

Report to: Cabinet

Date of Meeting 1 February 2023

Document classification: Part A Public Document

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Review date for release N/A



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## Financial Monitoring Report 2022/23 – Month 9 December 2022

### Report summary:

This report gives a summary of the Council's overall financial position for 2022/23 at the end of month nine (31 December 2022).

Current monitoring indicates that:

- The General Fund Balance is being maintained within the adopted levels.

Monitoring indicates a favourable position of £138k is predicted. We have seen a large favourable change in treasury management interest receipts of £981k (as detailed at section 5), offsetting this is the adverse position on employment costs due to the current year nationally agreed pay award being higher than that budgeted. We have also seen cost pressures related to transport costs and reduction in customer receipts particularly as the year has progressed. We do also still expect to see further inflationary pressures for the remainder of the year.

- The Housing Revenue Account Balance is being maintained at or above the adopted level.

### Is the proposed decision in accordance with:

Budget Yes  No

Policy Framework Yes  No

### Recommendation:

The variances identified as part of the Revenue and Capital Monitoring process up to Month 9 be acknowledged.

### Reason for recommendation:

The report updates Members on the overall financial position of the Authority at set periods and includes recommendations where corrective action is required for the remainder of the financial year.

Officer: John Symes, Finance Manager, [jsymes@eastdevon.gov.uk](mailto:jsymes@eastdevon.gov.uk), 01395 517413

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Democracy, Transparency and Communications

- Economy and Assets
- Finance
- Strategic Planning
- Sustainable Homes and Communities
- Tourism, Sports, Leisure and Culture

**Equalities impact** Low Impact

**Climate change** Low Impact

**Risk:** Low Risk;

**Links to background information**

**Link to [Council Plan](#)**

Priorities (check which apply)

- Better homes and communities for all
  - A greener East Devon
  - A resilient economy
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## **Report in full**

### **1. Introduction**

1.1 The purpose of this monitoring report is to update members of Cabinet on the overall financial position of the Authority following the end of month nine. The report considers expenditure to date and projections on year-end spend to determine if the Council will maintain it's spending within budget and maintain the General Fund Balance and the Housing Revenue Account Balance within the adopted ranges.

1.2 The report contains the following sections:

- Section 2 General Fund Position
- Section 3 Housing Revenue Account
- Section 4 Capital Programme
- Section 5 Treasury Management

## 2. General Fund Position as at Month 9 December 2022

2.1 The following table shows the original budget set for the year and any supplementary estimates approved to date affecting the General Fund position. In year variances have been identified which are likely to alter the outturn position for the year as detailed in the table below. Budget monitoring will continue throughout the year with the outturn position being reported early in the new financial year along with any recommended reserve movements.

<b>General Fund Position</b>	<b>£000</b>
<b>Original Budget Requirement</b>	<b>13,840</b>
Budget increases to P9 reporting	112 (A)
Predicted adverse (A) / favourable (F) spend at year end	138 (F)
<b>Predicted Outturn Position 31/3/2023</b>	<b>13,814</b>

<b>General Fund Position</b>		<b>£000</b>
<b>General Fund balance as at 1/4/2022</b>		<b>4,300 (F)</b>
Net predicted favourable (F) spend at year end		138 (F)
Approved use of General Fund Balance in year – LGA best practice guidance note		45 (A)
Approved use of General Fund Balance in year – Additional Cranbrook delivery capacity		50 (A)
LED request via forum		326 (A)
Exmouth Delivery Group – consultants spend (total £160k, £60k funded)		100 (A)
Seaton Jurassic – cost of completing lease and removal of fittings etc (Total £80k)		55 (A)
Devon Housing Commission contribution (to go through Council)		9 (A)
<b>Predicted General Fund Balance 31/3/2023</b>		<b>3,853 (F)</b>

## 2.2 Budget variances to reporting period 9 by Strategic Area

An analysis of the material predicted over and under spends to the Year End by Strategic Area is as follows:

**BUDGET VARIANCES TO REPORTING PERIOD 9 by STRATEGIC AREA**

<b>COST CENTRE</b>	<b>£000</b>	<b>F/A</b>	<b>Commentary</b>
Corporate Business	25	A	No material variations to note
Corporate Services	517	A	Employment Costs - the main material driver is on the cross service finance code which contains the final installment of the undistributed up front pensions cost paid in 2020/21. This will be reallocated across the services at year end.
Economy And Regenrtn Portfolio	37	A	No material variations to note
Environment Portfolio	90	A	Premises costs above budget. Lower than budgeted Pest Control fee income.
Finance	260	A	Actual car park income up year on year but forecast to be lower than budgeted both within council owned as well as managed car parks.
Strategic Development & P'Ship	-258	F	Increased levels in planning fees combined with unexpected employment cost savings have been partially offset by increased spending on temporary staff, consultants and contractors.
Street Scene Portfolio	-35	F	Better than predicted performance of both the Green Waste and Refuse and Recycling services has been almost completely offset by delays in expected in year savings from the public convenience strategy.
Sustainable Homes & Communitie	164	A	Lower than predicted income from Home Safeguard combined with higher than anticipated IT costs.
Financing & Investment Income	-1,027	F	See Treasury Management section for commentary and details.
Other	87	A	Annual savings target plus other immaterial movements.
	<b>-138</b>	<b>F</b>	

**2.3 Employment Costs (£491k) A**

A year to date average has been used to forecast the spend for future months due to the current months data containing the back dated pay award. The forecasted outturn position includes the 2022/23 national pay award over and above that budgeted hence the adverse position. This has been captured in the 2023/24 budget.

**2.4 Forecast risks and inflationary pressures**

The above data has been prepared as in prior reports using a historical data/trend based approach. It is not possible to fully forecast the continuing impact that current inflationary pressures will have on premises costs and supplies and services. Although we have seen significant energy cost increases this has been mitigated by the Government Energy Rebate scheme. Transport costs have also seen the predicted increases in fuel and lease vehicle costs but are offset by other savings within the spend category. However we do expect to see further cost increases and income reductions due to declining customer volume.

**3. Housing Revenue Account Position – month 9**

3.1 The following table shows the original budget set for the year and any supplementary estimates approved to date affecting the HRA position.

In year variances have been identified and commentary provided within Appendix 1. Budget monitoring will continue throughout the year with the outturn position being reported early in the new financial year along with any recommended reserve movements.

<b>HRA (Surplus)/Deficit</b>	<b>£000</b>
<b>Original Budget surplus (Council 21/2/22)</b>	<b>208 (F)</b>
Predicted net (under)/overspend to year end	201 (F)
<b>Predicted Budget (Surplus)/Deficit HRA</b>	<b>7 (A)</b>

The original approved budget generates a surplus of £0.208m in 2022/23. This sum adjusted for any additional surplus/deficit is due to be added to the Capital Development Fund for future investment.

#### 4. Capital Programme Position up to Month 9

4.1 Below is the estimated current position for the capital programme, which reflects a re-profiling of expenditure taking into account carried forward from the 2021/22 budget.

<b>Capital Programme Summary</b>	<b>£000</b>
<b>Net Capital Programme Budget (Council 21/02/22)</b>	<b>7,807</b>
Budget slippage into 2022/23	10,986
<b>Revised 2022/23 budget</b>	<b>18,793</b>
<b>Capital Programme variations</b>	<b>0</b>
<b>Actual Capital Expenditure</b>	<b>4,454</b>
<b>Unpaid orders</b>	<b>1,124</b>
<b>Capital Budget Requirement per programme</b>	<b>14,159</b>

4.2 Details of portfolio budgets and expenditure is available at appendix 2.

4.3 The Council currently does not hold a general capital reserve and all funding needs to be found. The cash required to fund the expenditure can be met from internal cash balances or through raising loans, this decision is made in line with Council's Treasury Management Strategy. The revenue implications of funding this position has been factored into the revenue monitoring position.

#### 5. Treasury Management

5.1 The treasury management interest received position is summarised below:

	<b>Annual Budget £000</b>	<b>Forecast Outturn £000s</b>	<b>Forecast Variance £000s</b>
Internal Investments	45 (F)	728 (F)	683 (F)
External Investments	91 (F)	389 (F)	298 (F)
	<b>136 (F)</b>	<b>1,117 (F)</b>	<b>981 (F)</b>

5.2 Detail of the treasury management portfolio is available at appendix 3.

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#### **Financial implications:**

Contained within the report.

#### **Legal implications:**

Any legal implications are identified in the report and no further comment is required.

## Appendix 1: HRA Commentary

Year to Date			INCOME	4Cast Outturn		
Actuals	Budget	Diff		Actuals	Budget	Diff
-13,724,011	-13,956,950	232,939	Gross Property Rents	-18,636,175	-18,609,260	-26,915
-173,515	-161,990	-11,525	Garage Rents	-203,825	-215,990	12,165
-451,550	-464,650	13,100	Other Income	-605,786	-619,600	13,814
-14,349,076	-14,583,590	234,514		-19,445,786	-19,444,850	-936

Year to Date			EXPENDITURE	4Cast Outturn		
Actuals	Budget	Diff		Actuals	Budget	Diff
3,754,837	2,302,910	1,451,927	Repairs And Maintenance - General	3,841,241	3,070,580	770,661
159,819	992,820	-833,001	Repairs And Maintenance - Special	686,354	1,323,750	-637,396
5,950,627	5,339,525	611,102	Supervision And Management	7,281,731	7,119,670	162,061
175,289	207,930	-32,641	Other Expenditure	251,346	277,360	-26,014
4,745,355	4,769,530	-261,775	Capital Charges & Bad Debt	4,745,355	5,007,130	-261,775
14,785,927	13,612,715	935,612		16,806,028	16,798,490	7,538

Financing & MIRS	4Cast Outturn		
	Actuals	Budget	Diff
	2,438,140	2,438,140	0

Surplus	4Cast Outturn		
	Actuals	Budget	Diff
	-201,618	-208,220	6,602

### Commentary

1 No material variations in rents currently being experienced or forecast versus revised budget for 22/23.

Electrical inspections, PPP Exclusions & Non PPP property repairs currently trending higher than originally budgeted. A transactional level review is currently underway, jobs will either be reallocated to existing budget lines or budget will be reallocated to cover overspends from Major repairs expenditure underspends.

3 Various underspends across compliance and adaptations, projections based upon historical data set.

Salary savings across the service, predominantly within Property and Asset as recruitment into vacant roles continues, which have been partially offset by fees for agency workers equating to a net forecast saving of £528k. A £500k increase has been included for the impact of the inflationary salary increase, which is yet to be agreed and the council wide salary review which is underway - the impact of which is also unknown.

Lower levels of spending in various areas such as Tenant Engagement, Change of Tenancy/Downsizing and sewerage provision.

Underspends across all major repairs categories, provision has been made to cover the overspends in General Repairs and Maintenance with the residual budget expected to be placed into the planned maintenance reserve.

It is expected that the entire £800k that has been allocated as a contribution to capital will be utilised in year for the next phase of the Green Homes works. No other variations are expected at this time.

## Appendix 2: Capital Programme

Capital Programme Portfolio Summary 2022/23 - month 9					
	Portfolio	Budget after revisions	Actual	Unpaid Orders	(Under)/Overspend
		2022/23	2022/23	2022/23	2022/23
Line		£	£	£	£
1	Corporate Services	1,261,481	196,184	0	(1,065,297)
2	Community - Housing General Fund	1,589,539	433,146	0	(1,156,393)
3	Economy and Regeneration	5,773,772	753,636	196,418	(5,020,136)
4	Environment	2,595,179	540,696	257,909	(2,054,483)
5	Street Scene	6,819,575	781,258	669,201	(6,038,317)
6	Strategic Development	1,250,000	0	0	(1,250,000)
7	<b>TOTAL GF GROSS EXPENDITURE</b>	<b>19,289,546</b>	<b>2,704,920</b>	<b>1,123,528</b>	<b>(16,584,626)</b>
8	Community - HRA	4,558,500	3,590,898	431	(787,602)
9	<b>TOTAL GROSS EXPENDITURE</b>	<b>23,848,046</b>	<b>6,295,818</b>	<b>1,123,959</b>	<b>(17,372,228)</b>
10	Corporate Services	(11,000)	0	0	11,000
11	Community - Housing General Fund	(1,473,864)	(1,148,017)	0	325,847
12	Economy and Regeneration	(2,249,000)	0	0	2,249,000
13	Environment	(538,640)	0	0	538,640
14	Street Scene	(782,620)	(82,000)	0	700,620
15	Strategic Development	0	0	0	0
16	<b>TOTAL GF EXTERNAL FUNDING</b>	<b>(5,055,124)</b>	<b>(1,230,017)</b>	<b>0</b>	<b>3,825,107</b>
17	Community - HRA	0	(612,000)	0	(612,000)
18	<b>TOTAL EXTERNAL FUNDING</b>	<b>(5,055,124)</b>	<b>(1,842,017)</b>	<b>0</b>	<b>3,213,107</b>
19	Corporate Services	1,250,481	196,184	0	(1,054,297)
20	Community - Housing General Fund	115,675	(714,871)	0	(830,546)
21	Economy and Regeneration	3,524,772	753,636	196,418	(2,771,136)
22	Environment	2,056,539	540,696	257,909	(1,515,843)
23	Street Scene	6,036,955	699,258	669,201	(5,337,697)
24	Strategic Development	1,250,000	0	0	(1,250,000)
25	<b>TOTAL GF NET EXPENDITURE</b>	<b>14,234,422</b>	<b>1,474,903</b>	<b>1,123,528</b>	<b>(12,759,519)</b>
26	Community - HRA	4,558,500	2,978,898	431	(1,399,602)
27	<b>TOTAL NET EXPENDITURE</b>	<b>18,792,922</b>	<b>4,453,801</b>	<b>1,123,959</b>	<b>(14,159,121)</b>

### Appendix 3: Treasury Management

<b>TREASURY PORTFOLIO</b>				
	Actual <b>31.3.22</b>	Actual <b>31.3.22</b>	Current <b>31.12.22</b>	Current <b>31.12.22</b>
<b>Treasury investments</b>	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Banks</b>				
Lloyds Bank Call Account	1,000	1.2%	1,000	1.2%
Lloyds Bank Bonus Call Account	1,000	1.2%	1,000	1.1%
Bank of Scotland Call Account	2,000	2.5%	2,000	2.3%
Santander Business Reserve Account	1,000	1.2%	1,000	1.2%
Santander Business Notice Account	1,000	1.2%	1,000	1.1%
<b>Building Societies</b>				
Progressive Building Society (unrated)	2,000	2.5%	0	0.0%
<b>Local Authorities</b>				
Thurrock Borough Council	3,000	3.7%	0	0.0%
<b>DMADF (HMTreasury)</b>	<b>30,650</b>	<b>37.6%</b>	<b>41,550</b>	<b>48.3%</b>
<b>Money Market Funds</b>				
CCLA - Public Sector Deposit Fund	3,000	3.7%	3,000	3.5%
Goldman Sachs - Sterling Liquid Reserves Fund	3,000	3.7%	2,000	2.3%
Morgan Stanley Sterling Liquidity Fund	3,000	3.7%	3,000	3.5%
<b>Total managed in house</b>	<b>50,650</b>	<b>62.2%</b>	<b>55,550</b>	<b>64.5%</b>
<b>Money Market Funds*</b>				
Payden Sterling Reserve Fund	15,331	18.8%	15,082	17.5%
Royal London Asset Management Short Term Fixed Income Fund	15,448	19.0%	15,481	18.0%
<b>Total managed externally</b>	<b>30,779</b>	<b>37.8%</b>	<b>30,563</b>	<b>35.5%</b>
<b>Total treasury investments</b>	<b>81,429</b>	<b>100.0%</b>	<b>86,113</b>	<b>100.0%</b>
<b>Treasury external borrowing</b>				
<b>Local Authorities</b>				
<b>PWLB</b>	<b>87,853</b>	<b>100.0%</b>	<b>86,931</b>	<b>100.0%</b>
<b>Total external borrowing</b>	<b>87,853</b>	<b>100.0%</b>	<b>86,931</b>	<b>100.0%</b>
<b>Net treasury investments / (borrowing)</b>	<b>(6,424)</b>	<b>0.0%</b>	<b>(818)</b>	<b>0.0%</b>
<i>* market value. Royal London market value at 31.3.22 &amp; 30.11.22</i>				