

Corporate Financial Monitoring

Report of the Finance and Resources Portfolio Holder

Recommended:

1. That the financial position for each Service and the key revenue areas contained in the Annex to the report be noted.
2. That the Treasury Management Update in paragraph 4 in the report be noted.

SUMMARY:

- This report reviews the Council's revenue spending for the first quarter of the 2023/24 financial year.
- It also examines the main differences between the original estimate for 2023/24 and actual spend to 30 June 2023 and provides explanations for significant variances.
- Overall, net expenditure to 30 June 2023 was £769,000 lower than budgeted at this stage of the year. This favourable variance comprises additional income and savings of £498,000 due to service-related activities and £271,000 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 quarter of the year. The Annex shows the financial summaries of each service to 30th June 2023 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 also shown in the Annex.
- 1.5 The report also contains a Treasury Management Update for the first quarter of the year.

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. software maintenance costs) are paid annually in one transaction, and others are stepped throughout the year (e.g. rental income is generally 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 30 June is being compared against its profiled budget position at this time.
- 2.3 The profile of salary costs reported in the annex have been adjusted to reflect that the budgeted pay award in 2023/24 has not yet been agreed.

Analysis of income and expenditure

- 2.4 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.
- 2.5 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 June of £216,000 against a profiled budget of £208,000. This represents an adverse variance of £8,000 to date.

Higher than estimated employee costs are the reason for this variance and are due to no vacancies and additional costs for maternity cover.

3.2 Community and Leisure

The Community & Leisure service shows net expenditure of £78,000 compared with a profiled net expenditure estimate of £83,000 – a favourable variance of £5,000.

Income from burials and the costs of supplies and services at The Lights are lower than budgeted.

3.3 Environmental Service

Environmental Service shows net expenditure to the end of June of £500,000 against a profiled estimate of £680,000. This is a favourable variance of £180,000.

Employee costs and repair costs across the service are lower than budgeted.

Income is higher than budgeted due to one-off additional income from the sale of dry mixed recycling of £85,000 and higher than expected income from the sale of glass of £30,000.

3.4 Finance and Revenues

The Finance & Revenues service shows net expenditure of £898,000 against a profiled estimate of £877,000, which is an adverse variance of £21,000.

This is partly due to the printing and postage costs for the annual council tax and business rates bills being higher than budgeted.

3.5 Housing and Environmental Health

The Housing & Environmental Health service has net expenditure of £540,000 against a profiled estimate of £574,000. This is a favourable variance of £34,000 which is mainly due to lower than estimated employee costs.

3.6 Information Technology

The IT service has net expenditure of £416,000 against a profiled estimate of £427,000. This is a favourable variance of £11,000 which is mainly due to lower than estimated employee costs.

3.7 Legal and Democratic

The Legal and Democratic service is showing net expenditure of £528,000 against a profiled estimate of £549,000, which is a favourable variance of £21,000.

This is due to an unbudgeted government grant in respect of voter ID costs which is partially offset by higher than budgeted premises and equipment costs for elections.

3.8 Planning and Building

The Planning and Building service shows net expenditure to the end of June of £399,000 against a profiled budget of £429,000. This represents a favourable variance of £30,000 to date.

This is due to lower than estimated employee costs and an unbudgeted government grant which are partially offset by higher than budgeted legal fees and lower than estimated income from planning applications and building control fees.

3.9 Planning Policy and Economic Development

The Planning Policy and Economic Development service is showing net expenditure of £504,000 against a profiled estimate of £570,000. This represents a favourable variance of £66,000 which is mainly due to lower than estimated employee costs.

3.10 Property and Asset Management Service

The Property and Asset Management service has generated net income of £2.291M against a profiled estimate to the end of June of £2.109M – a favourable variance of £182,000.

This is mainly due to additional income from car parking and lower than estimated employee costs.

3.11 Strategy and Innovation

The Strategy and Innovation service is showing net expenditure of £222,000 against a profiled estimate of £206,000 to the end of June. This is an adverse variance of £16,000, which is mainly due to higher than expected employee costs to date.

3.12 Corporate and Democratic

The Corporate and Democratic service shows expenditure of £295,000 compared with the profiled estimate of £310,000. This is a favourable variance of £15,000.

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.

4 Treasury Management Update

4.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 requires that Members be updated on treasury management activities at least quarterly.

4.2 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by Council on 23 February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's low-risk appetite.

Creditworthiness

There have been few changes to credit ratings over the quarter ending 30 June 2023. Officers continue to closely monitor these and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

Investment Counterparty Criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirements of the treasury management function.

Investment performance

Income from investments to the end of June was £805,000 against an estimated income of £534,000, a favourable variance of £271,000.

The average return on investment for the period was 3.71%. The average benchmark rate for the same period was 4.9%, resulting in an underperformance against the benchmark of 1.19%. This is due to investments taken out prior to the sharp increase in interest rates at the beginning of 2022. All investments taken out in the quarter to 30 June 2023 have exceeded benchmark rates at the time of investment.

Approved Limits

The approved limits within the Annual Investment Strategy were not breached in the quarter ending 30 June 2023.

4.3 Borrowing

The Council did not undertake any borrowing during the quarter ending 30 June 2023. It is not anticipated that any further borrowing will be undertaken during this financial year.

4.4 Compliance with Treasury and Prudential Indicators

The prudential and treasury indicators for the year 2023/24 were approved by Cabinet on 22 February 2023. During the quarter ending 30 June 2023, the Council has operated within these prudential indicators.

There are no changes required to the approved prudential indicators.

All treasury management operations have also been conducted in full compliance with the Treasury Management Practices.

5 Risk Management

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

6 Resource Implications

- 6.1 A favourable variance of £769,000 in the first quarter 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 2024/25.

7 Equality Issues

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

8 Other Issues

- 8.1 There are no other issues to consider.

9 Conclusion and reasons for recommendation

- 9.1 Overall, net expenditure is £769,000 lower than forecast at 30 June. There are a number of areas with large variances between the profiled budget and the actual income / expenditure to date.
- 9.2 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
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Report to:	Cabinet	Date:	23 August 2023