

Budget Monitoring Report - Income & Expenditure Account

Quarter ending 30th September 2024

Summary

At the end of the 1st half of the Council's financial year, the revenue account is showing a negative variance of £23k against budget.

Service	Q2			Annual	
	Net Expenditure	Budgeted Net Expenditure	Variance Year to Date	Budgeted Net Expenditure	Forecast Out-turn
Car Parks	(528,874)	(515,073)	(13,801)	(521,795)	(536,991)
Co-op	(11,799)	(13,000)	1,201	(24,500)	(23,299)
Boat Park	(3,191)	(45,660)	42,469	(45,750)	(13,355)
Public Conveniences	89,820	82,210	7,610	168,295	160,905
Burl Chine Chalets	0	0	0	(155)	(155)
Cemeteries	(8,252)	(8,548)	296	(20,405)	(20,110)
Parks and Operations	333,311	321,047	12,264	693,890	728,986
King George's Field Management Acc't	(14,335)	(4,425)	(9,910)	0	(9,910)
CCTV	2,556	3,075	(519)	4,550	4,031
Beach Gardens	(6,988)	(1,725)	(5,263)	13,865	10,305
Downs/Misc Grounds/PAG	43,220	44,610	(1,390)	40,930	41,940
Beaches/Foreshore	59,661	68,578	(8,917)	80,650	81,124
Beach Chalets/Bungalows	(149,238)	(138,157)	(11,081)	(119,890)	(130,970)
Publicity/Tourism	123,738	123,435	303	271,945	272,524
Allotments	(3,569)	(2,915)	(654)	(6,825)	(7,479)
General Buildings (inc. Caravan park)	(27,844)	(31,775)	3,931	(73,455)	(69,524)
Central services to the public:	345,873	260,923	84,950	480,735	570,434
DRM	15,200	15,200	0	86,190	84,662
Corp Management	895	12,160	(11,265)	40,115	54,034
Net Cost of Services	260,184	169,960	90,224	1,068,390	1,197,152
Non-Service Expenditure					
Community Infrastructure Levy	(71,896)	0	(71,896)	0	(106,899)
Grants/Donations - to EMR	(16,390)	0	(16,390)	(3,000)	(19,390)
Precept on Dorset Council	(878,750)	(878,750)	0	(878,750)	(878,750)
Interest payable and similar charges	2,299	2,275	24	4,600	4,624
Interest and investment income	(166,400)	(130,600)	(35,800)	(240,000)	(367,255)
Net Operating expenditure	(870,954)	(837,115)	(33,839)	(48,760)	(170,519)
Other Movements on the General Fund					
Appropriation to Reserves	124,087	0	124,087	80,000	330,545
Appropriation from Reserves	(72,789)	(5,500)	(67,289)	(24,500)	(91,789)
Financing Capital Expenditure	0	0	0	0	0
(Surplus)/Deficit for the Period	(819,656)	(842,615)	22,959	6,740	68,237

Car Parks

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	29,904	28,735	1,169	57,470	58,460
Expenditure	102,357	110,072	(7,716)	202,545	193,613
Income	(661,135)	(653,880)	(7,255)	(781,810)	(789,065)
Net Expenditure	(528,874)	(515,073)	(13,801)	(521,795)	(536,991)

Car parking realised a net surplus of £528.8k for the period against a budgeted surplus of £515k, a positive variance of £13.8k.

As shown in the summary above, income has exceeded budget by the end of the 2nd quarter by £7.2k. This relates the recharge of electricity for the EVCPs, as reported in Q1, with car parking revenue as per budget overall at the end of the quarter. Revenue and visitor numbers for the 1st half of the year are provided in table 1 below, with prior 2 years for comparison.

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

	*Main Beach		North Beach		Broad Road		Total	
	Usage	Net revenue	Usage	Net revenue	Usage	Net revenue	Usage	Net revenue
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
H1 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
H1 Total	59,859	£267,243	6,466	£23,548	56,715	£216,301	123,040	£507,093
2024/25								
April	5,493	£21,969	227	£750	6,024	£22,350	11,744	£45,068
May	8,987	£37,649	752	£2,789	8,375	£34,190	18,114	£74,627
June	9,103	£41,632	881	£3,419	8,698	£35,028	18,682	£80,078

July	10,613	£53,421	1513	£6,083	9,746	£44,740	21,872	£104,245
August	15,101	£79,119	2605	£10,678	14,022	£66,977	31,728	£156,775
September	7,427	£33,007	550	£2,186	7,160	£30,569	15,137	£65,763
H1 Total	56,724	£266,797	6,528	£25,906	54,025	£233,854	117,277	£526,556

*Excluding visitor and revenue associated with King Georges Field overflow car parking

As can be seen in table 1 above, overall visitor numbers in the 1st quarter were lower in 2024/25 than in 2023/24. However, revenue is £20k higher, due to the increases in charges/ changes in tariff structure. Broad Road is £8k above budget year to date, with Main Beach and Mermond £4.9k and £2.7k below budget respectively, other car parks are as per budget at the end of the quarter.

Expenditure is £7.7k under budget at the end of the 2nd quarter. Delays have been encountered with the installation of new signage in the car parks which has seen a variance of £5k, however this should be spent by the end of the financial year. Repairs & maintenance budget is underspent and the £15k budget for the repairs to the North Beach car park is expected to be significantly lower due to alternative remedial works being undertaken at a lower cost. £2k was allocated for a storage facility at the market. However, this may not be required due to alternative facilities being sourced, but the budget remains available.

Projecting forward to year-end, a surplus of £537k is anticipated against a budgeted surplus of £521k a variance of £16k.

Boat Park & Fishers' Huts

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn - Q2
	£	£	£	£	£
Employee Costs	16,194	14,490	1,704	15,630	17,260
Expenditure	48,667	9,308	39,359	16,235	55,594
Income	(68,051)	(69,457)	1,406	(77,615)	(86,209)
Net Expenditure	(3,191)	(45,660)	42,469	(45,750)	(13,355)

Income for the boat park has largely been as per budget for the 1st half of the year, with a minor variance.

Expenditure is over budget at the end of the quarter, £39k in total, with the variance relating solely to the jetty repairs, Appendix A ref AD1 refers.

The year-end forecast shows an outturn of a surplus of £13.5k against a budgeted surplus of £45k, a negative variance of £41.5k. A forthcoming contribution of £10k from the RNLI for the works that have been carried out on the jetty have been included in the year-end forecast.

Public Conveniences

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	95,035	88,385	6,650	179,970	171,620
Income	(5,215)	(6,175)	960	(11,675)	(10,715)
Net Expenditure	89,820	82,210	7,610	168,295	160,905

Expenditure is £6.6k overspent year to date and this relates to demand driven utility costs. A budget of £22k was provided for remedial and damp alleviation works to the Heritage toilets, Appendix A, ref 1. However, it is now anticipated that the cost of the works in the current year will be lower, £4.1k. More extensive remedial works may be required in the 2025/26, once the flood defence works have been clarified, and the impact that this may have on this site understood.

Cemeteries

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	8,091	9,393	(1,302)	15,035	13,733
Income	(16,343)	(17,940)	1,597	(35,440)	(33,843)
Net Expenditure	(8,252)	(8,548)	296	(20,405)	(20,110)

Income is marginally under budget and expenditure 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	287,207	285,578	1,629	586,575	590,850
Expenditure	116,291	103,695	12,596	220,290	253,226
Income	(70,187)	(68,225)	(1,962)	(112,975)	(115,090)
Net Expenditure	333,311	321,047	12,264	693,890	728,986

At the end of the 2nd quarter the Parks & Operations department shows a £12k negative variance against budget in total. Income is £1.9k under budget overall relating to the concessions on the hardstanding.

Overall expenditure is £12.9k over budget year to date. Significant variances being costs for utilities installation at the Hardstanding, a rechargeable cost, and expenditure incurred for repairs to a cabstar

with this vehicle due to be replaced during Q2. This should be offset by the sale of the vehicle in the 2nd half of the year. Depot maintenance works are over budget by £4.8k, relating to the installation of LED lighting, Appendix 1, ref BF2, with 50% of costs to be met from a Low Carbon Dorset grant.

Additional expenditure has been approved in relation to the Spa. ECI engagement relating to the proposed Green Seafront Scheme has a £19.4k budget allocation, Appendix A, ref AD3. Additional costs for ground monitoring and risk assessments are also likely to be required and will be reviewed by Council in November.

Beach Gardens

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	25,741	25,550	191	27,050	29,000
Expenditure	27,289	28,365	(1,076)	44,685	45,744
Income	(60,019)	(55,640)	(4,379)	(57,870)	(64,439)
Net Expenditure	(6,988)	(1,725)	(5,263)	13,865	10,305

This department has realised a positive variance of £5.2k at the end of the 2nd quarter.

Income is £4.3k over budget, relating to putting and tennis.

Expenditure is under budget by £1k overall, with an underspend of £3k on the Pavilion, with delays to the installation of the awning and an overspend of £3k maintenance, relating to LED lighting, with a grant for 50% of costs due.

A deficit of £10.3k is now forecast against a budgeted deficit of £13.8k.

The Downs

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	49,416	50,815	(1,399)	53,340	51,941
Income	(6,196)	(6,205)	9	(12,410)	(12,401)
Net Expenditure	43,220	44,610	(1,390)	40,930	39,540

Income is as per budget year to date.

Repairs to the footpaths in Prince Albert Gardens Appendix A ref 3 were carried out. The original budget of £40k was increased by £7k, with a vire from Parks & Gardens.

Beaches & Foreshore

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	33,365	37,920	(4,555)	46,015	43,350
Expenditure	57,566	69,428	(11,861)	80,905	69,044
Income	(31,270)	(38,770)	7,500	(46,270)	(31,270)
Net Expenditure	59,661	68,578	(8,916)	80,650	81,124

At the end of the 2nd quarter a positive variance of £8.9k has been seen in this department.

Income year to date is £7.5k under budget, due to the withdrawal from a new concession, a £15k variance for the full year.

Expenditure is under budget with a £11.8k variance, primarily due to seaweed removal with a £9.6k variance. This is due to changes which were made to the treatment of seaweed post budget setting. The budget provision for 2025/26 will be reviewed accordingly.

A £4.5k variance has been realised in employee costs, largely due to difficulties encountered with the recruitment and retention of seasonal employees.

Overall, a revised year-end outturn of a net deficit of £81k against a budget of £80k is being projected at the end of the quarter.

Beach Huts

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	27,943	29,293	(1,350)	53,360	52,010
Income	(177,180)	(167,450)	(9,730)	(173,250)	(182,980)
Net Expenditure	(149,238)	(138,157)	(11,081)	(119,890)	(130,970)

Beach hut income is above budget at the end of the quarter by £9.7k. This primarily relates to the Shore Road Beach Huts.

Expenditure is generally as per budget with only minor variances. Overall year-end projections have been revised to a surplus of £130k against a budgeted surplus of £119k.

Publicity & Tourism

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	114,453	113,885	568	220,400	222,580
Expenditure	34,168	32,170	1,998	83,355	85,953
Income	(24,882)	(22,620)	(2,262)	(31,810)	(36,009)
Net Expenditure	123,738	123,435	303	271,945	272,524

Overall, income and expenditure are generally as per budget with only minor variances. The largest variance relates to the installation of LED lighting, which will be part grant funded.

A budget of £17k has been provided in total for garden improvements and internal reconfiguration works at the TIC, Appendix A ref 4 & 5. The quote for both works significantly exceeded budget, and therefore a revised scope of works for internal changes is being put forward and should be within budget.

Allotments

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	1,181	1,685	(504)	2,575	2,071
Income	(4,750)	(4,600)	(150)	(9,400)	(9,550)
Net Expenditure	(3,569)	(2,915)	(654)	(6,825)	(7,479)

To date allotments have performed largely as per budget, with little activity to report.

General Buildings/Misc Areas (incl roads)

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	4,409	3,100	1,309	4,500	5,809
Income	(32,253)	(34,875)	2,623	(77,955)	(75,333)
Net Expenditure	(27,844)	(31,775)	3,931	(73,455)	(69,524)

Year to date a £4k negative variance has been realised. The variance in income noted as being due to no rent having been received year to date for the old Taxi Office, pending a new lease agreement with Swanage Railway.

Central Services

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	172,029	173,755	(1,726)	347,510	348,480
Expenditure	184,130	92,968	91,163	150,525	246,688
Income	(10,286)	(5,800)	(4,486)	(17,300)	(24,733)
Net Expenditure	345,873	260,923	84,950	480,735	570,434

The variance in income relates to a recharge of legal fees, offsetting expenditure incurred in legal fees for new concessions.

Expenditure is significantly over budget, £91k. £70k of this expenditure relates to the deferred Town Hall repairs originally budgeted for in 2023/24, Appendix A ref BF1 refers. Legal and professional fees are significantly above budget £12k, as reported at Q1.

Council approved the addition of £5k for a replacement fire panel, with a forecast variance of £90k for the year, although £67k of this expenditure is to be funded from an earmarked reserve.

Corporate Management (Inc Environment) & Democratic Services

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	16,095	27,360	(11,265)	126,305	112,464
Income	0	0	0	0	0
Net Expenditure	16,095	27,360	(11,265)	126,305	112,464

The budget for Neighbourhood Plan consultancy fees is £5k under budget year to date, and Environmental Action Plan expenditure is £5.6k under budget. Any underspends on environmental projects may be vired to offset the costs of LED lighting in the Council's buildings which have been allocated departmentally c. £9.1k. A budget of £8k was included for the council's website. Discussions are ongoing and costs may be significantly lower than budget. However, the full budgeted costs have been included in the forecast outturn.

Council approved the engagement of Dorset Council on two occasions in relation to Shore Road & the Green Seafront Scheme, Appendix A ref AD2 & AD4 refers. The additional budget allocated is £26k in total and has been included in the forecast outturn.

King George's Management Account

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn - Q2
	£	£	£	£	£
Expenditure	4,176	4,675	(499)	9,100	8,601
Income	(18,510)	(9,100)	(9,410)	(9,100)	(18,510)
Net Expenditure	(14,335)	(4,425)	(9,910)	0	(9,910)

In 2023/24, following a review of the Council's charitable Trusts, a management agreement was entered into between the Trust and the Council, with activity for King Georges' field being separated out from the general Parks & Operations departmental activity.

Income from overflow car parking is £9.4k above budget year to date. This is the first year that the overflow car park has had a separate cashless parking code from Main Beach, giving a better allocation of revenue to this new cost centre. Any surplus at year end will be transferred to an earmarked reserve, where these funds will be held.

Employee Costs

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Car Parks	26,125	25,775	350	51,550	52,300
Market-CSA	3,779	2,960	819	5,920	6,160
Boat Park	16,194	14,490	1,704	15,630	17,260
Parks & Operations	287,207	285,578	1,629	586,575	590,850
Beaches - Cleaner	25,526	23,520	2,006	31,615	35,500
Beaches - Warden	7,839	14,400	(6,561)	14,400	7,850
Beach Gardens	25,741	25,550	191	27,050	29,000
Tourism	114,453	113,885	568	220,400	222,580
Central Services	172,029	173,755	(1,726)	347,510	348,480
Total	678,892	679,912	(1,020)	1,300,650	1,309,980

At the end of the 1st half of the year a positive variance of £1k was realised. In respect of the 2024/25 local government pay award, a provision has been made based upon the employers' offer, a flat rate of £1,290. This was accepted in October and back pay will be processed in November's payroll. A budget of 4% was provided, and the award is higher than this on the lower scale points which has resulted in a forecast overspend for most departments, £9k in total.

Interest & Investment Income

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Net Expenditure	(166,400)	(130,600)	(35,800)	(240,000)	(367,255)

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, with the Council holding balances greater than those forecast during budget setting.

The variance of £35.8k seen at the end of Q2 has been transferred to the Treasury Risk Management Reserve as per policy.

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 4.5%-5% for short term investments. This also includes a gain of £61k received on October following the sale of units in the CCLA property fund and will be transferred to the Green Seafront Stabilisation Scheme.

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 1st half of the financial year, net expenditure is £23k over budget.

The Council received a donation of £16,390 from the Friends of Swanage Bandstand during H1 and this has been transferred to an Earmarked Reserve and will be utilised to finance future works at the Bandstand. Community Infrastructure Levy receipts of £71,896 were also received in H1, again appropriated to an Earmarked Reserve.

A schedule of significant expenditure is provided in Appendix A. £133k was approved for this financial year, prior to virements. A further £85k has been brought forward from 2023/24, with £67k financed from an earmarked reserve. Additionally, a further £93k of expenditure has been identified as being required during the 1st half of the financial year and has been approved providing a supplementary budget. These costs have been partially offset by the removal of some projects.

Presently, a deficit on the general fund of £68k is forecast at year-end, against a budgeted deficit of £6.7k, a variance of £61k. Additional expenditure may be required during the course of the next quarter, whereby virements will be called upon in the first instance when looking for approval for such items. It is anticipated that £7k will be required to finance additional monitoring and risk assessments of ground movement at the Spa site. Additional income may also be forthcoming with the resolution of longstanding discussions over access rights for drainage on a new housing development.

Reserves and Balances held 30 September 2024

A summary of the reserves and balances held at 30 September 2024 is given below:

	Balance 31/03/2024 £	Movement in Year £	Balance 30/09/2024 £
General Fund	873,555	819,656	1,693,211
Earmarked Reserves	2,821,915	51,298	2,873,213
Capital Receipts Reserve	2,118,147	(21,333)	2,096,814
Total	5,813,617	849,621	6,663,238

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 31/03/2024 £	Transfer to/(from) reserve £	Balance 30/09/2024 £
Beach Huts Reserve	85,000	0	85,000
Environmental Projects Reserve	42,000	0	42,000
Community Infrastructure Levy	260,881	71,897	332,778
De Moulham Back Roads	25,180	0	25,180
Insurance & Contingency Reserve	19,000	0	19,000
Treasury Risk Management Reserve	122,002	35,800	157,802
Car Park Machines	44,248	0	44,248
Play Equipment-General Areas	31,406	0	31,406
Vehicle & Plant Replacement	25,000	0	25,000
Football Club Facilities	3,120	0	3,120
Tennis Courts Refurbishment	22,378	0	22,378
King Georges Play Area & Skate Park	67,097	0	67,097
Public Conveniences	130,000	0	130,000
IT Equipment Reserves	28,164	(5,500)	22,664
Seafront Stabilisation & Enhancement Scheme	1,394,557	0	1,394,557
Community Sea Defence Project	450,000	0	450,000
C fwd Unspent committed expenditure	67,289	(67,289)	-
King George's Field Management Account	4,593	0	4,593
Bandstand	0	16,390	16,390
Total	2,821,915	51,298	2,873,213

Significant One Off Revenue Expenditure/Minor Works - 2024/25

<u>Ref:</u>	<u>Service Area</u>	<u>Project</u>	<u>Budget</u>	<u>Actual Expenditure to date</u>	<u>Works programmed</u>	<u>Status Update</u>
	Projects for 2024/25					
1	Public Conveniences	Heritage - Remedial & damp alleviation works	22,000	-	October	Partial works only in 2024/25 c. £4k
2	Cemeteries	Northbrook - Wall repairs, north east elevation	4,000	3,479	July	Ongoing – Original budget of £7k-£3k vire to Festive Lights
3	PAG	Prince Albert Gardens - Pathway repairs	47,000	46,935	September	Minute 4 F&G 17th June 2024 - £7k vire from ref 10
4	TIC	Garden Improvements	5,000	-	January	Alternative project delivery being reviewed
5	TIC	Flooring and internal reconfiguration	12,000	-	January	Alternative project delivery being reviewed
6	Car Parks	North Beach Car Park partial resurface	15,000	-	October	Project cancelled
7	Spa	Ground monitoring - 7 months	9,800	9,563	Monthly	Additional financing of £7k required-Council 18 November
8	DRM	Website improvements	8,000	-	October	Alternative project delivery being reviewed
9	Central Services	Server Replacement	5,500	5,770	July	Completed
10	Parks & Gardens	Electricity-Parks & Gardens	1,730	-	January	Project deferred. Budget - £7k vire to Ref 3. £1270 vire to Beach Gardens
			130,030	65,747		

Projects brought forward from 2023/24

BF1	Central Services	Town Hall & Annexe external redecoration	67,289	70,584	Q1	Budgeted for 2023/24- Works delayed. Carried out in 24/25 Completed
BF2	Multiple Service Areas	LED Lighting various areas	18,200	18,200	Q2	Additional budget approved Monthly meeting 18th December 2023 Minute 156 c) 50% grant funding
			85,489	88,784		

Additional projects for 2024/25

AD1	Boat Park	Jetty Repairs	42,668	40,641	Q1	Agreed: Minute 228 (d) Council meeting 29th April 2024 - Complete
AD2	Corporate Management	Data Modelling - Shore Road	5,400	-	H2	Agreed: Minute 197 Council meeting 25 March 2024
AD3	Spa	ECl - Seafront Scheme Appraisal	19,498	-	Q2-3	Agreed: Minute 215 (a) Council meeting 25 March 2024
AD4	Corporate Management	Green Seafront Scheme - Dorset Council	20,832	-	H2	Agreed: Minute 69 (c) Council meeting 22 July 2024
AD5	Town Hall	Fire Panels & Digi Air	5,000	-	Q3	Agreed: Minute 89 Council meeting 16 September 2024
			93,398	40,641		



Treasury Management Outturn Report H1 2024/25

Introduction

The Authority's treasury management strategy for 2024/25 was approved on 25 March 2024. 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 headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.

Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.



Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.

Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.

Financial markets: Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% it hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

Credit review: Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July.

Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.

S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.

Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.



Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority’s counterparty list recommended by Arlingclose remain under constant review.

Local Context

On 31st March 2024, the Authority had net investments of £6.2m (current value) with usable reserves and working capital being the underlying resources available for investment.

Borrowing Strategy during the period

At 30th September 2024 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 £6.2m and £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 2024 is shown in Table 1 below.

In March 2024, notice was given to CCLA to sell 200,000 units in the LAMIT Property Fund as the Council looks to financing its capital programme, primarily the Green Seafront Stabilisation Scheme. These units, with a book value of £482k, were sold on 30 September. The £543k current value was paid to the council on 2nd October with a capital gain of £61k being realised. This amount has been transferred to the Green Seafront Stabilisation Scheme earmarked reserve.

Table 1: Treasury Investment Position

Investment Portfolio	31.03.24 Balance	Net Movement	30.09.24 Balance	30.09.24 Income Return for period %
	£	£	£	%
Banks and building societies (unsecured)	83,812	(24,504)	59,308	
Money Market Funds	750,000	0	750,000	
UK Govt/DMADF – DMO Deposit/Gilts	1,200,000	840,000	2,040,000	
Total Internal Investments	2,033,812	815,496	2,849,308	4.84%
Investments in Pooled Funds:				
Property	2,873,245	(553,703)*	2,319,542	
Bonds	440,863	(1,334)	439,529	
Multi-Asset	866,343	13,173	879,516	
Total External Funds-Market Value	4,180,451	(541,864)	3,638,587	5.07%
TOTAL INVESTMENTS	6,214,263	273,632	6,487,895	4.97%

*includes £543k relating to redeemed units

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 reduced from 5.25% to 5.00% in August 2024 with short term interest rates largely being around these levels. The rates on DMADF deposits ranged between 4.685% and 5.2% and money market rates between 4.95% and 5.22%.

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 %
31.03.2024	4.23	AA-	41%	16	5.04%
30.09.2024	4.05	AA-	28%	58	4.84%
Similar LAs	4.63	A+	48%	82	5.07%
All LAs	4.60	A+	61%	11	4.91%

Externally Managed Pooled Funds:

£3.6m current value/£3.5m 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 2024, these funds generated an income return of £216k (5.14%), which is used to support services in year. The total unrealised capital gain from purchase at 30th September 2023 is £100k. However, this is in total with two of the long-term investments showing unrealised capital losses and one a capital gain.

The first six months of 2024/25 were marked by ongoing market volatility, with global bond yields remaining elevated, although trending downward as policymakers kept rates at a restrictive level in light of persistent core inflation until nearly the end of the period, when the MPC, Federal Reserve, and ECB began to deliver rate cuts and signal a shift towards loosening monetary policy.

Stock markets across the UK, Europe, and US were buoyed by hopes of rate cuts over the first half of the period. UK equities saw growth in small and mid-sized companies while the US continued to be supported by its strong IT sector, especially growth in AI companies which continued to outperform.



IT names performed well in the Eurozone as well while consumer discretionary stocks declined. Towards the end of the period, market volatility spiked after worries about a US recession coincided with Japan’s central bank cutting interest rates, leading to the unwinding of the popular Yen ‘carry trade’. This saw a huge selloff in equities globally, but markets quickly recovered without lasting impact. Slowdown in the Chinese economy and ongoing geopolitical tension in the Middle East and Europe continue to weigh on investor sentiment but are somewhat offset by the loosening of monetary policy and prospect of further rate cuts. The FTSE All Share index was marginally lower at the end of the 6-month period at 4529 on 30/9/24 v 4338 on 31/3/24. The MSCI All Countries World Index was higher at 3,723 on 30/9/24 v 3438 on 31/3/24.

After a sustained period of high interest rates, central banks began to reverse course towards the second half of the year. The European Central Bank began to cut rates in June, the Bank of England delivered its first rate cut in August, and the Federal Reserve surprised markets with an outsized rate cut of 50bps in September. The stabilisation in interest rates and well telegraphed move towards rate cuts, albeit at a much more conservative pace than previously expected, has allowed fund managers to position for a falling rate environment. This in turn has led to some improvement in capital values of the Authority’s multi-asset funds during the six-month period.

UK commercial property values started to stabilise, then improve slightly towards the end of the period, with interest rates being cut from their peak and investor attention turning to the timing of further interest rate cuts. Transaction activity remains somewhat subdued but signs of recovery in the occupier and rental markets as well as moderate economic growth and further falling interest rates are hoped to be favourable for an improving property sector outlook over the medium term. Capital growth is expected to be gradual while income levels remain strong for many sub-sectors.

The combination of the above had a marginal negative effect on the combined value of the Authority’s strategic funds since March 2024.

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.

Estimates for income 2024/25

Income returns remained above budget at an average of 4.97%. The Authority has budgeted £240,000 income from these investments in 2024/25. Income received up to 30th September was £166,400 against a £130,600k budget, with interest rates and balances higher than those budgeted.

Table 3: Income-Actual v Budget 30 September 2024

	Actual £k	Budget £k	Under/Over £k
Treasury Investment Income	166	130	36

The income received over budget has been appropriated to the Treasury Risk Management Reserve which holds £157k at 30 September. The unrealised capital loss on the two bond/multi-asset strategic



investments was £180k. The need to cover off any further reduction in the capital value of these two investments will be reviewed quarterly.

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.

	30.9.24 Actual	2024/25 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 giving prior notice.

	30.9.24 Actual	2024/25 Target	Complied?
Total cash available within 3 months	£2.03m	£0.75m	Yes

Capital Programme – Monitoring Report 2024/25

Project Ref:	Project	2024/25 Budget	Forecast Outturn for the year	Actual Expenditure Year to Date	Status
		£	£	£	
Approved Projects-2024/25 Estimates					
1	Play Areas/Skate Park King Georges Skate Park	15,000	0	0	Ongoing
2	Station Approach Infrastructure Improvements	120,000	154,000	0	Ongoing
3	Downs Peveril Point Stabilisation Scheme	150,000	0	0	Ongoing
4	Spa & Seafront Green Seafront Stabilisation & Enhancement Scheme	120,000	0	0	Ongoing
5	Capital Grants Football Club redevelopment	70,000	17,500	0	Ongoing
6	Beach Gardens Installation of Astroturf on Courts 4 & 5	15,000	0	0	Ongoing
	Subtotal	490,000	171,500	0	
Projects brought forward from 2023/24					
BF1	Depot External Shelter	15,750	14,415	11,280	Ongoing
BF2	Environmental Installation of PV panels - Beach Gardens & Depot	128,000	43,109	20,106	Ongoing-Works started
BF3	Vehicles Electric Flatbed Truck	50,000	42,945	0	Ongoing – on order
BF4	Car Parks EVCP Installation – For information only	0	0	0	Ongoing
	Expenditure B fwd Subtotal	193,750	100,469	31,386	
Approved Additional Projects 2024/25					
AD 1	Car Parks Pay & Display Machine Replacement	44,000	39,435	0	Ongoing-on order
	Additional Projects Subtotal	44,000	39,435	0	
	Total Capital Expenditure	727,750	311,404	31,386	

Project Updates:

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

Discussions continue with the Swanage Skatepark Community Project regarding the scheme and financing of the project. Due to the requirement for external funding the project date is uncertain, although the Group are currently aiming for a stage 1 installation in late spring 2025 and is now expected to be carried forward to 2025/26. The Council continues to commit to the project and working with the community group.

Ongoing. Financing- Earmarked reserves (EMR).

2: Station Approach-Infrastructure improvements

A budget of £120k was originally allocated to this project for 2024/25. At the Council meeting held 16 September 2024, Minute 94 (a) (amending Minute 69 (a)), it was agreed that a direct award of contract be made to Dorset Council to undertake the works at Station Approach with a budget allocation of £150k, plus an additional £4k for drainage improvements. It was reported that the Co-operative had declined to make any financial contribution towards the scheme. However, negotiations would continue.

Subsequently, it was reported to Council at the meeting held 21 October 2024, that the Co-operative had agreed to contribute £15k to the works, being the cost associated with night working in order to avoid disruption. It was agreed Minute 110, that the shortfall in funding (£19k) be met from CIL funds.

Ongoing. Financing -UCRR/CIL & Third Party Contributions.

3: Downs-Peveril Point Stabilisation Scheme

The Finance & Governance Committee considered an uplift in the budget of £95k on 1 November 2023. A budget of £200k was recommended to Council, which was approved on 11 December 2023, Minute 134, and to proceed to tender via contracts finder with the additional £105k to be funded from the CIL reserve. This project was deferred from 2023/24, with a £50k budget for that year moving to 2024/25. Dorset Council are in the process of reviewing the scheme and changes may be required. It is now likely that this project will be deferred to 2025/26.

Ongoing. Financing -UCRR/CIL

4. Spa & Seafront- Green Seafront Stabilisation & Enhancement Scheme

Further to Minutes 180 and 215, at the meeting held 22 July 2024, Minute 69 (c), Council approved the appointment of Dorset Council to provide programme and project management services in respect of the proposed Green Seafront Scheme in its entirety, incorporating the stabilisation and enhancement scheme.

A cost analysis of the financial estimates provided by WSP, for both the enhanced and essential schemes, has been carried out and a report will be considered by Council in November 2024. It is now anticipated that further public consultation will take place in spring 2025. Until such a time that the scheme has moved from the appraisal stage and a scheme has been confirmed, costs will be charged to revenue.

Ongoing. Financing -EMR/UCRR

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

At the Council Meeting held on 24 June 2024 it was agreed that £26,312 should be released to the football club in respect of funding the submission of a planning application for a community sports facility at Day's Park.

It was reported to Council on 16 September 2024, that a 50% reduction in fees would be forthcoming if the Town Council was the registered applicant. It was therefore resolved by the Council to register as the applicant, Minute 87. The planning application has been made and the second tranche of grant funding will be released in due course. Further discussion as to the source of financing of the balance of £8,800 is to be undertaken.

Ongoing – Financing – UCRR

6: Beach Gardens – Installation of AstroTurf on Courts 4 & 5

Discussions have been held with Swanage Tennis Club regarding the installation of astroTurf on courts 4 and 5 at Beach Gardens. This will be part-funded by the Tennis Club's infrastructure reserve. Final approval is subject to a review of the court maintenance contributions made by the Club. Installation is currently anticipated in the spring of 2025 and is now expected to be completed in 2025/26 financial year.

Ongoing. Financing -EMR

BF1: Depot-External Shelter

Council awarded contracts on 29 January 2024, Minute 187 c). The construction of the external shelter has been completed, with the installation of the electrics and vehicle charger pending.

Ongoing. Financing -UCRR.

BF2: Environmental- Carbon Neutral 2030 Implementation

Procurement of the design, supply and installation of the PV panels was undertaken via Contracts Finder in November 2023 and the contract was awarded to Dorset Energy Solutions. Low Carbon Dorset confirmed a grant for 50% of the costs (including 50% funding of LED lighting in some council buildings: see revenue account). The installation of the PV panels on the Depot buildings was completed in August 2024. The installation at Beach Gardens has been delayed as an alteration to the scheme was required due to limited exporting capabilities. The revisions were approved by Low Carbon Dorset, the grant giving body, and it is now expected that the scheme will be completed in November 2024.

Ongoing. Financing -UCRR/Grant funding

BF3. Vehicles-Electric Flatbed Truck

An order was placed in February 2024 for an electric Ford Transit Leader Single Chassis Cab 350. Delivery is now expected in November 2024.

Ongoing: Financing-UCRR

BF4: Car Parks – Electric Vehicle Charging Point Installation

Initially introduced as a £20,000 Council project in 2023/24, alternative ways of delivering these facilities at nil cost to the Council were researched and it was discovered that the installation of EVCPs could be delivered as part of Dorset Council's 'Charging Ahead' project, via a licence agreement with Joju and Mer.

Lengthy consideration has been given to this project and at the Extraordinary Meeting of the council held on 29 June 2024 Minute 228 (a) it was resolved to enter into a contract with Joju charging for the installation of six EVCP chargers in the Main & North Beach car parks, subject to funding from a 'Charging Ahead' grant from Dorset Council.

It was further resolved to approve the installation of three rapid chargers in Mermond car park, subject to the satisfactory review of the legal agreement with Joju charging.

Ongoing: – Third Party Contributions

AD1: Car Parks – Pay & Display Machines

The Finance & Governance Committee recommended to expedite the purchase of new pay & display machines in some of the council's car parks for operational purposes. This was approved by Council at the meeting held 24 June 2024, with a budget of £44,000 approved for the purchase and installation of machines. An order was placed with Flowbird, via the ESPO Pay & Display Contract 509_23 - Lot 1 Framework 8 Pay & Display machines, with a contract value of £39.4k. These are due to be installed in November 2024.

Ongoing. Financing - EMR

Alison Spencer - Finance Manager

Martin Ayres-Town Clerk

Gail Percival-Assets and Compliance Manager

October 2024

Project Initiation Document

At the Finance & Governance Committee to be held on 11 December 2024, Members will be asked to review the budget recommendations for 2025/26 that have been made by the Council's other standing Committees:

- Personnel Committee
- Environment and Green Spaces
- Community Services
- Tourism & Local Economy

Given the forecast reduction in reserves over the forthcoming financial years, with limited financial and operational resources, the importance of evaluating the need and cost effectiveness of new projects that have been brought forward is paramount.

As such, the standing committees will receive budget proposals with each project categorised as either:

- Regulatory/safety requirement
- Routine/planned maintenance
- Non-essential service/asset improvements

These budget proposals will then be reviewed as a whole by the Finance & Governance Committee in December.

Officers have discussed the best way to move forward with introducing a system for assessing the non-essential projects and have contacted Weymouth Town Council who operate a project evaluation process, using a Project Initiation Document. This document is used by both Members and Officers at Weymouth Town Council, and this is appended to this briefing note, Appendix A.

If adopted, this process would ensure that all projects are assessed and progressed in an equitable manner through the working group/committee structure and in submitting the documents to the Finance & Governance Committee this would enable additional scrutiny for both need and affordability.

Decision required:

To agree to the adoption of a Project Initiation Document (PID), to be used for non-essential projects brought forward by Officers and Members.

To confirm the project categorisation and approval process for a PID.

Project Initiation Document		
Name/ Committee		Date
Project Name Which service area/s or Committee/Working Group does this project come under?		
Description of project		
Project Aims What do you want the project to achieve? How does it support the Council's Plan?		
Target Communities What communities are targeted and what benefits will the project bring to them?		
Research already completed. Please attach all research carried out so far.		
Evidence of need How do you know the project is needed?		
Cost of Project Please detail all cost areas associated with this project. Please include actual costs if known. Please include revenue & capital and include estimate of Officer Hrs if you are able to.		
Benefits Please details all benefits including cost savings, efficiency savings		

<p>Who? Officer /Councillor Do you have any suggestions for who might be part of the project team? And what role do you think they should take on?</p>	
<p>Other Organisational Support Who do you think we need to work with or take advice from?</p>	
<p>Timeline What is the length of the project work and when will the benefits be realised? Are there any time constraints?</p>	
<p>Risks Are there any risk associated with this project e.g. reputational risks for the Council or possible local sensitivities?</p>	
<p>Is the project a quick win? I.E. does it meet all the following criteria?</p> <ul style="list-style-type: none"> a. Will cost less than £1,000 b. All expenditure can be met from an existing budget c. Will take less than 5 hours of officer time in total (including assessment, planning, working with partners, tendering/quotes etc) d. Has the support of a Councillor and a member of SMT e. Does not pose any significant reputational or other risk to the Council or partners 	
<p>Other information Is there any other information which you feel would help with the project assessment? Please include links to any best practise or similar projects.</p>	