

POLICY, GOVERNANCE & FINANCE COMMITTEE

Date: 25 March 2024
Title: Finance Report
Contact Officer: Responsible Financial Officer (RFO)

Should Members have any queries about this report advance notice would be appreciated, in writing, by 5pm on the Friday before the meeting to allow for a full response at the meeting.

BACKGROUND

Detailed income and expenditure statements for budgets which are the responsibility of this committee are enclosed. The period to which this report relates is 1 April 2023 to 31 January 2024.

This report also includes an update on the Council's investments and consideration of their sustainability in relation to objective 7 of the Council's Investment Strategy.

MANAGEMENT ACCOUNTS

Current Situation

A full review of the budgetary position was undertaken during the budget cycle. Most areas of interest were raised during the budget cycle and at subsequent meetings. The RFO would refer members to the finance/ budget reports which were approved at those and at subsequent meetings for further details.

The income and expenditure reports are presented by Committee, starting with those budgets which are the direct responsibility of this Committee which are on pages 1 to 11, as outlined below:

<u>Cost Centre</u>	<u>Area</u>	<u>Description</u>
401	Civic Activities	This cost centre relates to the Council's Civic Activities through the Office of the Mayor and the costs associated with this position of Office – maintaining the chain, civic functions such as the Annual Civic Reception which is a Town Council function hosted by the Mayor.

407	Grants & Donations	This includes the various grants the Council awards annually as well as the general grants budget.
502	Town Hall Maintenance	The Town Hall is leased from the Town Hall Charity – this cost centre therefore provides for the maintenance of the building and accounts for the income from the sublet of the retail unit below it.
505	Precept	This relates to the annual Precept agreed, which is levied on the Council Taxpayers of Witney. The Council does not receive any of the business rates (NNDR). The Council no longer receives the Council Tax Reduction Grant this has been phased out now. The Precept is received into the Council's bank account in two tranches- April and October.
506	Interest Received	Accounts for bank charges and also interest received from the Council's surplus balances and investments.
602	Central Support	This relates to the costs of the Council's Central Administrative Support and is charged back to the various service cost centres.
604	Works Depot	This represents the revenue costs of the works depot, vehicles and equipment and is recharged to the services which benefit.
605	General Maintenance	This shows the costs of the Council's general works team, and these are recharged to the services which benefit.
606	Grounds maintenance	This shows the costs of the Council's team which undertakes grounds maintenance work, and these are recharged to the services which benefit.
700	Strategic Planning Initiatives	Many projects take time to come to fruition and time spent on strategic planning needs to be accounted for; this is done as a recharge from Central Support.
701	Corporate Management	This cost centre relates to the Council's Corporate Management covering matters such as the annual external audit fees.
702	Democratic Representation & Management	This cost centre relates to the Democratic part of the Council's business which supports the Councillors and the running of meetings.

Following the management accounts which are the responsibility of this Committee, the management accounts for the other standing committees are attached. As the Council's finance committee the Policy, Governance and Finance Committee has the overall responsibility for overview of the Council's finances. The other committee's management accounts are:

Pages 11 to 22: Parks and Recreation Committee;

Pages 23 to 26: Stronger Communities Committee;

Pages 27 to 38: Halls, Cemeteries and Allotments Committee;

Page 39 to 40: Climate, Biodiversity and Planning Committee;

Pages 41 to 43: Capital Projects.

Items to note.

Current year budget: The working budget for the current year (2023/24) is that which was projected when the estimates were revised and agreed by the Council at its meeting on 8 January 2024 per the column "Current year 2023-24 Projected." It should be noted that the projected estimates were produced by your officers in the autumn of 2023. This means that, with the year end (31 March 2024) approaching, there will be some cases where the actual spend to date now exceeds these projected estimates. Conversely there will be other lines where actuals will be year-end not reach the revised estimate figure. Overall the impact on budget should be broadly neutral when the year-end accounts are produced.

Members are reminded that expenditure is not necessarily incurred evenly over the course of the year. For example the vast majority of expenditure in relation to nominal ledger code 4025 (insurance) is incurred in April each year when the annual premium is paid. There will also be similar patterns on the income side such as football and cricket pitch hires.

Estimates for 2024/25: These are shown in the report in the three columns on the right-hand side of the page.

SUMMARY FOR 2023/24

Overall the management accounts show the following in relation to the current year:

	2023/24 Original budget- Jan. 23 £	2023/24 Year to date (Month 10) £	2023/24 Projected estimate to year end - Nov.23 £
Expenditure	2,343,138	1,906,224	2,377,847
Less income	(2,249,010)	(2,350,393)	(2,473,902)
Net expenditure	94,128	(444,169)	(96,055)
In-year Transfer from earmarked reserve	-	(17,778)	(7,778)
Transfer from general reserve	94,128	N/A	-
Transfer to general reserve	-	N/A	103,833

The projected estimate of gross expenditure for the year is above original estimate by £34,709 or 1.5%. However the projected estimate of income is also above original estimate by £224,892 or 10.0%. This may be analysed as follows:

Income stream	Increase income original vs projected estimates
Corn Exchange and Burwell Hall	£81,657
Grants	£62,032
Interest and investment	£26,047
Cemeteries	£22,615
Sport pitches	£6,824
Rentals	£6,634
Net other changes	£19,083

The above changes to income and expenditure (including some earmarked reserve movements) have resulted in a net underspend on the year and a projection that the Council will be able to transfer £103,833 to the general reserves (i.e. a surplus on the current year fund), rather than drawing from reserves £94,128 (deficit).

Ahead of the year end your officers will thoroughly re-examine the various budget lines and proposals will come forward following the financial year end (31 March 2024) for a number of underspends against specific codes to be transferred into the earmarked reserves to allow projects to continue and to provide for prudential reserves where expenditure has not been required this year but will be in future years. On several nominal codes where

expenditure is likely to be under-budget the revised budget is retained at the original. A proposal will come forward at final accounts stage for any difference between spend and budget to then be transferred to the earmarked reserve at year end.

There have also been reductions in the recharges in relation to the works team across most cost centres, compared with original budget. This is due to staffing costs being lower than originally budgeted for and this has impacted the bottom-line.

Over-spends on nominal budgets may also, where appropriate, be met from earmarked reserves. Any adjustments will be made at final accounts stage (31 March 2024) and will then reduce revenue expenditure for the year.

INVESTMENTS

The Council holds the following investments:

1. Public Sector Deposit Fund (CCLA Investment Management Ltd.) – Value of £1,112,100 as of 29 February 2024 (*31 December 2023 - £1,102,215*), an increase of £9,885 over the two-month period (0.9% in two months).
2. The Local Authorities' Property Fund (CCLA Fund Managers Ltd.) – Value as of 30 December 2023 £58,637 (*1 October 2023 - £59,253*). This represents a fall in value of £616 over that period, i.e. 1%. The total income credited to the Council for that period was £778 (i.e. 1.3% of the opening sum during this three-month period). Note: the fund update is received every quarter so the next update will be as of 31 March 2024.

Sustainable investment through CCLA

At a previous meeting I was requested by members to report on the sustainability of investments through CCLA.

The Council invests in the two funds above – [the Public Sector Deposit Fund](#) and the [Local Authorities' Property Fund](#). There is also another fund open to local authorities but in which the Council does not currently invest, [the CCLA Better World Cautious Fund](#).

There is a plethora of information available on the CCLA website (www.ccla.co.uk)

It is clear that the CCLA aims and attains high standards with regard to sustainability and related-matters. Attached is their recently published report [“Better World – Sustainable Investment Outcomes 2023”](#) which I would encourage members to read. I will not attempt to summarise a document, which is 100 pages long, but will convey some salient points.

In the foreword (page 3) the CCLA Chief Executive states that “While public awareness of sustainability risks has grown, and as the financial consequences of failing to tackle them become increasingly apparent, the most visionary players in the investment industry have adapted to try to tackle the. This can only be a good thing.” He concludes: “It is becoming increasingly apparent that investors can be instrumental in bringing about genuine positive

outcomes. We should feel obliged to work together as an industry to support the needs of society.”

The report illustrates the success of CCLA in this regard through industry recognition and rewards. For instance their rating and score in relation to the United Nations-supported

Principles for Responsible Development (PRI) which shows their 2023 ratings as:

Module	CCLA rating (out of 5)	CCLA score	Approx. median score
Policy, governance and strategy	5	95%	60%
Direct -listed equity (how we integrate ESG [Environmental, Social and Governance] in listed equity	5	98%	51%
Direct – real estate (how we integrate ESG in property)	4	69%	62%
Confidence building measures	5	100%	80%

The report includes a section on sustainability and the CCLA investment process and also includes sections on how their investments support improved corporate governance, better environment, better work and better health.

Some interesting highlights:

- Page 30 onwards outlines climate stewardship. The report states: “We do not invest directly in any companies that focus on extracting, producing or refining coal, oil sands, oil or gas, nor any company in high carbon sectors that does not align with the Paris Agreement. In our view , these businesses are highly exposed to changing legislation and regulation aimed at tackling climate change.” This statement illustrates how investing in sustainable stocks can be viewed as good for the planet and the sensible thing to do financially.
- Pages 52 and 53 outlines their investment and engagement with Amazon and as a related matter, the “ESG backlash” which has become especially politicised in the United States.
- Pages 69 and 70 outline CCLA investments with two companies “that have experienced significant controversies in recent years”: Abbott Laboratories and Reckitt Benckiser. It is noted that these two stocks are not currently eligible for investment in the COIF Charities Ethical Investment Fund, which has a higher sustainability/ ethical bar – and neither I assume in the equivalent local authority fund.

It is difficult to find any articles online which benchmark CCLA against other organisations but a search does highlight that their sustainable credentials in a number of articles, including their success in the “Investment Week” Sustainable Investment Awards. As noted above the

CCLA report clearly details recognition in the industry for their sustainable approach (pages 7-8).

In the judgement of the RFO the CCLA investments deliver on the Council's investment objective 7 which requires that:

"The power to invest must be exercised in accordance with the provisions of this Strategy and what is best for the financial position of the Council in terms of investment returns. However subject to these requirements, the precise choice of investment may then be influenced by wider social, ethical or environmental considerations. The Council has declared a Climate Change Emergency and therefore places a high priority on sustainability in order to meet the needs of the present without compromising the ability of future generations to meet their needs. The Council will consider these matters when making investment decisions but also recognises that there are limitations on the extent to which it can make environmental, social and governance comparisons and assessments including:

"(a) Multiple and diverse sustainability frameworks and standards including on sustainability disclosure.

"(b) The lack of common definition of sustainable activities.

"(c) Greenwashing (a difficulty establishing the depth of claimed green credentials)."

The CCLA have strong sustainability and ethical principles which together with their prudential investments results in a balanced portfolio with low risk.

As previously reported the CCLA are an organisation owned by local authorities, charities and churches and the RFO would not suggest looking at other funds in which to invest. However the CCLA also have investment funds which have a higher threshold regarding sustainability and so as part of the next steps the RFO will research whether these funds should be invested in.

Under the Council's investment policy, the RFO is due to present a report on the Investment activity to Full Council following the end of each financial year (31 March) and so this will take place in the next cycle of meetings.

Environmental impact

The Council declared a Climate Change Emergency at its meeting on 26 June 2019; with this in mind Councillors should have due regard to the environmental impact of any decisions they make with regard to its facilities and services it operates.

Officers are continually assessing the environmental impact of services and assets to ensure where possible measures are taken to support the Council's climate declaration of carbon neutrality by 2028. This extends to the procurement of goods and services.

Risk

In decision making Councillors should give consideration to any risks to the Council and any action it can take to limit or negate its liability.

Members are reminded that collectively they are custodians of the public purse with most of the funding coming from the taxpayers of Witney. Therefore, Officers ensure they get best value, value for money, and comply with the Council's Standing Orders, Financial Regulations, and Procurement Policy.

Financial implications

This report forms part of the Council's due diligence and a process in line with its Financial Regulations. The financial implications are detailed above and also in the attached appendices.

Recommendations

Members are invited:

1. To note and approve the report and the management accounts of the Committee's services to 31 January 2024.
2. To note and approve the report on investment returns and sustainability of investments.