

Budget Monitoring Report - Income & Expenditure Account
Quarter ending 30th September 2023

Summary

At the end of the 1st half of the financial year, the Council's position is positive, generating a surplus on the general fund of £362k for the period, against a budget of £337k.

Service	Q2			Annual	
	Net Expenditure	Budgeted Net Expenditure	Variance Year to Date	Budgeted Net Expenditure	Forecast Outturn
Car Parks	(483,660)	(484,097)	437	(484,655)	(487,942)
Co-op	(10,444)	(10,900)	456	(23,800)	(23,344)
Boat Park	(16,341)	(17,162)	821	(40,500)	(33,757)
Public Conveniences	89,863	81,910	7,953	148,820	158,636
Burl Chine Chalets	0	0	0	(155)	(155)
Cemeteries	(11,308)	(14,470)	3,162	(26,700)	(23,538)
Parks and Operations	352,855	333,978	18,877	704,965	728,814
CCTV	3,461	2,300	1,161	3,000	4,861
Beach Gardens	(6,234)	6,435	(12,669)	20,540	9,091
Downs/Misc Grounds/PAG	9,505	(3,943)	13,448	(7,935)	8,067
Beaches/Foreshore	124,633	155,560	(30,927)	161,875	127,927
Beach Chalets/Bungalows	(109,381)	(107,640)	(1,741)	(116,845)	(118,253)
Publicity/Tourism	133,370	133,870	(500)	244,520	253,257
Allotments	(3,374)	(2,600)	(774)	(6,050)	(6,824)
General Buildings (inc. Caravan park)	(20,579)	(24,750)	4,171	(57,505)	(53,334)
Central services to the public:	201,695	220,758	(19,063)	513,715	473,162
DRM	15,550	23,375	(7,825)	77,500	76,675
Corp Management	4,190	4,100	90	54,350	61,890
Net Cost of Services	273,801	296,724	(22,923)	1,165,140	1,155,233
Interest payable and similar charges	2,056	2,215	(159)	4,500	4,341
Interest and investment income	(133,730)	(98,000)	(35,730)	(185,000)	(265,000)
Net Operating expenditure	142,128	200,939	(58,811)	984,640	894,574
Other Movements on the General Fund	(27,402)	(113,995)	86,593	(79,120)	141,025
Amount to be financed:	114,726	86,944	27,782	905,520	1,035,599
Financed by:					
Grants/Donations	0	0	0	(3,000)	(6,000)
Community Infrastructure Levy	(53,130)	0	(53,130)	0	(152,330)
Precept on Purbeck District Council	(424,515)	(424,515)	0	(849,030)	(849,030)
Total Financing:	(477,645)	(424,515)	(53,130)	(852,030)	(1,007,360)
(Surplus)/Deficit for the Period	(362,919)	(337,571)	(25,348)	53,490	28,239
General Fund Balance Brought Forward					(865,558)
General Fund Balance Carried Forward					(837,319)

Car Parks

Car parking realised a net surplus of £484k for the period, as per budget.

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	28,494	25,825	2,669	50,990	54,760
Expenditure	112,534	104,875	7,659	172,090	182,149
Income	(624,688)	(614,797)	(9,891)	(707,735)	(724,851)
Net Expenditure	(483,660)	(484,097)	437	(484,655)	(487,942)

As shown in the summary above, income has exceeded budget at the end of the 2nd quarter by £9.8k, with £5.4k of this being attributable to car parking income itself from all car parks, rather than ancillary revenue such as electricity recharges. This sum was £10.8k at the end of Q1.

Table 1: Net Revenue and Usage Long Stay Car Parks (data from ASLAN/Flowbird Web Office/JustPark)

	Main Beach (incl King Georges overflow)		North Beach		Broad Road		Total	
	Usage	Net revenue	Usage	Net revenue	Usage	Net revenue	Usage	Net revenue
2021/22								
April	4,076	£13,823	142	£414	4,947	£15,247	9,165	£29,484
May	6,813	£25,450	604	£2,115	7,208	£22,989	14,625	£50,554
June	10,976	£44,062	1249	£4,369	10,450	£35,760	22,675	£84,191
July	13,449	£62,231	1978	£7,096	12,400	£48,487	27,827	£117,814
August	18,530	£87,288	3270	£11,671	14,704	£58,627	36,504	£157,586
September	9,964	£39,573	1058	£3,418	9,462	£33,125	20,484	£76,116
Q2 Total	63,808	£272,427	8,301	£29,083	59,171	£214,235	131,280	£515,745
2022/23								
April	6,316	£23,290	337	£1,197	6,400	£21,003	13,053	£45,490
May	6,903	£27,227	558	£1,826	6,744	£23,855	14,205	£52,908
June	8,778	£34,509	880	£3,077	8,145	£28,186	17,803	£65,773
July	12,696	£58,868	2030	£7,272	11,280	£43,748	26,006	£109,888
August	18,022	£85,498	3152	£11,498	14,267	£54,894	35,441	£151,890
September	7,479	£28,592	515	£1,750	7,421	£25,645	15,415	£55,986
Q2 Total	60,194	£257,984	7,472	£26,620	54,257	£197,330	121,923	£481,935
2023/24								
April	6,303	£24,190	480	£1,574	7,173	£25,268	13,956	£51,032
May	8,427	£34,469	857	£3,116	7,876	£28,490	17,160	£66,075
June	9,149	£39,703	938	£3,534	8,650	£30,748	18,737	£73,984
July	10,753	£51,741	1025	£3,691	10,291	£42,394	22,069	£97,826
August	15,981	£77,950	2261	£8,407	13,758	£56,256	32,000	£142,613
September	9,246	£39,191	905	£3,226	8,967	£33,147	19,118	£75,563
Q2 Total	59,859	£267,243	6,466	£23,548	56,715	£216,301	123,040	£507,093

As can be seen in table 1 above, there has been an increase in both visitor numbers and income in comparison to the same period in 2022/23 in the council's long stay car parks, but significantly less than those in 2021/22. There has been an increase in visitor numbers in the shoulder months rather than the peak holiday period and the assumption would be that this is weather driven.

At the end of Q2, income is above budget in Main Beach and Broad Road, but under budget in North Beach which is often the bellwether for the season. This highlights how susceptible car park visitor numbers, and resulting income is to weather conditions and the impact that this can have on variance from budgets. The short stay car parks are generally as per budget.

Expenditure is largely as per budget at the end of the 2nd quarter, with the only significant variance being electricity. This is largely due to the increased usage of the EV charging points, which is offset by income through Podpoint recharges.

Repairs to a wall in the Broad Road car park have been carried out in the quarter, totalling £15.8k. Although added to the significant revenue expenditure schedule, this cost is due to be met from an existing budget and not an overspend, Appendix A: AD1, with further repairs to walls in car parks expected to be carried out in Q3 from existing budgets.

Market income is marginally under budget, £670 with expenditure incl. staffing costs, £2k overspent year to date.

Projecting forward to year-end, a surplus of £487k is anticipated against a budgeted surplus of £484k a variance of £3k.

Boat Park & Fishermen's Huts

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn - Q2
	£	£	£	£	£
Employee Costs	14,458	15,940	(1,482)	17,080	16,520
Expenditure	8,935	7,588	1,348	14,900	21,248
Income	(39,735)	(40,690)	955	(72,480)	(71,525)
Net Expenditure	(16,341)	(17,162)	821	(40,500)	(33,757)

Income for the boat park has largely been as per budget for the 1st half of the year, with a slight negative variance from budget, but with no significant variances to report.

Expenditure is over budget at the end of the Q2 quarter, £1.3k in total, with no significant variances to report.

The year-end forecast shows an outturn of £33k against a budget of £40k, a negative variance of £7k. This is due to customer improvements brought forward from 2022/23 of £5k, Appendix A: BF1 and

these costs will be met from Earmarked Reserves (EMR). Further costs may also be incurred following an inspection of the jetty extension which is in need of repair.

Public Conveniences

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	95,457	89,998	5,460	162,495	169,818
Income	(5,594)	(8,087)	2,493	(13,675)	(11,182)
Net Expenditure	89,863	81,910	7,953	148,820	158,636

Expenditure overall is largely as per budget year to date, which includes the additional works at Burlington Chine which were deferred from 2022/23, Appendix A: BF2, £8.5k, the cost of which will be met from EMR. However, this is partially offset by lower than budgeted electricity costs. An overspend is forecast by year-end, with the majority of repairs and maintenance being carried out in the 2nd half of the year.

The income variance is purely due to an electricity recharge.

Cemeteries

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	3,112	4,345	(1,233)	10,490	9,257
Income	(14,420)	(18,815)	4,395	(37,190)	(32,795)
Net Expenditure	(11,308)	(14,470)	3,162	(26,700)	(23,538)

Income is under budget year to date. This is a demand driven budget and variances should be expected.

Expenditure is largely as per budget year to date, with no significant variances to report.

Parks & Operations

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	274,669	262,140	12,529	538,320	555,820
Expenditure	132,910	124,400	8,510	263,620	272,130
Income	(54,724)	(52,563)	(2,161)	(96,975)	(99,136)
Net Expenditure	352,855	333,978	18,877	704,965	728,814

At the end of the 2nd quarter the Parks & Operations department has a negative variance of £18.8k in total. This is predominantly due to employee costs and will be reported separately later in the report.

Income is largely as per budget, with the variance being attributable to a recharge of costs.

Overall expenditure is generally within budget year to date, however, an increase in costs has been seen and this may lead to an overspend during the full financial year, but will be monitored and variations will be undertaken if appropriate. The largest variance is due to the approved overspend on the Spa for ground monitoring, Appendix A, ref AD 4 refers.

The forecast outturn of £728k against a budget of £704k, a variance of £24k.

Beach Gardens

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	26,661	23,560	3,101	23,560	26,250
Expenditure	22,244	25,445	(3,201)	40,530	37,329
Income	(55,140)	(42,570)	(12,570)	(43,550)	(54,489)
Net Expenditure	(6,234)	6,435	(12,669)	20,540	9,091

This department has realised a positive variance of £12.6k at the end of the 2nd quarter.

Employee costs are over budget, with above budgeted hours being allocated.

Expenditure is generally as per budget, with small variances only over several budget lines.

Income shows a positive variance of £12.5k, with c. £6.3k being attributable to changes in the VAT rate applied to leisure services and £3.6k due to kiosk purchases.

A deficit of £9k is now forecast against a budgeted deficit of £20k.

The Downs

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	16,188	2,250	13,938	4,450	20,943
Income	(6,683)	(6,193)	(490)	(12,385)	(12,876)
Net Expenditure	9,505	(3,943)	13,448	(7,935)	8,067

Expenditure is £14k over budget year to date. This relates to Appendix A: BF 6, the balance of costs outstanding for services provided by WSP, £16k. This will be funded from EMR.

CCTV

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	3,461	2,300	1,161	3,000	4,861
Income	0	0	0	0	0
Net Expenditure	3,461	2,300	1,161	3,000	4,861

Expenditure on CCTV repairs & maintenance is over budget year to date, with additional stress testing and repairs having been required.

Beaches & Foreshore

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	38,931	36,740	2,191	44,080	39,250
Expenditure	118,041	138,630	(20,589)	145,540	128,951
Income	(32,339)	(19,810)	(12,529)	(27,745)	(40,274)
Net Expenditure	124,633	155,560	(30,927)	161,875	127,927

At the end of the 1st half of the year a positive variance of £30.9k has been seen in this department. This is partly due to the allocation of a Summer Demand grant to this department, £8,350, issued by Dorset Council to offset Seafront Advisor and waste collection costs.

Expenditure has a positive variance of £20k due to underspends on seaweed removal of £9k and repairs and maintenance, £11k, with repairs to the Quay and slipways under budget. These budgets may be vired in Q3, pending any significant budget variances in other departments.

Overall, a revised year-end outturn of a net deficit of £127k against a budget of £161k is being projected at the end of the quarter.

Beach Huts

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	25,230	26,110	(880)	45,955	45,075
Income	(134,611)	(133,750)	(861)	(162,800)	(163,327)
Net Expenditure	(109,381)	(107,640)	(1,741)	(116,845)	(118,253)

Beach hut income is on budget at the end of the quarter. Expenditure is generally as per budget with only minor variances. Overall year-end projections have been revised to a surplus of £118k against a budgeted surplus of £116k. Expenditure may be reduced overall with officers finalising an appeal to

the VOA regarding the valuation basis and number of beach huts having been applied in calculating the ratable value of some beach huts.

Publicity & Tourism

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	106,657	106,870	(213)	199,480	200,220
Expenditure	44,427	44,720	(293)	74,865	82,857
Income	(17,714)	(17,720)	6	(29,825)	(29,819)
Net Expenditure	133,370	133,870	(500)	244,520	253,257

At the end of the 1st half of the year net expenditure is as per budget overall. Income in total on budget with only minor variances.

Employee costs are marginally under budget year to date, due to the late recruitment to a seasonal post and lower usage of Seafront Advisors in the TIC than budgeted.

Expenditure is on budget in total, with positive and negative variances distributed over several budget lines. The most significant variance is due to the addition of costs in relation to the visit Dorset microsite, Appendix A: AD2 refers. There will be further costs of £5k for associated images and drone footage which are included in the year-end forecast.

A revised deficit of £253k is now forecast against a budgeted deficit of £244k.

Allotments

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	1,056	2,050	(994)	3,250	2,256
Income	(4,430)	(4,650)	220	(9,300)	(9,080)
Net Expenditure	(3,374)	(2,600)	(774)	(6,050)	(6,824)

To date allotments have performed largely as per budget, with very little activity to report. The year-end out-turn has been revised to a net surplus of £6.8k against a budgeted net surplus of £6k.

General Buildings/Misc Areas (incl roads)

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	11,684	9,500	2,184	19,000	21,184
Income	(32,263)	(34,250)	1,987	(76,505)	(74,518)
Net Expenditure	(20,579)	(24,750)	4,171	(57,505)	(53,334)

Year to date a £4k variance has been realised. The variance in income noted as being due to the loss of rent from the Taxi Office, pending a new lease agreement. Likewise, the overspend is also due to works being required to be carried out on the property prior to being re-let.

Central Services

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	145,550	162,770	(17,220)	343,980	305,270
Expenditure	71,615	64,663	6,953	186,935	193,888
Income	(15,470)	(6,675)	(8,795)	(17,200)	(25,995)
Net Expenditure	201,695	220,758	(19,063)	513,715	473,162

Employee costs are under budget year to date, and this is expected to increase during the 2nd half of the year, with one post remaining vacant. This is despite an anticipated above budget pay award.

Expenditure is £6.9k overspent at the end of the 2nd quarter. This is due to costs associated with ongoing legal matters. The majority of these costs have been recharged.

Income is over budget year to date, due to a recharge of costs. Income from rentals for weddings is below budget.

Appendix A, ref: 3 shows a budget allocation of £50k for repairs to the Town Hall. Currently it is estimated that this budget will be exceeded. Additional works may also be required, which would increase the budget requirements.

Corporate Management & Democratic Services

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	20,040	30,310	(10,270)	131,850	136,030
Income	(300)	0	(300)	0	300
Net Expenditure	19,740	30,310	(10,570)	131,850	136,330

The variance relates to underspends in Grants & Donations issued. This may be utilised in the 2nd half of the year.

The forecast variance at year-end relates to brought forward expenditure relating to the Council's website, Appendix A: BF5, £7k which will be funded from EMR and an additional budget approved to engage Dorset Coast Forum to undertake a public consultation on the Seafront Stabilisation and Enhancement Scheme, Appendix A: AD3, £9.5k.

Employee Costs

For the 1st half of the year, employee costs of £635k were seen against a budget of £633k, a negative variance of £1.5k.

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Car Parks	24,868	23,625	1,243	47,250	49,400
Market-CSA	3,626	2,200	1,426	3,740	5,360
Boat Park Attendant/CSA	14,458	15,940	(1,482)	17,080	16,520
Parks & Operations	274,669	262,140	12,529	538,320	555,820
Beach Gardens	26,661	23,560	3,101	23,560	26,250
Beaches - Cleaner	25,913	21,360	4,553	28,700	26,140
Beaches – Seafront Advisor	13,018	15,380	(2,362)	15,380	13,110
Tourism	106,657	106,870	(213)	199,480	200,220
Central Services	145,550	162,770	(17,220)	343,980	305,270
Total	635,421	633,845	1,576	1,217,490	1,198,090

At the end of the 2nd quarter a negative variance of £1.5k was realised, being the cumulative total of significant variances across several departments.

In respect of the 2023/24 local government pay award, a provision has been made based upon the employers' offer, which significantly exceeds the sum budgeted. A flat rate of £770 (FTE) c. 4% on the lower pay scales, was factored into the 2023/24 budget, whereas the employers have offered a flat rate of £1,925, c. 9% on lower grades. With the operations department being fully staffed to date, and holding the largest number of employees, it will therefore be impacted greater than any other department. One vacancy has arisen post Q2, with recruitment expected to take place in Q4, offsetting some of this variance.

Central Services has held three vacant posts during the first half of the year. Two posts have been filled, with one remaining vacant and is expected to remain vacant until year-end.

The year-end outturn is based upon the employers' offer being accepted with a forecast positive variance of £19.4k.

Interest & Investment Income

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Net Expenditure	(133,730)	(98,000)	(35,730)	(185,000)	(265,000)

Investment interest for the first half of the year is significantly above budget, with income from both strategic long-term investments and short-term investments being over budget.

It is usual that variances will occur from budget with fluctuations to interest rates from those assumed at budget setting, and the reprofiling of the capital programme during the course of the year. Following advice from Arlingclose, the Council's treasury advisors, it is recommended that a Treasury Risk Management Reserve should be established, to hold any income received above the budgeted sum. This is to mitigate against some of the risk in crystallising capital losses when redeeming strategic investments which would impact the general fund. Presently, two of the council's strategic investments have an unrealised loss of £246k in total. This is, however, tempered by a capital gain of £450k from a third investment fund.

The Council is likely to be looking to redeem its strategic investments over the course of the next 2-4 years to fund its capital programme and it is prudent to manage this exit and mitigate against any potential capital losses and the effect that this may have on the general fund. Given the current forecast this would result in an additional appropriation of £80k from the general fund to EMR by year end, with £35,730 having been transferred at the end of Q2.

The year-end outturn is based upon some reprofiling of the Council's capital programme and an assumption that interest rates will continue to be c. 5% for short term investments.

A Treasury Report for the 1st half of the financial year (H1) has been issued separately.

Revenue Account - General Overview

At the end of the 2nd quarter of the council's financial year, net expenditure is favourable against budget with a surplus of £362k.

A schedule of significant expenditure is provided in Appendix A. £190k was approved for this financial year, with £103k to be financed from the CIL reserve. A further £45k has been brought forward from 2022/23, with funds placed in an earmarked reserve at the end of 2022/23 to finance these works, with £26k having been appropriated year to date. Additionally, expenditure has been identified as being required during the financial year and has been approved providing a supplementary budget.

Presently, a deficit on the general fund of £28k is forecast at year-end, against a budgeted deficit of £53k, a variance of £25k. Costs of services and materials have increased due to general inflation and additional expenditure is anticipated for some areas such as lighting, jetty repairs, wall repairs and

town hall maintenance although this has not been included in the year-end forecast, pending final costings and approval, which may lead to expenditure above that included in the forecast.

Reserves and Balances held 30th September 2023

A summary of the reserves and balances held at 30th September 2023 is given below:

	Balance 31/03/2023 £	Movement in Year £	Balance 30/09/2023 £
General Fund	865,558	362,919	1,228,477
Earmarked Reserves	2,588,607	(42,961)	2,545,646
UCRR	2,192,260	0	2,192,260
Total	5,646,425	319,958	5,966,383

Detailed movements on the General Fund are shown on page 1 of the Q2 Budget Report.

Earmarked Reserves

The Council holds the following earmarked reserves:

	Actual 31/03/2023 £	Transfer to/(from) reserve £	Balance 30/09/2023 £
Vehicle & Plant Replacement	10,000	0	10,000
King Georges Play Area & Skate Park	57,097	0	57,097
Play Equipment-General Areas	21,406	0	21,406
Car Park Machines	39,248	0	39,248
Tennis Courts Refurbishment	12,312	0	12,312
Seafront Stabilisation & Enhancement Scheme	1,394,557	0	1,394,557
Community Sea Defence Project	450,000	0	450,000
Public Conveniences	115,000	0	115,000
Beach Huts Reserve	75,000	0	75,000
Football Club Facilities	4,443	0	4,443
De Moulham Back Roads	23,406	0	23,406
Insurance & Contingency Reserve	40,000	0	40,000
Community Infrastructure Levy	260,669	(52,631)	208,038
IT Equipment Reserves	23,164	0	23,164
Environmental Projects Reserve	17,000	0	17,000
C fwd Unspent committed expenditure	45,305	(26,060)	19,245
Treasury Risk Management Reserve	0	35,730	35,730
Total	2,588,607	(42,961)	2,545,646

N.B. The first tranche of CIL receipts for 2023/24 has been confirmed at £99,200.

Decision required:

To approve the establishment of a Treasury Risk Management Reserve for the purpose of building up funds to offset any potential capital losses from individual strategic investments. Income above budget to be transferred to the reserve.

Appendix A

Significant One Off Revenue Expenditure/Minor Works 2023/24						
<u>Ref:</u>	<u>Service Area</u>	<u>Project</u>	<u>Budget</u>	<u>Actual expenditure to date</u>	<u>Programmed</u>	<u>Status Update</u>
	<u>New projects for 2023/24</u>					
1	Roads/Misc Areas	Station Approach-Planning & consultation	5,000	7,857	Q2	Reallocated budget of £2,500 from ref:2
2	Roads/Misc Areas	Panorama Road-Professional Advice	10,000	-	Q3/4	£2,500 of budget allocated to ref: 1
3	Central Services	Town Hall & Annexe external redecoration	50,000	-	Q4	To be reviewed – additional budget required-tba
4	Vehicles & Equipment	Front Loader	7,000	6,750	Q1	Completed
5	Parks & Gardens	Electricity-Parks & Gardens	10,000	-	Q3/4	
6	Beaches & Foreshore	Quay & Slipway repairs	76,000	63,302	Q1/2	To be funded from CIL
7	Parks & Gardens	Path Repairs - Recreation Ground	27,000	26,900	Q2	To be funded from CIL
8	Parks & Gardens	Accessibility works	5,000	-	Q3/4	
9	Environmental	Cycle locker/signage & E-charge	5,500	-	Q4	
			190,000	96,952		
	<u>Projects brought forward from 2022/23 to be financed from Earmarked Reserve</u>					
BF1	Boat Park	Customer improvements agreed T&LE	5,000	-	Q3/4	
BF2	Public Conveniences	Burlington Chine	8,600	8,520	Q1	Completed
BF3	TIC	Front of house changes - on order	5,000	915	Q1/2	Door on order-to be installed in October
BF4	Beaches & Foreshore	Matting - on order	3,000	2,475	Q1	Completed
BF5	DRM	Website-balance on budget	7,000	-	Q2/3	
BF6	Peveril Point	WSP -£30k approved - balance	16,705	14,150	Q2/3	
			45,305	26,060		
	<u>Additional projects for 2023/24</u>					
AD1	Car Parks	Broad Road Wall Repairs	16,500	15,815	Q1	Approved Monthly meeting 13 March 23 Minute 174 b) Funded from existing budget.
AD2	TIC	Microsite & Imagery	21,148	16,420	Q1/2	Budget increase of £7k approved: Monthly meeting 24th April 2023, Minute 179.
AD3	Corporate Management	DCF Public Consultation	9,550	-	Q2	Approved: Special meeting 24th May 2023, Minute 31.
AD4	Spa	Ground survey – 12 months	16,830	2,250	-	Approved Monthly meeting 18th September 23 Minute 109 a)
			64,028	34,485		



Treasury Management Outturn Report H1 2023/24

Introduction

The Authority's treasury management strategy for 2023/24 was approved on 16th January 2023. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

External Context

Economic background: UK inflation remained stubbornly high over much the period compared to the US and euro zone, keeping expectations elevated of how much further the Bank of England (BoE) would hike rates compared to the regions. However, inflation data published in the latter part of the period undershot expectations, causing financial markets to reassess the peak in BoE Bank Rate. This was followed very soon after by the BoE deciding to keep Bank Rate on hold at 5.25% in September, against expectation for another 0.25% rise.

Economic growth in the UK remained relatively weak over the period. In calendar Q2 2023, the economy expanded by 0.4%, beating expectations of a 0.2% increase. However, monthly GDP data showed a 0.5% contraction in July, the largest fall to date in 2023 and worse than the 0.2% decline predicted which could be an indication the monetary tightening cycle is starting to cause recessionary or at the very least stagnating economic conditions.

July data showed the unemployment rate increased to 4.3% (3mth/year) while the employment rate rose to 75.5%. Pay growth was 8.5% for total pay (including bonuses) and 7.8% for regular pay, which for the latter was the highest recorded annual growth rate. Adjusting for inflation, pay growth in real terms were positive at 1.2% and 0.6% for total pay and regular pay respectively.

Inflation continued to fall from its peak as annual headline CPI declined to 6.7% in July 2023 from 6.8% in the previous month against expectations for a tick back up to 7.0%. The largest downward contribution came from food prices. The core rate also surprised on the downside, falling to 6.2% from 6.9% compared to predictions for it to only edge down to 6.8%.

The Bank of England's Monetary Policy Committee continued tightening monetary policy over most of the period, taking Bank Rate to 5.25% in August. Against expectations of a further hike in September, the Committee voted 5-4 to maintain Bank Rate at 5.25%. Each of the four dissenters were in favour of another 0.25% increase.

Financial market Bank Rate expectations moderated over the period as falling inflation and weakening data gave some indication that higher interest rates were working. Expectations fell from predicting a peak of over 6% in June to 5.5% just ahead of the September MPC meeting, and to then expecting 5.25% to be the peak by the end of the period.

Following the September MPC meeting, Arlingclose, the authority's treasury adviser, modestly revised its interest forecast to reflect the central view that 5.25% will now be the peak in Bank Rate. In the short term the risks are to the upside if inflation increases again, but over the remaining part of the time horizon the risks are to the downside from economic activity weakening more than expected.

The lagged effect of monetary policy together with the staggered fixed term mortgage maturities over the next 12-24 months means the full impact from Bank Rate rises are still yet to be felt by households. As such, while consumer confidence continued to improve over the period, the GfK measure hit -21 in September, it is likely this will reverse at some point. Higher rates will also impact business and according to S&P/CIPS survey data, the UK manufacturing and services sector contracted during the quarter with all measures scoring under 50, indicating contraction in the sectors.

The US Federal Reserve increased its key interest rate to 5.25-5.50% over the period, pausing in September following a 0.25% rise the month before, and indicating that it may have not quite completed its monetary tightening cycle.

Having fallen throughout 2023, annual US inflation started to pick up again in July 2023, rising from 3% in June, which represented the lowest level since March 2021, to 3.2% in July and then jumping again to 3.7% in August, beating expectations for a rise to 3.6%. Rising oil prices were the main cause of the increase. US GDP growth registered 2.1% annualised in the second calendar quarter of 2023, down from the initial estimate of 2.4% but above the 2% expansion seen in the first quarter.

The European Central Bank increased its key deposit, main refinancing, and marginal lending interest rates to 4.00%, 4.50% and 4.75% respectively in September, and hinted these levels may represent the peak in rates but also emphasising rates would stay high for as long as required to bring inflation down to target.

Although continuing to decline steadily, inflation has been sticky, Eurozone annual headline CPI fell to 5.2% in August while annual core inflation eased to 5.3% having stuck at 5.5% in the previous two months. GDP growth remains weak, with recent data showing the region expanded by only 0.1% in the three months to June 2023, the rate as the previous quarter.

Financial markets: Financial market sentiment and bond yields remained volatile, with the latter generally trending downwards as there were signs inflation, while still high, was moderating and interest rates were at a peak.

Gilt yields fell towards the end of the period. The 5-year UK benchmark gilt yield rose from 3.30% to peak at 4.91% in July before trending downwards to 4.29%, the 10-year gilt yield rose from 3.43% to 4.75% in August before declining to 4.45%, and the 20-year yield from 3.75% to 4.97% in August and then fell back to 4.84%. The Sterling Overnight Rate (SONIA) averaged 4.73% over the period.

Credit review: Having completed a review of its credit advice on unsecured deposits at UK and non-UK banks following concerns of a wider financial crisis after the collapse of Silicon Valley Bank purchase of Credit Suisse by UBS, as well as other well-publicised banking sector issues, in March Arlingclose reduced the advised maximum duration limit for all banks on its recommended counterparty list to 35 days. This stance continued to be maintained at the end of the period.

During the second quarter of the period, Moody's revised the outlook on Svenska Handelsbanken to negative from stable, citing concerns around the Swedish real estate sector.

Having put the US sovereign rating on Rating Watch Negative earlier in the period, Fitch took further action in August, downgrading the long-term rating to AA+, partly around ongoing debt ceiling concerns but also an expected fiscal deterioration over the next couple of years.

Following the issue of a Section 114 notice, in September Arlingclose advised against undertaking new lending to Birmingham City Council, and later in the month cut its recommended duration on Warrington Borough Council to a maximum of 100 days.

Arlingclose continued to monitor and assess credit default swap levels for signs of ongoing credit stress and although no changes were made to recommended durations over the period, Northern Trust Corporation was added to the counterparty list.

Heightened market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remains under constant review.

Local Context

On 31st March 2023, the Authority had net investments of £6.1m (current value) with usable reserves and working capital being the underlying resources available for investment.

Borrowing Strategy during the period

At 30th September 2023 the Authority was debt free. The Authority's capital expenditure plans and treasury strategy does not imply a need to borrow during the remainder of the current financial year.

Treasury Investment Activity

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £6.1m and £6.7m due to timing differences between income and expenditure and the seasonality of the Authority's revenue generating activities. The investment position and the change over the six months to 30th September 2023 is shown in Table 1 below.

Table 1: Treasury Investment Position

Investment Portfolio	31.03.23 Balance £	Net Movement £	30.09.23 Balance £	30.09.23 Income Return %
Banks and building societies (unsecured)	577,650	(227,128)	350,522	
Money Market Funds	750,000	0	750,000	
UK Govt/DMADF – DMO Deposit/Gilts	493,475	931,525	1,425,000	
Total Internal Investments	1,821,125	704,397	2,525,522	4.65%
Investments in Pooled Funds:				
Property	2,989,907	(39,086)	2,950,821	
Bonds	422,379	(12,604)	409,775	
Multi-Asset	870,524	(26,632)	843,892	
Total External Funds-Market Value	4,282,810	(78,322)	4,204,488	3.98%
TOTAL INVESTMENTS	6,103,935	626,075	6,730,010	4.23%

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

The Authority expects to be a long-term investor and treasury investments therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

Bank Rate increased by 1%, from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12-month rates to nearly 6%. The rates on DMADF deposits also rose, ranging between 4.8% and 5.4% by the end of September and Money Market Rates between 5.1% and 5.2%

The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in Table 2 below.

Table 2: Investment Benchmarking – Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2023	5.09	A+	73%	52	3.73%
30.09.2023	3.94	AA-	44%	23	4.65%
Similar LAs	4.51	A+	54%	72	4.98%
All LAs	4.47	AA-	59%	13	4.92%

Externally Managed Pooled Funds:

£4.2m current value/£4m book value of the Authority's investments are held in externally managed strategic pooled bond, multi-asset and property funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

In the 1-year period to 30th September 2023, these funds generated an income return of £192k (3.98%), which is used to support services in year, and a £631k (-13.06%) unrealised capital loss. The total unrealised capital gain from purchase to 30th September 2023 is £201k. However, this is in total with two of the long-term investments showing unrealised capital losses and one a capital gain. A detailed breakdown of the 12-month performance of the Authority's strategic investments is shown in Appendix A.

Financial market conditions were volatile during the six-month period. Global bond yields rose and remained elevated as it became apparent that policymakers were looking to keep rates high for some time amid persistently higher core inflation and tight labour markets.

The UK, Euro area and US equity markets were initially helped by resilient growth data and diminishing talk of recession. A weaker currency and better-than-expected fundamentals were broadly supportive for UK equities. Much of the US stock market's performance was driven by a small number of mega stocks and enthusiasm over artificial intelligence. However the global outlook was clouded by the slowdown in China. On a sectoral level, the energy sector was supported by higher oil prices and expectation of decreasing supply due to OPEC+ group agreeing on production cuts. The FTSE All Share index was marginally lower at the end of the 6-month period at 4127 on 30/9/23 v 4157 on 31/3/23. The MSCI All Countries World Index was higher at 2853 on 30/9/23 v 2791 on 31/3/23.

For existing longer-term investors in fixed income securities, the prospect of a higher-for-longer rate environment weighed on sentiment. Yields rose in Q2 2023 on the expectation that central banks would continue hiking rates but fell in August as investors grew confident that policy rates were close to their peak, then rose again in September as oil prices climbed above \$90/barrel. There was also some effect from quantitative tightening by the Bank of England. This affected capital values of the Authority's longer-dated bond funds during the six-month period and, to a lesser extent, the multi-asset funds where there was some offset from equity performance.

The combination of the above had a negative effect on the combined value of the Authority's strategic funds since March 2023.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates.

However, the Council is likely to be looking to redeem the majority of its strategic investments over the course of the next 2-4 years to fund its capital programme and it is prudent to manage this exit and mitigate against any potential capital losses and the effect that this may have on the general fund. As such it is prudent to establish a **Treasury Management Risk Reserve** in order to protect against any potential capital loss impacting the general fund at the point when the investments are redeemed.

ESG

During 2023/24 Council will endeavour to develop an ESG policy.

Estimates for income 2023/24

Income returns remained above budget at an average of 4.23%. The Authority has budgeted £185,000 income from these investments in 2023/24. Income received up to 30th September was £133,730, against a £98k budget, with interest rates and balances higher than those budgeted.

Table 3: Income-Actual v Budget 30 September 2023

	Actual £k	Budget £k	Under/Over £k
Treasury Investment Income	133	98	35

Compliance

The Finance Manager reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

Treasury Management Indicators

The Authority measures its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	30.9.23 Actual	2023/24 Target	Complied?
Portfolio average credit rating	AA-	A	Yes

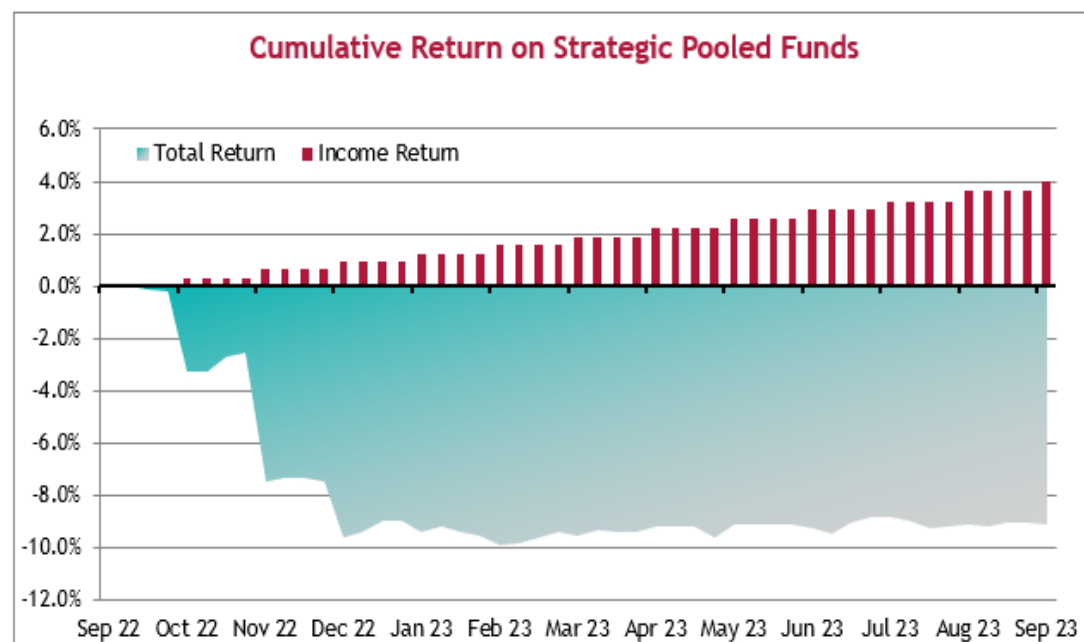
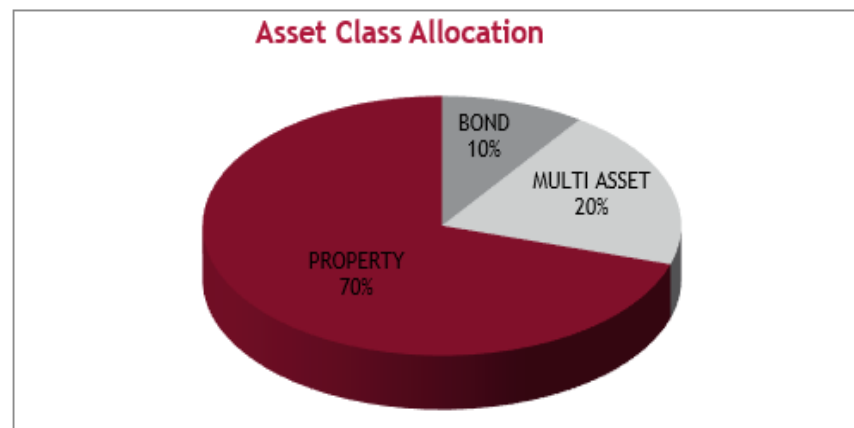
Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without the need to borrow.

	30.9.23 Actual	2023/24 Target	Complied?
Total cash available within 3 months	£2.5m	£0.75m	Yes

Appendix A

STRATEGIC POOLED FUND PORTFOLIO				SWANAGE				From:	30/09/2022	To:	30/09/2023
FUND NAME	ASSET CLASS	No of Units Held in Period	Current Value £	Capital Growth £	Dividends Earned £	Holding Period (yrs)	Capital Return	Income Return	Total Return	Volatility	
CCLA - LAMIT PROPERTY FUND	PROPERTY	1,053,526	2,950,821	-656,452	139,655	1.0	-18.20%	3.87%	-14.33%	8.9%	
M&G STRATEGIC CORPORATE BOND FUND	BOND	494,241	409,775	21,302	19,041	1.0	5.48%	4.90%	10.38%	8.0%	
NINETY ONE (INVESTEC) DIVERSIFIED INCOME FUND	MULTI ASSET	955,126	843,892	3,682	33,920	1.0	0.44%	4.04%	4.48%	4.1%	
GRAND TOTAL			4,204,488	-631,468	192,616	1.0	-13.06%	3.98%	-9.07%	6.4%	

Unrealised capital gain since purchase: 201,988 Annualised income return: 3.98%



Capital Programme – Monitoring Report 2023/24

Project Ref:	Project	2023/24 Budget	Forecast Outturn for the year	Actual Expenditure Year to Date	Status
		£	£	£	
Approved Projects-2023/24 Estimates					
1	Play Areas/Skate Park King Georges Skate Park	15,000	0	0	Ongoing
2	Parks Days Park- Footpath Lighting Installation	37,000	58,070	15,559	Ongoing
3	Station Approach Infrastructure Improvements	50,000	0	0	Ongoing
4	Downs Peveril Point Stabilisation Scheme	95,000	95,000	0	Ongoing
5	Depot External Shelter	15,750	15,750	0	Ongoing
6	Spa Stabilisation & Regeneration	300,000	30,000	0	Ongoing
7	Environmental Carbon Neutral 2030 Implementation	50,000	128,000	0	Ongoing
8	Capital Grants S&PDT - Football Club redevelopment	70,000	70,000	0	Not Active
9	Vehicles Electric Flatbed Truck	45,000	50,000	0	Ongoing
10	Car Parks Main Beach- Phase 3 & EVCP Installation	20,000	0	0	Ongoing
	Subtotal	697,750	446,820	15,559	
Projects brought forward from 2022/23					
BF1	Roads Panorama Rd/Quarry Close & Cow Lane- Upgrade/Improvement		54,520	0	Ongoing
	Expenditure B fwd Subtotal		54,520	0	
	Total Capital Expenditure	697,750	501,340	15,559	

Project Updates:

1: Play Areas/Skate Park: King Georges Equipment Replacement

Discussions with the 'Friends' group are ongoing. Due to the requirement for external funding, it is now anticipated that this project will be deferred to the 2024/25 financial year.

Ongoing. Financing- Earmarked reserves (EMR).

2: Parks-Days Park Footpath & Lighting Installation

This project commenced in 2022/23 with a budget of £70,000 having been approved at the Council meeting held 17th October 2022, Minute 104. However, due to inclement weather, the works were

delayed and continued into 2023/24, with actual costs of £24,492 having been incurred in the 2022/23 financial year and £15,559 in 2023/24 to date. **Ongoing. Financing -EMR (CIL Reserve).**

3: Station Approach-Infrastructure

Consultants were engaged through Dorset Council to undertake work to produce an options appraisal. A report from WSP was considered by the Traffic Management Advisory Committee at its meeting held 22nd November 2022 and further considered by the Planning and Consultation Committee on 5th December 2022. It was recommended to council and approved on 30th January 2023 to adopt option 2. Updates have been received as the Capital Projects Sub-Committee during the year and authorisation of the proposed scheme is scheduled for consideration by Council on 30th October 2023. It is now likely that the project will be deferred to 2024/25. **Ongoing. Financing -UCRR.**

4: Downs-Peveril Point Stabilisation Scheme

Following a tender exercise, a contract was awarded to WSP at the council meeting held on 26th September 2022, minute 86 b) to prepare the design and specification of highway and ground stabilisation works required to Peveril Point Road, together with a tender package.

During preliminary discussions with WSP, given the extent and complexity of required works, the Council were advised that the budget required for these works would be in excess of the budgeted sum. This matter has been reviewed by the Capital Projects Sub-Committee during the year who have recommended that the financing of the project is reviewed by the Finance & Governance Committee. **Ongoing. Financing -UCRR**

5: Depot-External Shelter

Quotes are currently being sought for these works. **Ongoing. Financing -UCRR.**

6. Spa & Seafront-Stabilisation and Regeneration

At its meeting held 27th July 2022, Council awarded the contract to WSP to undertake preliminary design work to include sketch plans presenting design solutions for Sandpit Field, Weather Station Field and the Spa. A public consultation process is currently underway. Costs to be incurred in the year are anticipated to relate solely to any costs incurred in an asset transfer between the De Moulham Trust and the Council. Initial costs such as ground stability monitoring costs continue to be met from the revenue account. The estimated cost of the full scope of works required is £4m for the essential scheme which are now estimated to be undertaken in 2-3 years' time. An enhanced scheme has also been designed at an estimated cost of £11m, however, it is currently anticipated that the Town Council would need to identify £7m of external funding to take this forward. **Ongoing. Financing -EMR/UCRR**

7: Environmental- Carbon Neutral 2030 Implementation

A grant application is being submitted for match funding towards the installation of LED lighting and PV solar panels on some of the Council's buildings.

Quotes for LED lighting have been received, which individually for the buildings concerned did not meet the threshold for capital expenditure, and if approved will be met from either existing budgets, the Environmental projects reserve and/or grant funding. The sum included in the forecast for the year is an estimated figure for the PV panels. Procurement of the design, supply and installation of

the PV panels is currently being undertaken via Contract Finder and there is a closing date for submissions of 20th November 2023.

Ongoing. Financing -UCRR/Grant funding

8: Capital Grants – Football Club - Swanage & Purbeck Development Trust

A budget of £70,000 was provided in 2023/24 for a grant to the Swanage & Purbeck Development Trust to progress the redevelopment of the Football Club facilities. The drawdown is subject to Council approval. **Not Active – Financing – UCRR**

9. Vehicles-Electric Flatbed Truck

Two options have been sourced by the Assets & Compliance Manager and demonstrations have been undertaken. It is likely that the cost will exceed budget, however, the balance is due to be partly offset from the sale of an existing vehicle.

Ongoing: Financing-UCRR/GFB

10. Car Parks – Phase 3 & Electric Vehicle Charging Point Installation

Alternative ways of delivering these facilities at nil cost to the Council have been researched as part of Dorset Council's 'Charging Ahead' project.

Ongoing: – Financing EMR

BF1: Roads

a) Panorama Road/Quarry Close– Upgrade/Improvement Scheme

At the council meeting held 27th July 2022 Minute 67 b) it was agreed to commission Dorset Council to upgrade the northernmost stretch of Panorama Road at a cost of £54,520, in order to facilitate the adoption of this section of road by Dorset Council, in conjunction with a section of Cow Lane. The works to Cow Lane were completed in 2022/23. The works to Panorama Road/Quarry Close have been completed, final billing yet to be received. **Ongoing. Financing -UCRR**

Alison Spencer - Finance Manager

Martin Ayres-Town Clerk

Gail Percival-Operations Manager

October 2023

Finance & Governance Committee – 1st November 2023

Agenda Item 5) Peveril Point Road - To consider funding options.

At the Extraordinary Meeting of the Finance and Governance Committee held on 26th July 2023, Minute No.4 it was agreed that as the initial costings for the full scope of works to address highway works and associated ground stabilisation requirements at Peveril Point Road were significantly higher than the budget of £95k allocated to this project, the Assets and Compliance Manager should work with WSP to identify the most urgent elements of the project and explore potential phasing.

As reported to the informal meeting of the Capital Projects sub-committee on 4th October 2023, WSP had identified the most critical elements of the proposed works and also advised an outline budget estimate for the essential works and preliminaries of c. £200k, which includes a contingency. This is an estimate and final costs would be determined through a competitive tender on Contracts Finder.

At this meeting, it was recognised that the essential works needed to be undertaken and that this should be referred to the Finance & Governance Committee to review funding options.

Initially a budget of £95k was allocated to this project, to be funded from the Usable Capital Receipts Reserve (UCRR), leaving a short fall of £105k on the outline budget estimate. With a view to funding the Green Seafront Stabilisation Scheme over the next 2-4 years, the financial constraints under which the Council is operating should be recognised, leaving few funding options available should Council agree to proceed with the urgent works at Peveril Point Road.

In reviewing the Council's reserves and balances policy in January 2023, it was determined that the Community Infrastructure Levy (CIL) reserve should be utilised in the first instance for works to 'infrastructure' as defined in Section 216 of the Planning Act 2008. As such, and in accordance with Council policy, the CIL reserve should be the first option assessed for available funds to finance the balance of £105k to enable the essential elements of this project to be carried out.

At 25th October 2023, £303k was held in the CIL reserve. A further £58k is committed to be spent in this financial year, leaving a balance of £245k of funds available, should Council wish to commit the funds to this project.

An additional revenue budget would also be required for continued monitoring of areas along Peveril Point Road from 2024/25 onwards.

Decision required:

To recommend to Council to approve an additional budget of £105,000 to the existing allocation of £95,000 for the Peveril Point Road highway and infrastructure works, to be funded from the CIL reserve, in order to proceed to tender via Contracts Finder.

To allocate a revenue budget in 2024/25 to allow for the adequate monitoring of walls on Peveril Point Road.

Gail Percival - Assets and Compliance Manager

Alison Spencer – Finance Manager

October 2023