

Cherwell District Council

Budget Planning Committee

25 October 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 31 August 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 31 August 2022.

Revenue Budget

- 2.2 CDC's revenue financial position for July 2022 forecasts an overspend for the year of £0.512m. This is made up of £0.653m savings non-delivery and business as usual underspends of £0.141m.

Capital Budget

- 2.4 The capital budget for 2022/23 is £27.229m. Forecast spend for the year is £22.156m, and £4.238m is to be reprofiled into future years. There is an overall forecast reduction in the spend on capital schemes of £0.835m.
- 2.5 The total capital budget across multiple years is £36.541m. Spend on the total budget is forecast at £35.706m

3.0 Report Details

3.1 The Council is forecasting an overspend of £0.512m for 2022/23 as shown in Table 1. 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.

Report Details

Table 1: Forecast Year End Position

Service	Original Budget	Current Budget	Forecast August 2022	August Variance (Under) /Over	% Variance to current budget	July Variance (Under) / Over	Change since Previous (better) / worse	
	£m	£m	£m	£m	%	£m	£m	
HR & OD	0.822	0.826	0.826	0.000	0.0%	0.000	0.000	
Wellbeing & Housing	3.339	4.374	4.674	0.300	6.9%	0.225	0.075	
Customer Focus	1.606	1.684	1.727	0.043	2.6%	0.061	(0.018)	
Chief Executive	5.767	6.884	7.227	0.343	5.0%	0.286	0.057	
Finance	2.850	3.220	3.231	0.011	0.3%	0.000	0.011	
Legal & Democratic	1.709	1.849	1.928	0.079	4.3%	0.051	0.028	
ICT	1.235	1.253	1.439	0.186	14.8%	0.223	(0.037)	
Property	(3.196)	(2.983)	(3.113)	(0.130)	4.4%	(0.108)	(0.022)	
Resources	2.598	3.339	3.485	0.146	4.4%	0.166	(0.020)	
Planning & Development	1.752	2.147	2.116	(0.031)	-1.4%	(0.036)	0.005	
Growth & Economy	0.336	0.403	0.323	(0.080)	-19.9%	(0.050)	(0.030)	
Environmental	4.057	4.182	4.801	0.619	14.8%	0.623	(0.004)	
Regulatory	1.112	1.286	1.286	0.000	0.0%	0.000	0.000	
Communities	7.257	8.018	8.526	0.508	6.3%	0.537	(0.029)	
Subtotal for Directorates	15.622	18.241	19.238	0.997	5.5%	0.989	0.008	
Executive Matters	4.316	2.186	2.491	0.305	-14.0%	0.393	(0.088)	
Policy Contingency	3.554	3.065	2.275	(0.790)	-25.8%	(0.332)	(0.458)	
Total	23.492	23.492	24.004	0.512	2.2%	0.061	(0.546)	

FUNDING	(23.492)	(23.492)	(23.492)	0.000	0.0%	0.000	0.000
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(Surplus)/Deficit	0.000	0.000	0.512	0.512	1.050	(0.538)
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Note: A positive variance is a forecast overspend and a negative is a forecast underspend. Green represents an improvement and red represents a decline compared to the previous month's forecast.

Table 2: Analysis of Forecast Variance – August 2022

Breakdown of current month forecast	Forecast Variance	Forecast Base Budget Over/ (Under)	Savings Non-Delivery
	£m	£m	£m
Chief Executive	0.343	0.243	0.100
Resources	0.146	(0.076)	0.222
Communities	0.508	0.177	0.331
Subtotal Directorates	0.997	0.344	0.653
Executive Matters	0.305	0.305	0.000
Policy Contingency	(0.790)	(0.790)	0.000
Total	0.512	(0.141)	0.653

FUNDING	0.000	0.000	0.000
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(Surplus)/Deficit	0.512	(0.141)	0.653
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Table 3 – Budget compared with Forecast

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

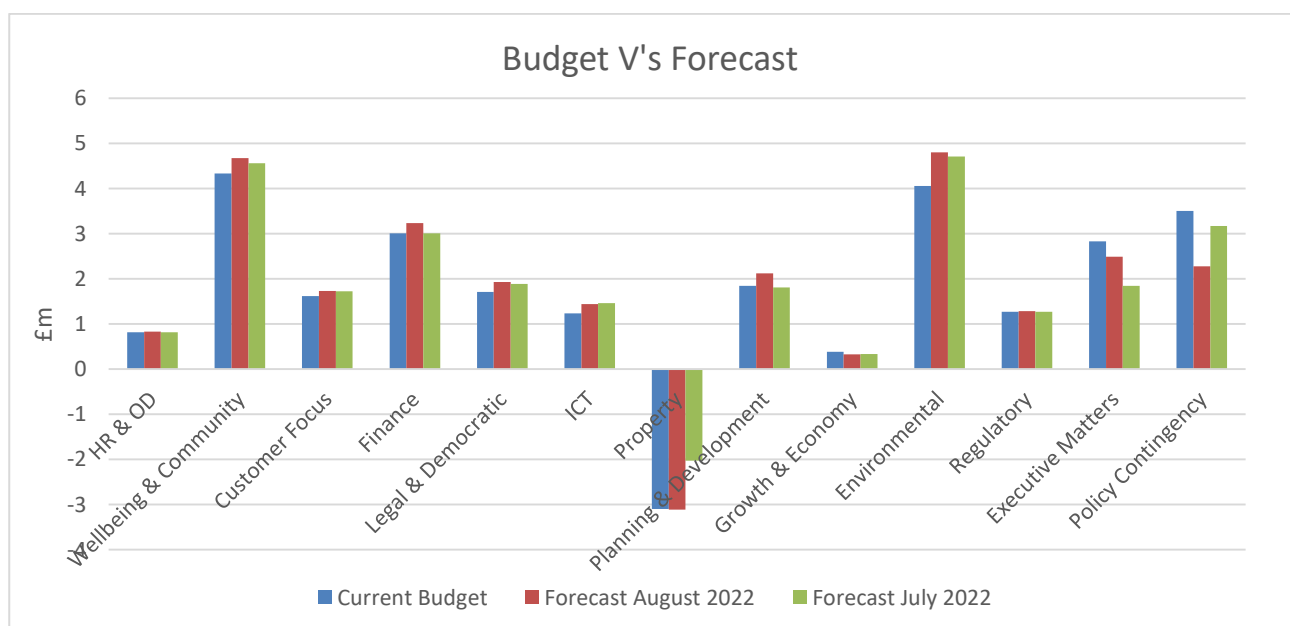


Table 4: Top Five Major Variances:

Portfolio	Current Budget	Variance	% Variance
Car Parks	2.327	0.458	19.7%
Interest	2.376	0.305	12.8%
Leisure	0.697	0.225	32.3%
Waste & Recycling	0.369	0.127	34.4%
ICT Services	(0.077)	0.093	-120.8%
Total	5.692	1.208	

Car Parks: -

There is a £0.458m reduction in anticipated car park income largely due to reduced demand.

Usage has yet to return to pre pandemic levels. The charges increase of 25% last year, produced an increase in income of 16-18%. A further 10% rise in car park charges in July 2022 is not anticipated to increase income by a further 10%.

Interest: -

Interest rates have continued to rise and the cost to carry (difference between what it costs to lend the money and what we can earn by investing the surplus funds) has reduced because of this.

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 interest payments are now certain and also less than they would be if borrowing was secured later in the year when interest rates are forecast to be at their peak.

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: -

The overspend is predominantly caused by greater than anticipated utility costs. It is expected the extensive decarbonisation works undertaken at the Leisure Centres will have a positive impact on utility costs, but it is too soon to say what the scale of that impact will be over the remainder of the year. The forecast overspend also includes a pressure from a slower than anticipated progress on a possible new 3G pitch at North Oxfordshire Academy. The overspend is being offset to some extent by increased income from joint use contributions in Leisure and also fines issued by the Housing Standards team to landlords for failure to register HMO properties.

Waste & Recycling: -

The forecasted pressure of £0.127m within Waste and Recycling is as a result of multiple factors. This is largely due to a pressure of £0.094m in employee costs due to agency staff for backfilling vacant posts and several long-term sick. An increase of £0.066m in additional transports costs, largely fuel, is offset by savings on vehicle maintenance and mileage

ICT Services: -

Consisting of under recovery of income and 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 forecast variances please see appendix 2

Policy Contingency

Policy Contingency is planned to meet affordable housing, commercial pressures, costs of decoupling from OCC and inflation. There is a currently projected release of (£0.790m) for inflation to partially mitigate some of the inflationary costs that the Council is experiencing and car parking income challenges.

Table 5 - Earmarked Reserves and General Balances at August 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 August 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	(1.372)	0.711	(22.090)
Ringfenced Grant	(16.215)	11.205	1.168	0.000	(3.842)
Subtotal Revenue	(45.856)	12.967	(0.204)	0.711	(32.382)
Capital	(8.049)	0.000	0.000	0.000	(8.049)
Total	(53.905)	12.967	(0.204)	0.711	(40.431)

For further detail on the reserves please see Appendix 5.

4.2 Capital

There is a forecast in-year underspend of (£5.073m), of which £4.238m is to be reprofiled in future years. There is an overall forecast decrease in the total cost of schemes of (£0.835m).

A new capital scheme is required at Kidlington Leisure Centre in order to accommodate a new mains electrical connection to accommodate the newly installed Air Source Heat Pump (ASHP) at Kidlington Leisure Centre. The estimated cost of this works is £200,000.

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	4.102	0.341	(0.002)	(0.002)
Resources	15.134	12.123	2.158	(0.853)	(0.948)
Communities	7.650	5.931	1.739	0.020	(0.016)
Total	27.229	22.156	4.238	(0.835)	(0.966)

Table 7 – How the Capital Programme is financed

Financing	22/23 Budget	Future Years
Borrowing	12,818	5,658
Reserves	1,200	0
Capital Receipts - Repayment of Loan Principal	6,000	3,654
External Financing - Capital Grants and S106	7,081	0
	27,099	9,312

Table 8 – Total Capital Project Forecast

There is a total capital project forecast for the council of £35.706m resulting in an underspend of (£0.835m).

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)	(0.002)
Resources	15.134	14.281	(0.853)	2.424
Communities	16.242	16.262	0.020	(0.019)
Total	36.541	35.706	(0.835)	2.403

For further detail please view appendix 1 Finance Capital August 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
40144	Andrew Low	Castle Quay	3,257	1,052	32.30%
40141	Andrew Low	Castle Quay Waterfront	4,438	500	11.27%
40239	Andrew Low	Bicester East Community Centre	1,450	500	34.48%
40262	Robert Jolley	Affordable Housing	1,200	600	50.00%
40028	Ed Potter	Vehicle Replacement Programme	1,166	566	48.54%
			11,511	3,218	

Castle Quay: -

A number of Capital Projects are being reviewed to ensure they meet the strategic direction for Castle Quay and remain relevant to meet the challenges of the changing retail market. This has resulted in reprofiling a number of projects that will be delivered in 2023/2024.

Castle Quay Waterfront: -

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.

Bicester East Community Centre: -

Preparing final design. Planning application submitted mid-August. Working with the tenant on their design requirements to ensure smooth transition into the new premises. £0.500m slippage as works will not be on site until the end of Q4 2022/2023 for a 9-month project completion in Q3 2023/2024.

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.

Vehicle Replacement Programme: -

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

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,
michael.furness@cherwell-dc.gov.uk

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, Legal Services
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Risk Implications - Mandatory paragraph

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
Celia.prado-teeling@cherwell-dc.gov.uk

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:

Celia Prado-Teeling, Interim Assistant Director – Customer Focus, 01295 221556
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Sustainability Implications

7.5 There are no direct sustainability implications as a result of this report.

Comments checked by:

Ed Potter, Assistant Director Environmental Services, 01295 221574,
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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 Forecast August 2022
- Appendix 2 – Revenue Forecast Detailed Narrative August 2022
- Appendix 3 – Virements August 2022
- Appendix 4 – Funding August 2022
- Appendix 5 – Use of Reserves August 2022

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