

Report to: Cabinet



Date of Meeting 28 February 2024

Document classification: Part A Public Document

Exemption applied: None

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## Financial Monitoring Report 2023/24 – Month 9 December

### Report summary:

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

Current monitoring indicates that:

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

Forecasts indicate a favourable position of £54k is predicted. We continue to see a significant favourable position in treasury management interest; however, this has largely been offset by adverse positions on the Refuse & Recycling contract, Housing Benefit overpayments as well as an overspend on emergency accommodation. These have been monitored closely throughout the year and all are reflected in increased 2024/25 budgets.

- 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.

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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** Click here to enter links to background information; appendices online; and previous reports. These must link to an electronic document. Do not include any confidential or exempt 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 its 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

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 below. Budget monitoring continues 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>£m</b>	<b>F/A</b>
<b>Original Budget Requirement</b>	<b>9.974</b>	
Predicted adverse (A) / favourable (F) spend at year end	0.054	F
<b>Predicted Budget Outturn Position 31/3/2024</b>	<b>9.920</b>	

<b>General Fund Position</b>		<b>£000</b>
<b>General Fund balance as at 1/4/23</b>		<b>4,300</b>
Net predicted favourable (F) spend at year end		54 (F)
Approved use of General Fund Balance in year:		
- Further budget independent report production	8 (A)	
- Place & Prosperity team resourcing	29 (A)	
- New Council Plan Process	10 (A)	
- Assistant payroll Officer funding	34 (A)	
- Supplementary recruitment advertising budget	30 (A)	
- Care Leavers Council Tax discount	8 (A)	
		119 (A)
<b>Predicted General Fund Balance 31/3/2024</b>		<b>4,235</b>

## 2.2 **Staff related Cost of Service Variations to budget (£0.439m (F))**

Agreed staff cost of living increases are now reflected in the above financial data and predictions (increases of £1,925 up to the 43 salary spine point and 3.88% uplift above). Employment cost favourable variances are shown within service areas whereas overall staff savings are budgeted and shown within Corporate Services.

## 2.3 **Total Cost of Service Variation to Budget (£1.731m (A))**

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

## 2.4 **Interest Income from Treasury Management Activities (£1,617 (F))**

Estimates for interest income in the year have been projected using the first 9 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 9 December

#### 3.1 HRA Opening Balances

HRA Reserves	£m
<b>Revenue Reserves</b>	<b>(12.472)</b>
HRA Balance & Volatility Reserve	(4.702)
Other Earmarked Reserves	(7.770)
<b>Capital Reserves</b>	<b>(5.731)</b>
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
<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	0.475	A
Warm Hub project	0.050	A
Asset Management Strategy consultant appointment	0.050	A
Housing Task Force senior surveyor post	0.074	A
<b>Revised Budgeted Deficit (1)</b>	<b>0.656</b>	

#### 3.3 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 £0.368m 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
<b>Revised Budgeted Deficit (1)</b>	<b>0.656</b>	
Forecast Lost rent due to Voids	0.368	A
Forecast Emergency Accommodation/Decants	0.271	A
<b>Revised Deficit (2)</b>	<b>1.295</b>	

#### 3.4 Integrated Asset Management Contract Expenditure

The stock condition 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.

### 3.5 Final forecast deficit to be taken from earmarked reserves

The above factors combined would have the below impact to be funded from other earmarked reserves;

HRA Position	£m	F/A
<b>Revised Deficit (2)</b>	<b>1.295</b>	
IAMC related contributions	2.507	A
<b>Revised Deficit (3) – funded by reserves</b>	<b>3.802</b>	

## 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 2022/23 budget and any agreed in year budgets.

Capital Programme Summary	£000
<b>Net Capital Programme Budget (incl. additions)</b>	<b>13,291</b>
Budget slippage into 2023/24	12,569
<b>Revised 2023/24 budget</b>	<b>25,860</b>
<b>Identified likely slippage</b>	<b>12,533</b>
<b>Actual Capital Expenditure</b>	<b>8,893</b>
<b>Unpaid orders</b>	<b>1,232</b>
<b>Capital Budget Requirement per programme</b>	<b>3,202</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 £000	Forecast Outturn £000s	Forecast Variance £000s
Internal Investments	790 (F)	1,475 (F)	685 (F)
External Investments	347 (F)	1,279 (F)	932 (F)
	<b>1,137 (F)</b>	<b>2,754 (F)</b>	<b>1,617 (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

<b>Portfolio Budget - Net Expenditure</b>	<b>Actuals 2023/24</b>	<b>Budget 2023/24</b>	<b>Variation</b>	<b>% age Var</b>
Corporate Business	173,925	169,520	4,405	3%
Corporate Services	3,341,445	3,102,290	239,155	7%
Economy And Regenrtn Portfolio	503,164	588,060	-84,896	-17%
Environment Portfolio	5,559,027	5,629,120	-70,093	-1%
Finance	-826,460	-1,198,955	372,495	-45%
Strategic Development & P'Ship	3,367,015	3,318,342	48,673	1%
Street Scene Portfolio	14,281,242	13,151,070	1,130,172	8%
Sustainable Homes & Communitie	1,907,592	1,816,949	90,643	5%
<b>Portfolio Totals Net of Capital Charges</b>	<b>28,306,951</b>	<b>26,576,396</b>	<b>1,730,556</b>	<b>6%</b>
Interest Receipts (Net of investment management fees)	-2,795,579	-1,137,335	-1,658,244	59%
Interest Payable	402	300	102	25%
PWLB Interest	78,852	94,990	-16,138	-20%
Principal Repayments	328,000	417,000	-89,000	-27%
<b>Net Expenditure</b>	<b>25,918,626</b>	<b>25,951,351</b>	<b>-32,724</b>	<b>0%</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	-5,995,891	-5,946,321	-49,570	1%
<b>Budget Requirement</b>	<b>16,635,921</b>	<b>16,648,215</b>	<b>-12,294</b>	<b>0%</b>
Business Rates Income	-6,716,000	-6,716,000	0	0%
<b>Council Tax Requirement</b>	<b>9,919,921</b>	<b>9,932,215</b>	<b>-12,294</b>	<b>0%</b>
Vs EDDC Precept per MTFP	-9,973,900	-9,973,900	0	0%
(Surplus) / Funding GAP	<b>-53,979</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  
*Various small variations against budget across Industrial Sites, Queens Drive, Ocean, Manor Pavilion.*
4. Environment Portfolio  
*No material variations on which to comment.*
5. Finance  
*The net cost of housing benefit payments after government subsidy is driving an increase of approx. £0.4m, based on a subsidy recovery percentage of 94%. The additional costs are as a result of claimants migrating to Universal Credit who would have attracted a 100% subsidy and a return would have been received in overpayment cases. The remaining caseload is more complex with additional supported costs not fully funded by subsidy.*
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  
*Net adverse prediction of £98k for Emergency accommodation due to demand on the service. This has been reflected in the 24/25 budget (+£94k).*



## Appendix 2: Capital Programme

Capital Programme Portfolio Summary 2023/24					
Portfolio	Budget after revisions	Likely Slippage in Budget	Actual	Unpaid Orders	(Under)/ Overspend
	2023/24	2023/24	2023/24	2023/24	2023/24
	£	£	£	£	£
Corporate Services	1,227,732	166,833	136,144	16,354	(908,401)
Community - Housing General Fund	1,460,181	20,000	410,329	0	(1,029,852)
Economy and Regeneration	7,557,117	5,198,386	1,149,506	247,744	(961,482)
Environment	2,646,762	658,767	628,353	52,400	(1,307,242)
Street Scene	12,503,245	7,219,742	1,706,377	891,458	(2,685,668)
Strategic Development	1,250,000	1,250,000	0	0	0
<b>TOTAL GF GROSS EXPENDITURE</b>	<b>26,645,037</b>	<b>14,513,728</b>	<b>4,030,708</b>	<b>1,207,956</b>	<b>(6,892,645)</b>
Community - HRA	4,031,710	0	6,165,953	23,930	2,158,173
<b>TOTAL GROSS EXPENDITURE</b>	<b>30,676,747</b>	<b>14,513,728</b>	<b>10,196,661</b>	<b>1,231,886</b>	<b>(4,734,472)</b>
Corporate Services	0	0	0	0	0
Community - Housing General Fund	(1,342,796)	0	(1,075,083)	0	267,713
Economy and Regeneration	(2,249,000)	(1,124,500)	(3,070)	0	1,121,430
Environment	(531,449)	(446,111)	0	0	85,338
Street Scene	(693,630)	(410,000)	0	0	283,630
Strategic Development	0	0	0	0	0
<b>TOTAL GF EXTERNAL FUNDING</b>	<b>(4,816,875)</b>	<b>(1,980,611)</b>	<b>(1,078,153)</b>	<b>0</b>	<b>1,758,111</b>
Community - HRA	0	0	(225,216)	0	(225,216)
<b>TOTAL EXTERNAL FUNDING</b>	<b>(4,816,875)</b>	<b>(1,980,611)</b>	<b>(1,303,369)</b>	<b>0</b>	<b>1,532,895</b>
Corporate Services	1,227,732	166,833	136,144	16,354	(908,401)
Community - Housing General Fund	117,385	20,000	(664,754)	0	(762,139)
Economy and Regeneration	5,308,117	4,073,886	1,146,436	247,744	159,948
Environment	2,115,313	212,656	628,353	52,400	(1,221,904)
Street Scene	11,809,615	6,809,742	1,706,377	891,458	(2,402,038)
Strategic Development	1,250,000	1,250,000	0	0	0
<b>TOTAL GF NET EXPENDITURE</b>	<b>21,828,162</b>	<b>12,533,117</b>	<b>2,952,555</b>	<b>1,207,956</b>	<b>(5,134,534)</b>
Community - HRA	4,031,710	0	5,940,737	23,930	1,932,957
<b>TOTAL NET EXPENDITURE</b>	<b>25,859,872</b>	<b>12,533,117</b>	<b>8,893,292</b>	<b>1,231,886</b>	<b>(3,201,577)</b>

## Appendix 3: Treasury Management

<b>Treasury Portfolio</b>				
	<b>31.3.23</b>	<b>31.3.23</b>	<b>31.12.23</b>	<b>31.12.23</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
<b>Treasury investments</b>				
<b>Banks</b>				
Lloyds Bank Call Account	1,000	1.69%	0	0.00%
Lloyds Bank Bonus Call Account	1,000	1.69%	0	0.00%
Lloyds Fixed Bespoke Term Deposit	0	0.00%	2,000	2.54%
Bank of Scotland Call Account	2,000	3.37%	2,000	2.54%
Santander Business Reserve Account	1,000	1.69%	10	0.01%
Santander Business Notice Account	1,000	1.69%	1,000	1.27%
<b>Building Societies</b>	0	0.00%	0	0.00%
<b>Local Authorities</b>				
Ashford Borough Council	0	0.00%	1,200	1.53%
Blackpool Borough Council	0	0.00%	1,900	2.42%
Devon County Council	0	0.00%	3,000	3.82%
Eastleigh Borough Council	0	0.00%	2,500	3.18%
Leeds City Council	0	0.00%	2,500	3.18%
London Borough of Barking and Dagenham	0	0.00%	3,000	3.82%
Wirral Metropolitan Borough Council	0	0.00%	3,000	3.82%
<b>DMADF (HM Treasury)</b>	15,000	25.27%	16,550	21.06%
<b>Money Market Funds</b>				
CCLA - Public Sector Deposit Fund	3,000	5.05%	3,000	3.82%
Goldman Sachs - Sterling				
Liquid Reserves Fund	1,700	2.86%	3,000	3.82%
Morgan Stanley Sterling Liquidity Fund	3,000	5.05%	3,000	3.82%
<b>Total managed in house</b>	<b>28,700</b>	<b>48.36%</b>	<b>47,660</b>	<b>60.65%</b>
<b>Money Market Funds*</b>				
Payden Sterling Reserve Fund	15,120	25.48%	15,343	19.52%
Royal London Asset Management Short Term Fixed Income Fund	15,529	26.16%	15,582	19.83%
<b>Total managed externally</b>	<b>30,649</b>	<b>51.64%</b>	<b>30,925</b>	<b>39.35%</b>
<b>Total treasury investments</b>	<b>59,349</b>	<b>100.00%</b>	<b>78,585</b>	<b>100.00%</b>
<b>Treasury external borrowing</b>				
PWLB	(84,046)	100.00%	(83,108)	100.00%
<b>Total external borrowing</b>	<b>(84,046)</b>	<b>100.00%</b>	<b>(83,108)</b>	<b>100.00%</b>
<b>Net treasury investments/ (borrowing)</b>	<b>(24,697)</b>		<b>(4,523)</b>	
<i>* market value</i>				