

Report to: Cabinet



Date of Meeting 6 September 2023

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## Financial Monitoring Report 2023/24 – Month 4 July 2023

### Report summary:

This report gives a summary of the Council's overall financial position for 2023/24 at the end of month four (31 July 2023).

Current monitoring indicates that:

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

Early forecasts indicate a favourable position of £150k is predicted. We continue to see a short term favourable position in treasury management interest, offset with Housing Benefit subsidy costs and increased Refuse and Recycling contract costs. We also await any pay award outcome that remains to be accounted for.

- 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 4 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.

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Communications and Democracy
- Economy
- Finance and Assets
- Strategic Planning
- Sustainable Homes and Communities

Culture, Leisure, Sport and Tourism

**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 four. 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 4 July 2023

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>9,974</b> |
| Budget increases to P4 reporting                         | 60 (F)       |
| Predicted adverse (A) / favourable (F) spend at year end | 150 (F)      |
| <b>Predicted Outturn Position 31/3/2024</b>              | <b>9,794</b> |

| <b>General Fund Position</b>  |  | <b>£000</b>      |
|---|--|------------------|
| <b>General Fund balance as at 1/4/2023</b>  |  | <b>4,300 (F)</b> |
| Net predicted favourable (F) spend at year end  |  | 150 (F)          |
| Approved use of General Fund Balance in year – further budget in Verit report production  |  | 8 (A)            |
| Approved use of General Fund Balance in year – Place and Prosperity team resourcing (23/24 implications)  |  | 29 (A)           |
| Approved use of General Fund Balance in year - Delivering Environment Act 2021 new duties (new burdens funding of £43k assumed will cover year 1 costs) |  | 0                |
| <b>Predicted General Fund Balance 31/3/2024</b>   |  | <b>4,413 (F)</b> |

2.2 Outstanding from the above calculation is any staff cost of living increases that have yet to be agreed/confirmed. The 2023/24 budget includes estimated staff cost increases at 3.4%. As an example, an agreed increase at 6% will incur an increased cost of £495k.

### 2.3 **Cost of Service Variation to Budget in 23/24 (£0.997m (A))**

The variation across the council's portfolio of services is show in Appendix 1 with associated commentaries made on material items within each service.

### 2.4 **Interest Income from Treasury Management Activities (£1,062 (F))**

Estimates for interest income in the year have been projected using the first 4 months rate of receipt. The continuing rise of base rates and the associated impact on term deposit and money market rates is resulting in a significant surplus to budget. The prediction at the time of budget setting was for a gradual decline in rates over the period however rates remain high resulting in this short term favourable position. The increased interest return forecast may also reduce in year due the offset against any new Minimum Revenue Provision the council needs to make against new loan debt.

## 3. **Housing Revenue Account Position – month 4**

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

| <b>HRA Position</b>                                      | <b>£m</b>      | <b>F/A</b> |
|--|----------------|------------|
| <b>Original Budgeted Surplus</b>                         | <b>(0.268)</b> |            |
| Approved Staff Budget Variations during reporting period | 0.241          | A          |
| Additional GF funding for Housing Complaints Officer     | 0.034          | A          |
| Remit Zero Pilot – worst case scenario                   | 0.475          | A          |
| <b>Revised Budgeted Deficit (1)</b>                      | <b>0.482</b>   |            |

3.2 The breakdown of the variations solely relate to approved additional staff costs since budget setting, the staff budget variations being;

- New Housing operations manager at Grade/Level 7

- 2 x Estate Management officers plus 2 x Housing Officers

3.3 The Remit Zero pilot has been included assuming that government grant funding is not achieved, however, should we be successful then the deficit will drop to £0.110m.

### 3.4 Income Losses

Income was increased on rents by 7% and all other service charges by 3% in 2023/24. The year to date amounts and projections can be seen below. Lost rent due to voids continues to be above the budgeted levels and will add an additional £0.5m to the in-year deficit if it continues at the current level.

| 9AC  | 9AN - Level 9 Account Name | Sum of Actuals | Sum of Budget | Q1 Variatn | YE Variatn |
|------|----------------------------|----------------|---------------|------------|------------|
| 6133 | Voids Lost Rent            | 275,182        | 149,980       | 125,202    | 500,809    |
| ALL  | All Other Income Lines     | -5,334,084     | -5,350,360    | 16,276     | 65,104     |

3.5 The knock on effect of voids/significant planned works is the requirement for emergency accommodation/decants for tenants with the figures to Q1 resulting in a cost to the HRA of £68.7k. These two income associated losses will have the following impact on the deficit if they continue at the current levels;

| HRA Position                             | £m           | F/A |
|--|--------------|-----|
| <b>Revised Budgeted Deficit (1)</b>      | <b>0.482</b> |     |
| Forecast Lost rent due to Voids          | 0.500        | A   |
| Forecast Emergency Accommodation/Decants | 0.238        | A   |
| <b>Revised Budgeted Deficit (2)</b>      | <b>1.220</b> |     |

3.6 The above forecast deficit position will be fully funded by HRA earmarked reserves.

## 4. Capital Programme Position up to Month 4

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 2022/23 budget.

| Capital Programme Summary                       | £000          |
|---|---------------|
| <b>Net Capital Programme Budget</b>             | <b>10,216</b> |
| Budget slippage into 2023/24                    | 12,569        |
| <b>Revised 2023/24 budget</b>                   | <b>22,785</b> |
| <b>Identified likely slippage</b>               | <b>4,815</b>  |
| <b>Actual Capital Expenditure</b>               | <b>2,881</b>  |
| <b>Unpaid orders</b>                            | <b>1,819</b>  |
| <b>Capital Budget Requirement per programme</b> | <b>13,270</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:

|                      | Annual Budget<br>£000 | Forecast Outturn<br>£000s | Forecast Variance<br>£000s |
|----------------------|-----------------------|---------------------------|----------------------------|
| Internal Investments | 790 (F)               | 1,177 (F)                 | 326 (F)                    |
| External Investments | 347 (F)               | 1,083 (F)                 | 736 (F)                    |
|                      | <b>1,137 (F)</b>      | <b>2,200 (F)</b>          | <b>1,062 (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: General Fund Summary – Cost of Services

| General Fund Revenue Budgets 2023/24                  |                     |                    |                 |            |       |
|---|---------------------|--------------------|-----------------|------------|-------|
| Portfolio Budget - Net Expenditure                    | Actuals 2023/24 (£) | Budget 2023/24 (£) | Variation (£)   | %age Var   | Notes |
| Corporate Business                                    | 205,901             | 194,520            | 11,381          | 6%         | 1     |
| Corporate Services                                    | 3,334,508           | 2,943,940          | 390,568         | 12%        | 2     |
| Economy And Regenrtn Portfolio                        | 568,307             | 588,060            | -19,753         | -3%        | 3     |
| Environment Portfolio                                 | 5,641,390           | 5,629,120          | 12,270          | 0%         | 4     |
| Finance   | -845,784            | -1,154,745         | 308,961         | -37%       | 5     |
| Strategic Development & P'Ship                        | 2,931,985           | 3,318,342          | -386,356        | -13%       | 6     |
| Street Scene Portfolio                                | 13,869,254          | 13,151,070         | 718,184         | 5%         | 7     |
| Sustainable Homes & Communitie                        | 1,656,797           | 1,714,654          | -57,857         | -3%        | 8     |
| <b>Portfolio Totals</b>                               | <b>27,362,357</b>   | <b>26,384,961</b>  | <b>977,397</b>  | <b>4%</b>  |       |
| Reversal of Capital Charges (Depreciation)            | 0                   | 0                  | 0               |            |       |
| <b>Portfolio Totals Net of Capital Charges</b>        | <b>27,362,357</b>   | <b>26,384,961</b>  | <b>977,397</b>  | <b>4%</b>  |       |
| Interest Receipts (Net of investment management fees) | -2,200,084          | -1,137,335         | -1,062,749      | 48%        |       |
| Interest Payable                                      | 573                 | 300                | 273             | 48%        |       |
| PWLB Interest   | 76,744              | 94,990             | -18,246         | -24%       |       |
| Principal Repayments                                  | 328,000             | 417,000            | -89,000         | -27%       |       |
| <b>Net Expenditure</b>                                | <b>25,567,590</b>   | <b>25,759,916</b>  | <b>-192,326</b> | <b>-1%</b> |       |
| <b>Government Grants</b>                              |                     |                    |                 |            |       |
| New Homes Bonus Grant                                 | -1,025,642          | -1,025,642         | 0               | 0%         |       |
| Rural Services Delivery Grant                         | -264,441            | -264,441           | 0               | 0%         |       |
| Lower Tier Services Grant                             | -1,530,145          | -1,530,145         | 0               | 0%         |       |
| New Services Grant                                    | -107,777            | -107,777           | 0               | 0%         |       |
| Savings Target  | 0                   | -70,000            | 70,000          | 100%       |       |
| <b>Use of Reserves</b>                                |                     |                    |                 |            |       |
| Use of Collection fund surplus Income                 | -358,810            | -358,810           | 0               | 0%         |       |
| Use of Other Earmarked Reserves                       | -5,800,319          | -5,773,041         | -27,279         | 0%         |       |
| <b>Budget Requirement</b>                             | <b>16,480,456</b>   | <b>16,630,060</b>  | <b>-149,604</b> | <b>-1%</b> |       |
| Business Rates Income                                 | -6,716,000          | -6,716,000         | 0               | 0%         |       |
| Business Rates MIRs                                   | 0                   | 0                  | 0               |            |       |
| <b>Council Tax Requirement</b>                        | <b>9,764,456</b>    | <b>9,914,060</b>   | <b>-149,604</b> | <b>-2%</b> |       |
| Vs EDDC Precept per MTFP                              | -9,973,900          | -9,973,900         | 0               | 0%         |       |
| (Surplus) / Funding GAP                               | <b>-209,444</b>     | <b>-59,840</b>     | <b>-149,604</b> |            |       |

## Notes

1. Corporate Business  
*No material variation on which to comment.*
2. Corporate Services  
*Centralised salary saving expectations in 23/24 amount to £0.4m and are driving this variation –offsetting savings are anticipated across the rest of the portfolio.*
3. Economy Portfolio  
*No material variations on which to comment*
4. Environment Portfolio  
*No material variations on which to comment*
5. Finance  
*The primary driver of the variance relates to the housing benefit subsidy, based on a subsidy recovery percentage of 94%. Car Park income receipts total £1.906m (£80k (A) against budget). July receipts are £145k down year on year due to the inclement weather.*
6. Strategic Development  
*Salary savings based upon the current workforce and consultant savings based upon the ytd spend patterns.*
7. Street Scene  
*The primary driver of the variance is the impact of the Suez refuse and recycling contract based upon a cost plus 5% model*
8. Sustainable Homes & Communities  
*No material variations on which to comment*

## Appendix 2: Capital Programme

| Capital Programme Portfolio Summary 2023/24 |                                   |                        |                           |                  |                  |                    |
|---|-----------------------------------|------------------------|---------------------------|------------------|------------------|--------------------|
| Line  | Portfolio                         | Budget after revisions | Likely Slippage in Budget | Actual           | Unpaid Orders    | Under/ (Overspend) |
|   |                                   | 2023/24                | 2023/24                   | 2023/24          | 2023/24          | 2023/24            |
|   |                                   | £                      | £                         | £                | £                | £                  |
| 1   | Corporate Services                | 1,227,732              | 173,674                   | 135,935          | 1,500            | 916,623            |
| 2   | Community - Housing General Fund  | 1,460,181              | 232,687                   | 130,109          | 0                | 1,097,385          |
| 3   | Economy and Regeneration          | 4,057,117              | 1,624,819                 | 66,366           | 312,477          | 2,053,455          |
| 4   | Environment                       | 2,646,762              | 816,655                   | 38,645           | 804,051          | 987,411            |
| 5   | Street Scene                      | 12,503,245             | 2,637,299                 | 751,212          | 700,950          | 8,413,784          |
| 6   | Strategic Development             | 1,250,000              | 1,250,000                 | 0                | 0                | 0                  |
| 7   | <b>TOTAL GF GROSS EXPENDITURE</b> | <b>23,145,037</b>      | <b>6,735,133</b>          | <b>1,122,267</b> | <b>1,818,978</b> | <b>13,468,658</b>  |
| 8   | Community - HRA                   | 4,456,710              | 0                         | 2,698,788        | 0                | 1,757,922          |
| 9   | <b>TOTAL GROSS EXPENDITURE</b>    | <b>27,601,747</b>      | <b>6,735,133</b>          | <b>3,821,055</b> | <b>1,818,978</b> | <b>15,226,580</b>  |
| 10  | Corporate Services                | 0                      | 0                         | 0                | 0                | 0                  |
| 11  | Community - Housing General Fund  | (1,342,796)            | 0                         | (939,402)        | 0                | (403,394)          |
| 12  | Economy and Regeneration          | (2,249,000)            | (1,124,500)               | 0                | 0                | (1,124,500)        |
| 13  | Environment                       | (531,449)              | (446,111)                 | 0                | 0                | (85,338)           |
| 14  | Street Scene                      | (693,630)              | (350,000)                 | 0                | 0                | (343,630)          |
| 15  | Strategic Development             | 0                      | 0                         | 0                | 0                | 0                  |
| 16  | <b>TOTAL GF EXTERNAL FUNDING</b>  | <b>(4,816,875)</b>     | <b>(1,920,611)</b>        | <b>(939,402)</b> | <b>0</b>         | <b>(1,956,862)</b> |
| 17  | Community - HRA                   | 0                      | 0                         | (216)            | 0                | 216                |
| 18  | <b>TOTAL EXTERNAL FUNDING</b>     | <b>(4,816,875)</b>     | <b>(1,920,611)</b>        | <b>(939,618)</b> | <b>0</b>         | <b>(1,956,646)</b> |
| 19  | Corporate Services                | 1,227,732              | 173,674                   | 135,935          | 1,500            | 916,623            |
| 20  | Community - Housing General Fund  | 117,385                | 232,687                   | (809,293)        | 0                | 693,991            |
| 21  | Economy and Regeneration          | 1,808,117              | 500,319                   | 66,366           | 312,477          | 928,955            |
| 22  | Environment                       | 2,115,313              | 370,544                   | 38,645           | 804,051          | 902,073            |
| 23  | Street Scene                      | 11,809,615             | 2,287,299                 | 751,212          | 700,950          | 8,070,154          |
| 24  | Strategic Development             | 1,250,000              | 1,250,000                 | 0                | 0                | 0                  |
| 25  | <b>TOTAL GF NET EXPENDITURE</b>   | <b>18,328,162</b>      | <b>4,814,522</b>          | <b>182,866</b>   | <b>1,818,978</b> | <b>11,511,796</b>  |
| 26  | Community - HRA                   | 4,456,710              | 0                         | 2,698,572        | 0                | 1,758,138          |
| 27  | <b>TOTAL NET EXPENDITURE</b>      | <b>22,784,872</b>      | <b>4,814,522</b>          | <b>2,881,437</b> | <b>1,818,978</b> | <b>13,269,934</b>  |



### Appendix 3: Treasury Management

| <b>TREASURY PORTFOLIO</b>                                  |                          |                          |                            |                            |
|--|--------------------------|--------------------------|----------------------------|----------------------------|
|  | Actual<br><b>31.3.23</b> | Actual<br><b>31.3.23</b> | Current<br><b>31.07.23</b> | Current<br><b>31.07.23</b> |
| <b>Treasury investments</b>                                | <b>£000</b>              | <b>%</b>                 | <b>£000</b>                | <b>%</b>                   |
| <b>Banks</b>   |                          |                          |                            |                            |
| Lloyds Bank Call Account                                   | 1,000                    | 1.7%                     | 1,000                      | 1.4%                       |
| Lloyds Bank Bonus Call Account                             | 1,000                    | 1.7%                     | 1,000                      | 1.4%                       |
| Bank of Scotland Call Account                              | 2,000                    | 3.4%                     | 2,000                      | 2.8%                       |
| Santander Business Reserve Account                         | 1,000                    | 1.7%                     | 1,000                      | 1.4%                       |
| Santander Business Notice Account                          | 1,000                    | 1.7%                     | 1,000                      | 1.4%                       |
| <b>Building Societies</b>                                  |                          |                          |                            |                            |
| -  | -                        | -                        | -                          | -                          |
| <b>Local Authorities</b>                                   |                          |                          |                            |                            |
| -  | -                        | -                        | -                          | -                          |
| <b>DMADF (HMTreasury)</b>                                  | 15,000                   | 25.3%                    | 25,950                     | 36.6%                      |
| <b>Money Market Funds</b>                                  |                          |                          |                            |                            |
| CCLA - Public Sector Deposit Fund                          | 3,000                    | 5.1%                     | 3,000                      | 4.2%                       |
| Goldman Sachs - Sterling Liquid Reserves Fund              | 1,700                    | 2.9%                     | 2,300                      | 3.2%                       |
| Morgan Stanley Sterling Liquidity Fund                     | 3,000                    | 5.1%                     | 3,000                      | 4.2%                       |
| <b>Total managed in house</b>                              | <b>28,700</b>            | <b>48.4%</b>             | <b>40,250</b>              | <b>56.8%</b>               |
| <b>Money Market Funds*</b>                                 |                          |                          |                            |                            |
| Payden Sterling Reserve Fund                               | 15,120                   | 25.5%                    | 15,141                     | 21.4%                      |
| Royal London Asset Management Short Term Fixed Income Fund | 15,460                   | 26.1%                    | 15,633                     | 21.8%                      |
| <b>Total managed externally</b>                            | <b>30,924</b>            | <b>51.6%</b>             | <b>30,924</b>              | <b>43.2%</b>               |
| <b>Total treasury investments</b>                          | <b>59,624</b>            | <b>100.0%</b>            | <b>71,174</b>              | <b>100.0%</b>              |
| <b>Treasury external borrowing</b>                         |                          |                          |                            |                            |
| <b>Local Authorities</b>                                   |                          |                          |                            |                            |
| <b>PWLB</b>  | 84,046                   | 100.0%                   | 83,581                     | 100.0%                     |
| <b>Total external borrowing</b>                            | <b>84,046</b>            | <b>100.0%</b>            | <b>83,581</b>              | <b>100.0%</b>              |
| <b>Net treasury investments / (borrowing)</b>              | <b>(24,422)</b>          | <b>0.0%</b>              | <b>(12,407)</b>            | <b>0.0%</b>                |
| * market value   |                          |                          |                            |                            |