

POLICY, GOVERNANCE AND FINANCE COMMITTEE

Date: 10 June 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 Friday 7 June 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 March 2024.

This report also includes a review of the Council's investment returns for 2023/24.

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 Tax payers 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 12 to 23: Parks and Recreation Committee.

Pages 24 to 27: Stronger Communities Committee.

Pages 28 to 39: Halls, Cemeteries and Allotments Committee.

Page 40 to 42: Climate, Biodiversity and Planning Committee.

Pages 43 to 45: Capital Projects.

Within each cost centre income and expenditure is then allocated to a four-digit nominal ledger code; these codes are common across the cost centres. Nominal ledger codes further refine the costs associated with the cost centre and correspond to a specific type of account, such as materials or staffing costs. Codes commencing with "1" are income codes; codes commencing with "4" are expenditure codes.

The report which is presented to Members has a number of columns, as follows and working from left to right:

1. 2022-23 Budgeted income and expenditure (I&E).
2. 2022-23 Actual I&E.
3. 2023-24 Total – this is the original budget as agreed in January 2023.
4. 2023-24 Actual YTD – this is the actual I&E shown in the Council's ledger.
5. 2023-24 Projected – this is the revised I&E projection made in November 2023 and approved by the Council in January 2024.
6. 2023-24 Committed – this column is not currently used but would show committed I&E in the management accounts e.g. for an order for goods or services which has been issued but which has yet to be invoiced. However, note that accruals are/will be made in the financial accounts at year end.

7. 2024-25 Agreed shows the budgets set by the Council at its meeting in January 2024.
8. This column indicates where 2024-25 expenditure is being funded from an earmarked reserve rather than precept.
9. This column is not used.

ITEMS TO NOTE

Detailed reports on the management accounts have been submitted to all spending committees during the year, with a comprehensive review during the budget cycle, and at this stage I have nothing further to add.

The management accounts should be considered as being at draft final stage. There remains some work to be done on earmarked reserve movements and treatment of central and works overheads, following which the management accounts will be published in their final form. Note that these final changes will not affect the figures published in the AGAR (Annual Governance and Accountability Return) for 2023-24; they are effectively below the line adjustments as they affect the distribution of balances between reserves and not the total in reserves; and the apportionment of expenditure between cost centres and not the total of the Council's expenditure. In relation to the accounting system, the Council has "closed" the old year and is now in 2024-25. This means that where balance sheet items in relation to reserves have been changed in the 2023-24 accounts, appropriate journals will be made in month 0 (opening balances) of 2024-25.

Following finalisation of the management accounts it is intended that the schedule of general and earmarked reserves will be published in the next cycle of meetings.

INVESTMENTS

At each meeting members receive the latest updates in relation to the Council's investments.

The Council holds the following investments:

1. Public Sector Deposit Fund (CCLA Investment Management Ltd.) – Value of £1,121,698 as of 30 April 2024 (*29 February 2024- £1,112,100*) an increase of £9,598 over the two-month period (0.9% between the two months).
2. The Local Authorities' Property Fund (CCLA Fund Managers Ltd.) – Value as of 31 March 2024 = £57,600 (*30 December 2023 - £58,637*). This represents a fall in value of £1,037 over that period, i.e. 1.8%. The total income credited to the Council for that period was £779 (i.e. 1.3% of the opening sum during this three-month period).

REPORT ON INVESTMENT ACTIVITY DURING 2023-24

Under the Council’s investment policy, the RFO presents a report on the Investment activity to Full Council following the end of each financial year (31 March).

The Council invests in the two funds above – [the Public Sector Deposit Fund](#) and the [Local Authorities’ Property Fund](#).

These funds are managed by the CCLA (Churches, Charities and Local Authorities (CCLA) Investment Management Limited) an organisation owned by local authorities, charities and churches.

A summary of the returns on these two funds is detailed in the following table:

Name of fund	Fund value 1 April 2023	Fund value 31 March 2024	Increase/ (decrease) in value	Percentage change	Notes
Public Sector Deposit Fund (CCLA Investment Management Ltd.)	£1,063,581	£1,116,735	£53,154	5.0%	Dividends are automatically reinvested in the Council’s fund holding
The Local Authorities’ Property Fund (CCLA Fund Managers Ltd.)	£59,939	£57,600	(£2,339)	-3.9%	Although the fund lost value during the year, dividends of £2,974 were paid to the Council and credited to code 1190/506
Inflation rate – year to March 2024 (note both the rate of increase of CPI and RPI were the same during this period)				3.8%	

With regard to the Public Sector Deposit Fund, this comprises the bulk (95%) of the Council’s investments. This a low risk investment but is good to note that the increase in fund value was significantly higher than the rate of inflation for the period. The Fitch rating for the Fund as of 'AAAmmf (February 2023) and their report states: “The affirmation of the MMF Ratings is driven by the funds' high credit quality and diversification, high levels of daily and weekly

liquid assets and low exposure to interest-rate and spread risks. The ratings also reflect the capabilities and resources of CCLA as investment manager.” The Council holds shares in the fund (1,121,697.78 as at 31 March 2024) and shares can be sold on a daily basis.

The Council’s investment in the Local Authorities’ Property Fund is much smaller (5% on investments). The Fund’s objective is that it “provides facilities exclusively for local authorities and other public sector organisations to invest in commercial and industrial property on a collective basis so as to obtain a spread of risk with constant expert property management. The Fund aims to provide investors with a high level of income and long-term capital appreciation.” There has been a loss of £2,339 against the value of the Council’s holdings this year although this was mitigated by dividends paid of £2,974. Members will be aware that commercial property values have been under pressure which is why this type of investment is considered one for the long-term (although technically it is classified as a short-term investment as it can be liquidated at six months’ notice).

At the last meeting of this Committee, I reported in relation to the sustainability of the funds and for the purposes of this report I would confirm that 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).”

As previously reported the CCLA are an organisation owned by local authorities, charities and churches.

The RFO considers that the Council’s investments are low risk and currently returning a good yield. I recommend that the Council’s investments should continue to be with CCLA. However as mentioned in my previous report there is also another fund open to local authorities but in which the Council does not currently invest, [the CCLA Better World Cautious Fund.](#) It is understood that this fund has enhanced sustainability criteria and so during 2024/25 I will explore this further in terms of the criteria, liquidity and yields and report back to Members.

MEMBERSHIP OF THE CO-OPERATIVE COUNCILS INNOVATION NETWORK

Last year the Council was a member of the Co-operative Councils Innovation Network, [CCIN](#). Members are encouraged to click the link to the website to read about the organisation. Membership costs £250 per year.

It is the Council's practice to regularly review its memberships to ensure that they continue to represent good value to the Council and Members are requested to review accordingly.

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 March 2024.
2. To note and approve the report on investment returns since the last report to Committee in March 2024.
3. To note and approve the report on investment activity during 2023-24.
4. To consider membership of the Co-operative Councils Innovation Network.