

Corporate Financial Monitoring

Report of the Finance and Resources Portfolio Holder

Recommended:

That the financial position for each Service and the key revenue areas contained in the Annex to the report be noted.

SUMMARY:

- This report reviews the Council's revenue spending for the first six months of the 2022/23 financial year.
- It also examines the main differences between the original estimate for 2022/23 and actual spend to 30th September 2022 and provides explanations for significant variances.
- Overall, net expenditure to 30th September 2022 was £749,000 lower than budgeted at this stage of the year. This favourable variance comprises additional income and savings of £408,000 due to service related expenditure and £341,000 more income from the Council's investing and borrowing activities.

1 Introduction

- 1.1 As part of responsible financial stewardship, it is recommended that the financial performance of the Council should be reviewed regularly.
- 1.2 Revenue budget monitoring is carried out every month for all services and presented to Cabinet regularly throughout the year.
- 1.3 This report examines the income and expenditure of each service over the first six months of the year. The Annex shows the financial summaries of each service to 30th September 2022 together with an explanation of any significant variances.
- 1.4 Several key areas of income and expenditure, not all apparent within individual services have also been analysed and are shown separately in the Annex.

2 Background

Profiling of Income and Expenditure

- 2.1 Not all income and expenditure is incurred equally over the year. For example, some costs (e.g. lease costs) are allocated at the end of the year, and others are stepped throughout the year (e.g. rental income is invoiced quarterly in advance). The manner that income or expenditure is received or incurred over the course of the year is referred to as its profile.

- 2.2 In order to make the analysis more relevant, the actual income and expenditure to 30th September is being compared against its profiled budget position at this time.

Analysis of income and expenditure

- 2.3 The Annex shows, by service, an analysis of original budget, profiled budget to date, actual expenditure to date and the variance between profiled budget and actual income / expenditure.
- 2.4 The Annex also shows an analysis of key areas of income and expenditure within the budget that are traditionally subject to variations in the year.

3 Analysis of Financial Performance

3.1 Chief Executive's Office

The Chief Executive's Office shows net expenditure to the end of September of £456,000 against a profiled budget of £433,000. This represents an adverse variance of £23,000 to date.

Higher than estimated employee costs are the reason for this variance and are due to minimal vacancies and one-off recruitment costs.

3.2 Community & Leisure

The Community & Leisure service shows net expenditure of £230,000 compared with a profiled net expenditure estimate of £273,000 – a favourable variance of £43,000.

Employee costs are £33,000 lower than estimated.

Income from managed sports facilities is £41,000 higher than budgeted but is offset by £19,000 less income from burials.

Utility costs at the Lights are £10,000 higher than estimated due to the increase in fuel costs and net income is £27,000 lower, possibly due in part to the impact of the cost of living on customers.

3.3 Environmental Service

Environmental Service shows net expenditure to the end of September of £1.977M against a profiled estimate of £2.178M. This is a favourable variance of £201,000.

One-off additional income from the sale of dry mixed recycling of £213,000 and higher than expected income from garden waste subscriptions of £64,000 are partially offset by an increase in diesel costs (£51,000) and additional employee costs (£44,000).

3.4 Finance & Revenues

The Finance & Revenues service shows net expenditure of £1.462M against a profiled estimate of £1.538M, which is a favourable variance of £76,000.

This is due to an unbudgeted government grant and savings in employee costs.

3.5 Housing & Environmental Health

The Housing & Environmental Health service has net expenditure of £739,000 against a profiled estimate of £802,000. This is a favourable variance of £63,000.

This is due to lower than estimated employee costs which are offset in part by higher than estimated bed & breakfast costs.

3.6 Information Technology

The IT service has net expenditure of £637,000 against a profiled estimate of £668,000. This is a favourable variance of £31,000 which is mainly due to lower than estimated employee costs.

3.7 Legal & Democratic

The Legal & Democratic service is showing net expenditure of £539,000 against a profiled estimate of £532,000, which is an adverse variance of £7,000.

This is due to higher than estimated supplies & services costs and the unbudgeted cost of a borough by-election, partially offset by lower than estimated employee costs.

3.8 Planning & Building

The Planning & Building service shows net expenditure to the end of September of £912,000 against a profiled budget of £644,000. This represents an adverse variance of £268,000 to date.

This is mainly due to higher than estimated employee costs and lower than estimated income from planning application and building control fees.

3.9 Planning Policy & Economic Development

The Planning Policy & Economic Development service is showing net expenditure of £1.240M against a profiled estimate of £1.285M. This represents a favourable variance of £45,000.

This is due to lower than estimated employee costs and lower than estimated spend on town centre management.

3.10 Property & Asset Management Service

The Property & Asset Management service has generated net income of £4.501M against a profiled estimate to the end of September of £4.247M – a favourable variance of £254,000.

Additional rental income from the Council's investment property portfolio and lower than budgeted employee costs are partially offset by increased utility costs in Council run buildings and a reduction in income from penalty charge notices.

3.11 Strategy & Innovation

The Strategy & Innovation service is showing net expenditure of £436,000 against a profiled estimate of £427,000 to the end of September. This is an adverse variance of £9,000, which is mainly due to higher than expected employee costs to date.

3.12 Corporate & Democratic

The Corporate & Democratic function shows expenditure of £484,000 compared with the profiled estimate of £485,000. This is a favourable variance of £1,000.

3.13 Key areas of income and expenditure

The Annex also shows an analysis of significant items in the Council's budget. These can be spread across several services or cost centres.

While not necessarily under the direct control of one budget manager it is important that these items are reviewed regularly in total as they provide a good indication of the overall variances within the budget.

3.14 Investment Funds and borrowing costs

Net investment income to 30th September 2022 was £612,000 compared with a profiled estimate of £271,000 – this represents a favourable variance of £341,000 and reflects the increases that have been seen in interest rates since the budget was set in February 2022.

4 Risk Management

- 4.1 This report is for information purposes so the Council's Risk Management approach does not need to be applied.

5 Resource Implications

- 5.1 A favourable variance of £749,000 in the first six months of the year has been identified in this report. There is a mixture of adverse and favourable variances across the services and these will continue to be monitored and reviewed as part of the budget-setting process for 2023/24.

6 Equality Issues

6.1 This report is for information purposes, so the Council's EQIA process does not need to be applied.

7 Other Issues

7.1 There are no other issues to consider.

8 Conclusion and reasons for recommendation

8.1 Overall, net expenditure is £749,000 lower than forecast at 30th September. There are a number of areas with large variances between the profiled budget and the actual income / expenditure to date.

8.2 The report does not make any recommendations for changes to budgets at this stage in the year and therefore the recommendation is that the current budget position be noted.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	1	File Ref:	N/A
(Portfolio: Finance and Resources) Councillor M Flood			
Officer:	Jenni Carter	Ext:	8236
Report to:	Cabinet	Date:	26 October 2022