

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 of the report be noted.

SUMMARY:

- This report reviews the Council's revenue spending for the first half of the 2023/24 financial year.
- It also examines the main differences between the original estimate for 2023/24 and actual spend to 30 September 2023 and provides explanations for significant variances.
- Overall, net expenditure to 30 September 2023 was £1.503M lower than budgeted at this stage of the year. This favourable variance comprises additional income and savings of £761,000 due to service-related activities and £742,000 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 half of the year. The Annex shows the financial summaries of each service to 30th September 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 half 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 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.
- 2.3 The profile of salary costs reported in the annex have been adjusted to reflect that the budgeted pay award in 2023/24 was not paid until October.

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 September of £427,000 against a profiled budget of £416,000. This represents an adverse variance of £11,000 to date.

This is due to higher than estimated employee costs because there are no vacancies and additional costs for maternity cover, partially offset by lower than budgeted training costs.

3.2 Community & Leisure

The Community & Leisure service shows net expenditure of £320,000 compared with a profiled net expenditure estimate of £340,000 – a favourable variance of £20,000.

Additional income from sports facilities and room hire is partially offset by lower than budgeted income from burials.

3.3 Environmental Service

Environmental Service shows net expenditure to the end of September of £1.862M against a profiled estimate of £2.073M. This is a favourable variance of £211,000.

Employee costs and transport 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, higher than expected income from the sale of glass of £37,000 and additional income from garden waste and grounds maintenance, partially offset by lower than budgeted income from dog waste bins, shopping trolley returns and bulky waste.

3.4 Finance & Revenues

The Finance & Revenues service shows net expenditure of £1.562M against a profiled estimate of £1.566M, which is a positive variance of £4,000.

This is mainly due to lower than budgeted employee costs.

3.5 Housing & Environmental Health

The Housing & Environmental Health service has net expenditure of £376,000 against a profiled estimate of £422,000. This is a favourable variance of £46,000 which is mainly due to lower than estimated employee costs.

There have also been higher than forecast costs related to temporary accommodation.

3.6 Information Technology

The IT service has net expenditure of £681,000 against a profiled estimate of £689,000. This is a favourable variance of £8,000 which is mainly due to lower than estimated employee costs.

3.7 Legal & Democratic

The Legal & Democratic service is showing net expenditure of £776,000 against a profiled estimate of £877,000, which is a favourable variance of £101,000.

This is due to an unbudgeted government grant in respect of voter ID costs and lower than estimated costs for the Borough and Parish elections.

3.8 Planning & Building

The Planning & Building service shows net expenditure to the end of September of £720,000 against a profiled budget of £791,000. This represents a favourable variance of £71,000 to date.

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

3.9 Planning Policy & Economic Development

The Planning Policy & Economic Development service is showing net expenditure of £1.062M against a profiled estimate of £1.167M. This represents a favourable variance of £105,000 which is mainly due to lower than estimated employee costs.

3.10 Property & Asset Management Service

The Property & Asset Management service has generated net income of £4.334M against a profiled estimate to the end of September of £4.126M – a favourable variance of £208,000.

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

3.11 Strategy & Innovation

The Strategy & Innovation service is showing net expenditure of £451,000 against a profiled estimate of £439,000 to the end of September. This is an adverse variance of £12,000, which is mainly due to higher than expected employee costs to date.

3.12 Corporate & Democratic

The Corporate & Democratic service shows expenditure of £522,000 compared with the profiled estimate of £531,000. This is a favourable variance of £9,000.

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 Chartered Institute of Public Finance and Accountancy (CIPFA) 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 23rd 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.

4.3 Creditworthiness

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

4.4 Investment Counterparty Criteria

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

4.5 Investment performance

Income from investments to the end of September was £1.959M against an estimated income of £1.217M, a favourable variance of £742,000.

The main reasons for this variance are:

- The base rate rose higher and quicker than anticipated. The base rate was originally expected to peak at 4.5% in 2023/24 with average rates to 30th September at around 4.4%. The actual base rate is now at 5.25% and has been on average 4.75% to the end of September.
- The budget assumed that the Council would be able to invest at approximately 0.25% above prevailing interest rates. In the year to date, investments have consistently been agreed at rates of over 0.5% above the prevailing rate of interest at the time of the investment.

The average return on investment for the period was 4.06%. The average benchmark rate for the same period was 5.25%, 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 30th September 2023 have exceeded benchmark rates at the time of investment.

4.6 Approved Limits

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

4.7 Borrowing

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

4.8 Compliance with Treasury and Prudential Indicators

The prudential and treasury indicators for the year 2023/24 were approved by Council on 23 February 2023. During the quarter ending 30 September 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 £1.503M in the first half 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 £1.503M 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.

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:	15 November 2023