

Report to: Cabinet



Date of Meeting 29 November 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Financial Monitoring Report 2023/24 – Month 6 September 2023

Report summary:

This report gives a summary of the Council's overall financial position for 2023/24 at the end of month six (30 September 2023).

Current monitoring indicates that:

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

Early forecasts indicate a favourable position of £177k is predicted. We continue to see a short-term favourable position in treasury management interest and a forecast salary saving above target. This is partially offset with Housing Benefit subsidy costs and increased Refuse and Recycling contract costs.

- 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 6 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, 01395 517413

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
-

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 six. 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 6 September 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.

General Fund Position	£m	F/A
Original Budget Requirement	9.974	
Budget increases to P6 reporting	0.010	F
Predicted adverse (A) / favourable (F) spend at year end	0.167	F
Revised Budgeted Deficit (2)	9.797	

2.2 Staff related Cost of Service Variations to budget (£0.462 (F))

An estimated impact of the agreed staff cost of living increases of £1,925 up to the 43 salary spine point and 3.88% uplift above have been included in the outturn data using the general fund establishment at the end of October. Appendix 1 shows both the current forecasted outturn of employment costs in totality and the impact of the uplift alone.

2.3 Total Cost of Service Variation to Budget (£1.202m (A))

The variation across the council's portfolio of services, including the above staff related variations is show in Appendix 2 with associated commentaries made on material items within each service.

2.4 Interest Income from Treasury Management Activities (£1,412 (F))

Estimates for interest income in the year have been projected using the first 6 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 as at Month 6 September

3.1 HRA Opening Balances

HRA Reserves	£m
Revenue Reserves	(12.472)
HRA Balance & Volatility Reserve	(4.702)
Other Earmarked Reserves	(7.770)
Capital Reserves	(5.731)
Ring Fenced RTB Capital Receipts	(5.731)

3.2 In Year Surplus and Approved Budget Variations

The following table sets out the impact on the originally agreed budgeted surplus of subsequently approved spend that was not originally included in the set budget.

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

3.4 Impact on Income

Income was increased on rents by 7% and all other service charges by 3% in 2023/24. Lost rent due to voids continues to be above the budgeted levels and will likely add an additional £0.5m to the in-year deficit as the catch-up work to reduce void levels continues for the remainder of the year.

Additionally, due to the high levels of major works that are being addressed from the stock condition feedback the expenditure on decants during the year has been higher than expected. The forecasted implications of these two factors being;

HRA Position	£m	F/A
Revised Budgeted Deficit (1)	0.482	
Forecast Lost rent due to Voids	0.497	A
Forecast Emergency Accommodation/Decants	0.289	A
Revised Deficit (2)	1.268	

3.5 Integrated Asset Management Contract Expenditure

The stock condition survey has also significantly increased the demand on the IAMC contract with void levels and their associated expenditure as well as larger jobs outside of the Price Per Property framework requiring significant contributions from reserves.

3.6 Staff related Cost of Service Variations and the impact of Pay Award

The estimated impact of the agreed pay award on the HRA for the year is £0.17m. The salary related underspends before this uplift versus the interim agency costs were materially equal and offsetting.

3.7 Final forecast deficit to be taken from earmarked reserves

The above two factors combined would have the below impact to be funded from other earmarked reserves reducing their level to £5.296m.

HRA Position	£m	F/A
Revised Deficit (2)	1.268	
Staff costs & IAMC related contributions	1.206	A
Revised Deficit (3)	2.474	

4. Capital Programme Position up to Month 6

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
Net Capital Programme Budget	10,166
Budget slippage into 2023/24	12,569
Revised 2023/24 budget	22,735
Identified likely slippage	7,674
Actual Capital Expenditure	5,485
Unpaid orders	1,164
Capital Budget Requirement per programme	8,411

4.2 Details of portfolio budgets and expenditure is available at appendix 3.

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 £000	Forecast Outturn £000s	Forecast Variance £000s
Internal Investments	790 (F)	1,271 (F)	481 (F)
External Investments	347 (F)	1,141 (F)	794 (F)
	1,137 (F)	2,412 (F)	1,275 (F)

5.2 Detail of the treasury management portfolio is available at appendix 4.

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 Employment Costs Review

Table 1 – Forecast outturn of Total Employment Costs

General Fund Revenue Budgets 2023/24

Portfolio Budget - Net Expenditure	Actuals 2022/23	Budget 2022/23	Variation	%age Var
Corporate Business	75,157	74,620	537	1%
Corporate Services	2,473,582	2,173,930	299,652	12%
Economy And Regenrtn Portfolio	1,788,934	1,858,090	-69,156	-4%
Environment Portfolio	2,594,261	2,794,230	-199,969	-8%
Finance	3,519,523	3,860,700	-341,177	-10%
Strategic Development & P'Ship	3,387,042	3,448,390	-61,348	-2%
Street Scene Portfolio	4,201,746	4,148,920	52,826	1%
Sustainable Homes & Communitie	2,081,857	2,225,110	-143,253	-7%
Portfolio Totals	20,122,101	20,583,990	-461,889	-2%

Table 2 – Estimated General Fund Impact of Agreed Salary Uplifts

Portfolio Budget - Net Expenditure	Actuals 2022/23
Corporate Business	3,486
Corporate Services	82,264
Economy And Regenrtn Portfolio	50,458
Environment Portfolio	97,624
Finance	150,220
Strategic Development & P'Ship	94,442
Street Scene Portfolio	196,723
Sustainable Homes & Communitie	84,512
Portfolio Totals	759,728

Appendix 2: General Fund Summary – Cost of Services

General Fund Revenue Budgets 2023/24

Portfolio Budget - Net Expenditure	Actuals 2022/23	Budget 2022/23	Variation	%age Var	Notes
Corporate Business	166,511	169,520	-3,009	-2%	1
Corporate Services	3,326,955	3,019,430	307,525	9%	2
Economy And Regenrtn Portfolio	371,369	588,060	-216,691	-58%	3
Environment Portfolio	5,701,860	5,629,120	72,740	1%	4
Finance	-1,157,572	-1,154,745	-2,827	0%	5
Strategic Development & P'Ship	3,361,679	3,318,342	43,338	1%	6
Street Scene Portfolio	14,023,841	13,151,070	872,771	6%	7
Sustainable Homes & Communitie	1,806,498	1,714,654	91,844	5%	8
Portfolio Totals	27,601,142	26,435,451	1,165,691	4%	
Reversal of Capital Charges (Depreciation)	0	0	0		
Portfolio Totals Net of Capital Charges	27,601,142	26,435,451	1,165,691	4%	
Interest Receipts (Net of investment management fees)	-2,412,253	-1,137,335	-1,274,918	53%	
Interest Payable	1,457	300	1,157	79%	
PWLB Interest	81,376	94,990	-13,614	-17%	
Principal Repayments	328,000	417,000	-89,000	-27%	
Net Expenditure	25,599,722	25,810,406	-210,684	-1%	
Government Grants					
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%	
Use of Reserves					
Capital Reserve Transfers	0	0	0		
Use of Collection fund surplus Income	-358,810	-358,810	0	0%	
Use of Collection fund surplus MIRS	0	0	0		
Use of Accumulated Absence Reserve	0	0	0		
Use of Other Earmarked Reserves	-5,800,319	-5,773,041	-27,279	0%	
Budget Requirement	16,512,588	16,680,550	-167,962	-1%	
Business Rates Income	-6,716,000	-6,716,000	0	0%	
Business Rates MIRs	0	0	0		
Council Tax Requirement	9,796,588	9,964,550	-167,962	-2%	
Vs EDDC Precept per MTFP	-9,973,900	-9,973,900	0	0%	
(Surplus) / Funding GAP	-177,312	-9,350	-167,962		

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
Various small variations against budget across Queens Drive, Ocean, Manor Pavilion and Industrial Sites
4. Environment Portfolio
No material variations on which to comment
5. Finance
The housing benefit subsidy is driving an increase of approx.. £0.3m, based on a subsidy recovery percentage of 94%. This is completely offset by the forecast salary savings based upon Oct establishment as shown in Appendix 1.
6. Strategic Development
No Material variations on which to comment..
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 3: 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	126,875	13,183	914,000
2	Community - Housing General Fund	1,460,181	143,271	261,590	-	1,055,319
3	Economy and Regeneration	4,057,117	1,797,772	919,820	191,963	1,147,562
4	Environment	2,646,762	626,118	310,634	534,610	1,175,400
5	Street Scene	12,503,245	5,664,116	1,111,743	424,523	5,302,862
6	Strategic Development	1,250,000	1,250,000	-	-	-
7	TOTAL GF GROSS EXPENDITURE	23,145,037	9,654,952	2,730,662	1,164,278	9,595,144
8	Community - HRA	4,406,710	-	3,830,132	-	576,578
9	TOTAL GROSS EXPENDITURE	27,551,747	9,654,952	6,560,794	1,164,278	10,171,722
10	Corporate Services	-	-	-	-	-
11	Community - Housing General Fund	(1,342,796)	-	(1,075,083)	-	(267,713)
12	Economy and Regeneration	(2,249,000)	(1,124,500)	-	-	(1,124,500)
13	Environment	(531,449)	(446,111)	-	-	(85,338)
14	Street Scene	(693,630)	(410,000)	-	-	(283,630)
15	Strategic Development	-	-	-	-	-
16	TOTAL GF EXTERNAL FUNDING	(4,816,875)	(1,980,611)	(1,075,083)	-	(1,761,181)
17	Community - HRA	-	-	(216)	-	216
18	TOTAL EXTERNAL FUNDING	(4,816,875)	(1,980,611)	(1,075,299)	-	(1,760,965)
19	Corporate Services	1,227,732	173,674	126,875	13,183	914,000
20	Community - Housing General Fund	117,385	143,271	(813,493)	-	787,607
21	Economy and Regeneration	1,808,117	673,272	919,820	191,963	23,062
22	Environment	2,115,313	180,007	310,634	534,610	1,090,062
23	Street Scene	11,809,615	5,254,116	1,111,743	424,523	5,019,232
24	Strategic Development	1,250,000	1,250,000	-	-	-
25	TOTAL GF NET EXPENDITURE	18,328,162	7,674,341	1,655,579	1,164,278	7,833,963
26	Community - HRA	4,406,710	-	3,829,916	-	576,794
27	TOTAL NET EXPENDITURE	22,734,872	7,674,341	5,485,495	1,164,278	8,410,757

Appendix 4: Treasury Management

TREASURY PORTFOLIO				
	Actual	Actual	Current	Current
	31.3.23	31.3.23	30.9.23	30.9.23
Treasury investments	£000	%	£000	%
Banks				
Lloyds Bank Call Account	1,000	1.7%	1,000	1.5%
Lloyds Bank Bonus Call Account	1,000	1.6%	1,000	1.5%
Bank of Scotland Call Account	2,000	3.4%	2,000	2.9%
Santander Business Reserve Account	1,000	1.7%	1,000	1.5%
Santander Business Notice Account	1,000	1.6%	1,000	1.5%
Building Societies	0	0.0%	0	0.0%
Local Authorities	0	0.0%	0	0.0%
DMADF (HMTreasury)	15,000	25.3%	22,450	33.1%
Money Market Funds				
CCLA - Public Sector Deposit Fund	3,000	5.1%	2,600	3.8%
Goldman Sachs - Sterling Liquid Reserves Fund	1,700	2.9%	3,000	4.4%
Morgan Stanley Sterling Liquidity Fund	3,000	5.1%	3,000	4.4%
Total managed in house	28,700	48.4%	37,050	54.6%
Money Market Funds*				
Payden Sterling Reserve Fund	15,120	25.5%	15,147	22.4%
Royal London Asset Management Short Term Fixed Income Fund	15,529	26.1%	15,614	23.0%
Total managed externally	30,649	51.6%	30,761	45.4%
Total treasury investments	59,349	100.0%	67,811	100.0%
Treasury external borrowing				
Local Authorities	0	0.0%	0	0.0%
PWLB	84,046	100.0%	83,581	100.0%
Total external borrowing	84,046	100.0%	83,581	100.0%
Net treasury investments / (borrowing) **	(24,697)	0.0%	(15,770)	0.0%

* market value. ** ignores internal borrowing between General Fund and HRA