4.5%	(0.215)	0.276	Red
FUNDING	(23.492)	(23.492)	(23.492)	0.000	0.0%	0.000	0.000	
(Surplus)/Deficit	0.000	0.000	1.050	1.050		1.036	0.014	Red

Note: A positive variance is an overspend and a negative is an underspend. Green represents an improvement and red represents a decline compared to the previous month's forecast.

Table 2: Analysis of Forecast Variance – July 2022

Breakdown of current month forecast	Forecast Variance £m	Forecast Base Budget Over/ (Under) £m	Savings Non-Delivery £m
Chief Executive	0.286	0.211	0.075
Resources	0.166	(0.056)	0.222
Communities	0.537	0.211	0.326
Subtotal Directorates	0.989	0.366	0.623
Executive Matters	0.393	0.393	0.000
Policy Contingency	(0.332)	(0.332)	0.000
Total	1.050	0.427	0.623

FUNDING	0.000	0.000	0.000
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(Surplus)/Deficit	1.050	0.427	0.623
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Table 3 – Budget compared with Forecast

The graph below shows the Forecast for July and June compared to budget for the financial year.

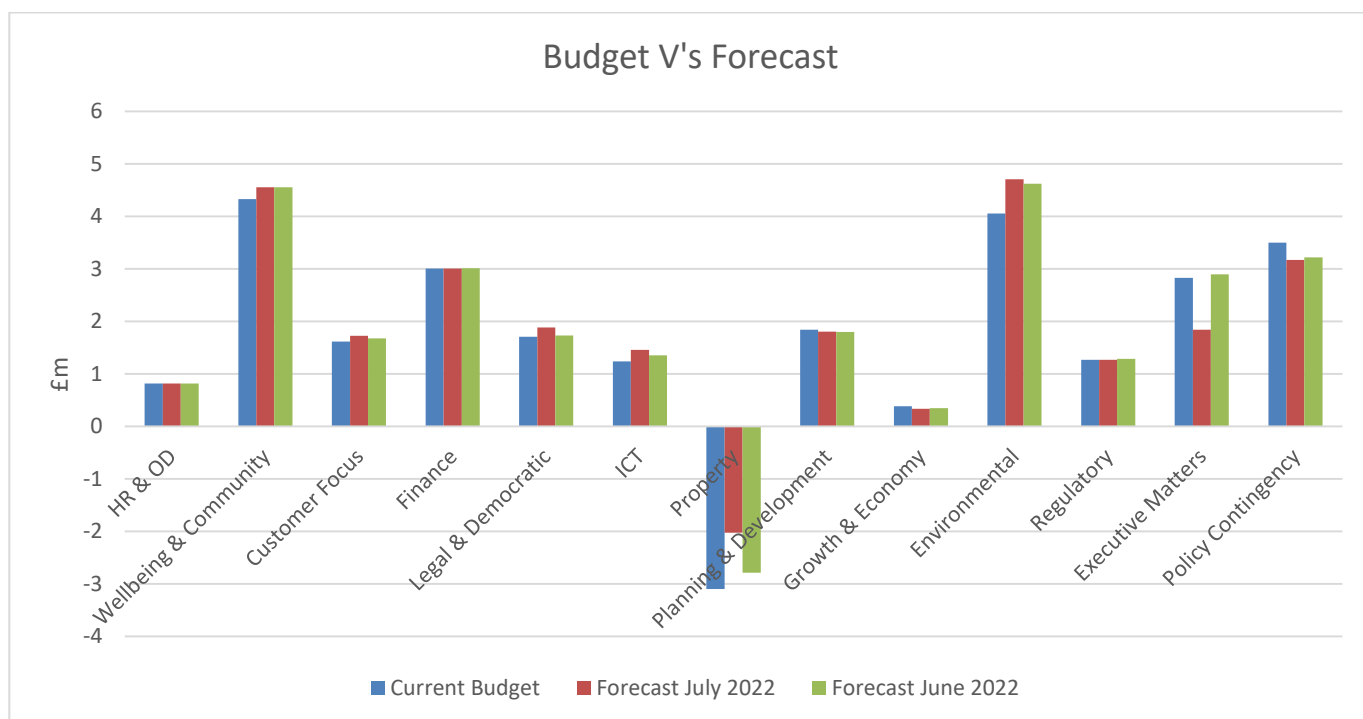


Table 4: Top Five Major Variances:

Portfolio	Current Budget	Variance	% Variance
Car Parks	(2.327)	0.458	-19.7%
Interest	(1.983)	0.393	-19.8%
Leisure	0.697	0.225	32.3%
Waste & Recycling	0.369	0.109	29.5%
ICT Services	(0.077)	0.104	-135.1%
Total	(3.321)	1.289	

Car Parks: -

There is a £0.458m reduction anticipated in car park income largely due to reduced demand. The service continue to review on a regular basis, including the impact of changes to charges made in 2021 and 2022.

Interest: -

Due to the rapidly changing economic circumstances and external factors such as the ongoing war in the Ukraine, interest rates are increasing significantly above the levels assumed in the Council's budget.

The Council had held a significant amount of it's borrowing as short-term loans due to interest rates being very low. However, given the instability and uncertainty surrounding interest rates the Council has worked closely with its external treasury management advisers to understand forecasts of where the Bank of England base rate and hence short-term borrowing rates could lead to.

Therefore, the Council has taken out long-term borrowing, over periods ranging between five and ten years, at rates lower than the forecast interest rates. This means that borrowing costs are now both certain and less than they would be if they were secured when loans need to be renewed as interest rates are forecast to be at their peak then.

Taking out this fixed borrowing at higher than budgeted interest rates creates a budget pressure. The Council is mitigating this by taking the additional cash it now holds and investing this in line with its Investment Strategy. A strategy is being implemented to allow the Council to take advantage of increasing interest rates by investing the surplus cash it holds to reduce the impact in 2022/23.

Leisure: -

Having had the opportunity to re-evaluate joint use income and operational income from Leisure sites it has been possible to reduce the overspend in Wellbeing to £0.225m mitigating the increased utility costs which currently stand at a projected overspend of £0.385m.

Waste & Recycling: -

The forecast pressure within Waste and Recycling is as a result of an increase of fuel prices £0.109m. The service continually monitors driver and route efficiency to minimise fuel usage and vehicle emissions however the recent surge in fuel prices due to global events is very difficult to mitigate.

ICT Services: -

£0.104m due to cost consultant fees attributable to the decoupling of the IT service and establishing a stand-alone IT service and a new Digital Strategy for Cherwell

For further details of variances please see Appendix 1

Policy Contingency

Policy Contingency is planned to meet affordable housing, commercial pressures, separation costs and inflation. There is a currently projected release of (£0.332) for inflation to partially mitigate some of the inflationary costs that the Council is experiencing.

Table 5 - Earmarked Reserves and General Balances at July 2022

The table below is a summary of the level of reserves the council holds.

Reserves	Balance 1 April 2022	Original Budgeted use/ (contribution)	Changes agreed since budget setting	Changes proposed July 2022	Forecast Balance 31 March 2023
	£m	£m	£m	£m	£m
General Balance	(5.950)	(0.500)	0.000	0.000	(6.450)
Earmarked	(23.691)	2.262	1.017	(2.389)	(22.801)
Ringfenced Grant	(16.215)	11.205	1.168	0.000	(3.842)
Subtotal Revenue	(45.856)	12.967	2.185	(2.389)	(33.093)
Capital	(8.049)	0.000	0.000	0.000	(8.049)
Total	(53.905)	12.967	2.185	(2.389)	(41.142)

For further detail on the reserves and aged debt please see Appendix 5.

3.3 Capital

There is a forecast in-year underspend of (£8.424m), of which £7.458m is to be reprofiled in future years. There is an overall forecast decrease in the total cost of schemes of (£0.966m).

Table 6 - Capital Spend 2022/2023

Directorate	Budget £m	Outturn 2022/23 £m	Re- profiled beyond 2022/23 £m	Variance to Budget £m	Prior Month Variance to Budget £m
Chief Executives	4.445	3.825	0.618	(0.002)	(0.002)
Resources	15.209	11.305	2.956	(0.948)	(0.095)
Communities	7.575	5.890	1.669	(0.016)	(0.016)
Total	27.229	21.020	5.243	(0.966)	(0.113)

Table 7 – How the Capital Programme is financed

Financing	22/23 Budget	Future Years
Borrowing	12.948	1.549
Reserves	1.200	0.000
Capital Receipts - Repayment of Loan Principal	6.000	3.654
External Financing - Capital Grants and S106	7.081	0.000
	27.229	5.203

Table 8 – Total Capital Project Forecast

There is a total capital project forecast for the council of £34.835m resulting in an underspend of (£0.967m).

Directorate	Budget £m	Total Outturn 2022/23 £m	Variance to Budget £m	Prior Month Variance to Budget £m
Chief Executives	5.165	5.163	(0.002)	(0.222)
Resources	15.209	17.633	2.424	(0.095)
Communities	12.058	12.039	(0.019)	(0.019)
Total	32.432	34.835	2.403	(0.336)

For further detail please view Appendix 1 Finance Capital July 2022

Table 9 - Top Five in Year Capital Variances: -

Code	Assistant Director	Top 5 In-Year Variances	Budget Total £'000	Reprofile to 23/24 £'000	% of in year Budget Variance
40224	Robert Jolley	Fairway Flats Refurbishment	362	362	100.00%
40144	Andrew Low	Castle Quay 1	3,257	1,850	56.80%
40028	Ed Potter	Vehicle Replacement Programme	1,166	600	51.46%
40262	Robert Jolley	Affordable Housing	1,200	600	50.00%
40141	Andrew Low	Castle Quay 2	4,438	500	11.27%
			10,423	3,912	

Fairway Flats Refurbishment: -

Planning consent was received in May 2022. This project is scheduled to commence 2023/24.

Castle Quay 1: -

We are currently undertaking a strategic review of the asset to ensure the offering is suitable and relevant to meet the challenges of the changing retail market, as well as those affecting the wider commercial property market. As a result of this review, a number of Capital Projects have been initially reprofiled while further consideration is being undertaken. Other capital projects have been reprofiled because the potential tenants have not proceeded as quickly as initially expected or because they are now reconsidering their commitments to the centre, as a result of the current economic conditions and their other commitments.

Vehicle Replacement Programme: -

£0.566m is required to be slipped in to 2023/24 due to supply chain issues and availability of electric vehicles.

Affordable Housing: -

The expenditure on this project depends upon the outcome of survey work which will commence during the summer. The current forecast is the best we can project given current information prior to receiving the report for the survey work which is due in the autumn.

Castle Quay 2: -

Budget reprofiled from 2021 / 2022 as a result delays to completion of Main Contract works for Castle Quay Waterfront following supply chain challenges. This has resulted in a knock on effect and re-profiling the budget to ensure sufficient budget remains to deal with any additional works required following the conclusion of both snagging and retention periods the conclusion of which have been pushed back as a result of the delays.

4.0 Conclusion and Reasons for Recommendations

4.1 It is recommended that the contents of the report are noted.

5.0 Consultation

None required

6.0 Alternative Options and Reasons for Rejection

6.1 The report sets out CDC's revenue and capital outturn position for 2021/22. No alternative options have been considered.

7.0 Implications

Financial and Resource Implications

7.1 There are no direct financial considerations as a result of this report.

Comments checked by:

Michael Furness, Assistant Director of Finance, 01295 221845,
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Legal Implications

7.2 There are no legal implications arising directly as a result of this report.

Comments checked by:

Shahin Ismail, Interim Monitoring Officer,
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Risk Implications

7.3 There are no risk implications arising directly as a result of this report. Any risks will be managed as part of the operational risk register and escalated as and when necessary to the Leadership Risk Register.

Comments checked by:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556
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Equalities and Inclusion Implications

7.4 There are no equalities implications arising directly as a result of this report. Any service or policy review required to support any reprofiled spend will have an accompanying Equalities Impact Assessment as needed.

Comments checked by:

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Sustainability Implications

- 7.5 There are no direct sustainability implications as a result of this report. Some elements of the capital budget being reprofiled into later years – PSDS-funded projects and vehicle replacement programme – are central to the council's decarbonisation plan and their delivery must be closely monitored to ensure CDC is meeting its commitment to become net zero by 2030 in its estate and operations.

Comments checked by:

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8.0 Decision Information

Key Decision

Financial Threshold Met: N/A

Community Impact Threshold Met: N/A

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Document Information

Appendix number and title

- Appendix 1 – Finance Capital July 2022
- Appendix 2 – Forecast Detailed Narrative July 2022
- Appendix 3 – Virements and Aged Debt July
- Appendix 4 – Funding July
- Appendix 5 – Use of Reserves and Grant Funding July

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