

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 2024/25 financial year.
- It also examines the main differences between the original estimate for 2024/25 and actual spend to 30 September 2024 and provides explanations for significant variances.
- Overall, net expenditure to 30 September 2024 was as budgeted at this stage of the year. This comprises lower income and additional costs of £246,000 due to service-related activities offset by £246,000 more income from the Council's investing and borrowing activities.

1 Introduction

- 1.1 Revenue budget monitoring is carried out every month for all services and presented to Cabinet quarterly through the year.
- 1.2 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 30 September 2024 together with an explanation of any significant variances.
- 1.3 Several key areas of income and expenditure, not all apparent within individual services have also been analysed and are also shown in the Annex.
- 1.4 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 30 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 Overall, net expenditure to 30 September 2024 was as budgeted at this stage of the year. This comprises lower income and additional costs of £246,000 due to service-related activities offset by £246,000 more income from the Council's investing and borrowing activities.

- 3.2 This compares to an adverse variance of £94,000 at the end of the first quarter.

3.3 Chief Executive's Office and Human Resources

The Chief Executive's Office and Human Resources shows net expenditure to the end of September of £512,000 against a profiled budget of £505,000. This represents an adverse variance of £7,000 to date which is due to higher than estimated employee costs.

3.4 Community and Leisure

The Community and Leisure service shows net expenditure of £547,000 compared with a profiled net expenditure estimate of £589,000 – a favourable variance of £42,000.

Higher than budgeted income from The Lights and managed sports facilities are partially offset by higher than budgeted premises and supplies and services costs.

3.5 Environmental Service

Environmental Service shows net expenditure to the end of September of £2.354M against a profiled estimate of £2.338M. This is an adverse variance of £16,000.

Waste collection income is below forecast, mainly due to the income from the sale of dry mixed recycling being £142,000 lower than budgeted. This is due to the price per tonne falling by 35% year on year.

Additional income from garden waste and glass recycling and lower than budgeted transport costs, specifically HVO and repair costs, have been partially offset by higher than budgeted employee costs due to agency staff covering vacancies and lower than budgeted income from grounds maintenance and shopping trolley returns.

3.6 Finance and Revenues

The Finance and Revenues service shows net expenditure of £1.705M against a profiled estimate of £1.742M, which is a favourable variance of £37,000.

This is due to employee costs and supplies and services being under budget.

3.7 Housing and Environmental Health

The Housing and Environmental Health service has net expenditure of £965,000 against a profiled estimate of £1.034M. This is a favourable variance of £69,000.

This is mainly due to employee costs being under budget which are partially offset by additional bed and breakfast costs.

3.8 Legal and Democratic

The Legal and Democratic service is showing net expenditure of £663,000 against a profiled estimate of £634,000, which is an adverse variance of £29,000.

Higher than budgeted employee costs are partially offset by lower than budgeted transport costs and additional legal fee income.

3.9 Planning and Building

The Planning and Building service shows net expenditure to the end of September of £1.035M against a profiled budget of £797,000. This represents an adverse variance of £238,000 to date.

This is due to lower than estimated planning application and building control income and unavoidable legal costs and planning appeal costs mainly regarding a public inquiry, which are partially offset by lower than budgeted employee costs.

Investigations suggest that planning application numbers and the associated fees are being held back due to the new requirements for biodiversity net gain. This is expected to be a temporary issue with increased applications coming through later in the year.

3.10 Planning Policy and Economic Development

The Planning Policy and Economic Development service is showing net expenditure of £1.178M against a profiled estimate of £1.207M. This represents a favourable variance of £29,000.

There has been lower than forecast spend to date on town centre management, sustainability and economic development and tourism cost centres.

3.11 Property and Asset Management Service

The Property and Asset Management service has generated net income of £4.917M against a profiled estimate to the end of September of £5.044M – an adverse variance of £127,000.

This is mainly due to lower than estimated rental income from rent reviews which have not yet been completed and lower than estimated project consultancy income, partially offset by lower employee and utility costs.

3.12 Strategy and Innovation

The Strategy and Innovation service is showing net expenditure of £1.238M against a profiled estimate of £1.233M to the end of September. This an adverse variance of £5,000.

3.13 Corporate and Democratic

The Corporate and Democratic cost centres show on profile expenditure of £723,000.

3.14 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 Councillors be updated on treasury management activities at least quarterly.

Annual Investment Strategy

4.2 The Treasury Management Strategy Statement (TMSS) for 2024/25, which includes the Annual Investment Strategy, was approved by Council on 29th February 2024. 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

- 4.3 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

- 4.4 There have been few changes to credit ratings over the quarter ending 30th September 2024. 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

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

Investment performance

- 4.6 Income from investments during the six months to the end of September 2024 was £2.382M against an estimated income of £2.136M, a favourable variance of £246,000.

- 4.7 The main reason for this favourable variance is that the average return on investment was 4.68% compared to a budgeted return of 4.20%.

- 4.8 The average return on investment for the period was 4.68%. The average benchmark rate for the same period was 4.66%, resulting in a small overperformance against the benchmark of 0.02%. This is due to a gradual fall in the benchmark rate throughout the year as expectations for reductions in interest rates become stronger.

- 4.9 All investments taken out in the quarter to 30th September 2024 have exceeded benchmark rates at the time of investment.

Approved Limits

- 4.10 One of the approved limits within the Annual Investment Strategy was breached during the quarter ended 30th September 2024.

- 4.11 This was the 'Upper limit for total principal sums invested for over 364 days (amount subject to being not more than 50% of the portfolio size at the time the investment was placed)' of £35M. This limit was also breached during the previous quarter. All of the investments are with other local authorities, and therefore the risk to the Council is minimal.

- 4.12 To allow the treasury function increased flexibility and access to higher interest rates as rates are forecast to fall, Council on 16th October approved a recommendation that the approved limit be changed to exclude local authorities and be amended to:

- Upper limit for total principal sums invested for over 364 days (amount excludes investments in local authorities and subject to being not more than 50% of the portfolio size at the time the investment was placed) of £35M.

Borrowing

- 4.13 The Council did not undertake any borrowing during the quarter ending 30th September 2024. It is not anticipated that any further borrowing will be undertaken during this financial year.

Compliance with Treasury and Prudential Indicators

- 4.14 The prudential and treasury indicators for the year 2024/25 were approved by Council on 29th February 2024. During the quarter ending 30th September 2024, the Council has operated within these prudential indicators, with the exception of the approved limit detailed in paragraph 4.11.
- 4.15 There are no additional changes required to the approved prudential indicators.
- 4.16 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 No overall variance in the first half of the year has been identified in this report. There is, however, a mixture of adverse and favourable variances across services and these will continue to be monitored throughout the year and reviewed as part of the budget-setting process for 2025/26.

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 as forecast at 30th September. There are, however, 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.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

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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(Portfolio: Finance and Resources) Councillor M Flood

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Report to:	Cabinet	Date:	20 November 2024
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