

**Budget Report- Income & Expenditure Account**  
**Quarter ending 30<sup>th</sup> September 2021**

**Summary**

At the end of the 2<sup>nd</sup> quarter the Council's position is extremely favourable against budget, with a variance of £266k being realised. The net cost of services was lower than budget predominantly due to higher than anticipated car park and beach hut revenue, and lower than budgeted expenditure and employee costs.

Service	Q2			Annual	
	Net Expenditure	Budgeted Net Expenditure	Variance Year to Date	Budgeted Net Expenditure	Projected Out-turn
Car Parks	(518,307)	(361,652)	(156,655)	(338,150)	(510,237)
Co-op	(10,802)	(11,350)	548	(20,700)	(20,152)
Boat Park	(22,353)	(9,300)	(13,053)	(13,855)	(27,652)
Public Conveniences	74,808	70,125	4,683	156,000	160,683
Burl Chine Chalets	0	0	0	(155)	(155)
Cemeteries	(17,762)	(12,620)	(5,142)	(4,100)	(27,269)
Parks and Operations	268,234	290,270	(22,036)	638,840	584,254
CCTV	653	500	153	3,000	3,153
Beach Gardens	(3,186)	13,285	(16,471)	30,170	13,658
Downs/Misc Grounds/PAG	(5,619)	(4,522)	(1,097)	5,025	23,918
Beaches/Foreshore	90,218	44,685	45,533	51,955	98,977
Beach Chalets/Bungalows	(96,518)	(33,895)	(62,623)	(22,680)	(98,531)
Publicity/Tourism	93,018	97,330	(4,312)	193,530	191,802
Allotments	(3,271)	(2,073)	(1,198)	(5,345)	(6,543)
General Buildings (inc. Caravan park)	(22,302)	(23,750)	1,448	(63,755)	(62,307)
Central services to the public:	177,936	179,125	(1,189)	360,950	367,765
DRM	12,878	24,358	(11,480)	46,115	45,636
Corp Management	5,803	7,920	(2,117)	57,190	55,073
<b>Net Cost of Services</b>	<b>23,428</b>	<b>268,436</b>	<b>(245,008)</b>	<b>1,074,035</b>	<b>792,073</b>
Interest payable and similar charges	2,934	2,950	(16)	4,250	4,234
Interest and investment income	(85,055)	(85,000)	(55)	(160,000)	(160,055)
<b>Net Operating expenditure</b>	<b>(58,693)</b>	<b>186,386</b>	<b>(245,079)</b>	<b>918,285</b>	<b>636,252</b>
Other Movements on the General Fund	17,582	0	17,582	(180)	(18,950)
<b>Amount to be financed:</b>	<b>(41,111)</b>	<b>186,386</b>	<b>(227,496)</b>	<b>918,105</b>	<b>617,302</b>
<b>Financed by:</b>					
Grants/Contributions	(2,000)	0	(2,000)	(3,000)	(5,000)
Community Infrastructure Levy	(36,772)	0	(36,772)	0	(47,840)
Precept on Dorset Council	(373,520)	(373,520)	(0)	(747,040)	(747,040)
<b>Total Financing:</b>	<b>(412,292)</b>	<b>(373,520)</b>	<b>(38,772)</b>	<b>(750,040)</b>	<b>(799,880)</b>
<b>(Surplus)/Deficit for the Period</b>	<b>(453,403)</b>	<b>(187,134)</b>	<b>(266,269)</b>	<b>168,065</b>	<b>(116,738)</b>
General Fund Balance Brought Forward					(818,092)
General Fund Balance Carried Forward					(934,830)

## Car Parks

Car parking realised a net surplus of £518k for the period against a budgeted surplus of £361k, a positive variance of £156k.

	Q2			Annual	
	Actual	Budget	Variance	Budgeted Outturn	Projected Outturn Q2
	£	£	£	£	£
Employee Costs	21,006	24,495	(3,489)	46,790	32,395
Expenditure	79,407	82,603	(3,196)	150,010	144,009
Income	(618,720)	(468,750)	(149,970)	(534,950)	(686,641)
<b>Net Expenditure</b>	<b>(518,307)</b>	<b>(361,652)</b>	<b>(156,655)</b>	<b>(338,150)</b>	<b>(510,237)</b>

As shown in the summary above, income has exceeded budget during the 1<sup>st</sup> half of the year by an extraordinary amount, £150k, with June-September seeing visitor numbers, and therefore revenue, well above the average for a 'normal' year. Table 1 below gives a breakdown of the income and visitor numbers to the Council's long-stay car parks, as well as the prior year monthly breakdown. The average of the results of Q2 for the three financial years 2017/18-2019/20 has also been given for comparable data.

Table 1: Net Revenue and Usage (data from ASLAN/JustPark)

	Main Beach (incl King Georges overflow)		North Beach		Broad Road		Total	
	Usage	Net Revenue	Usage	Net Revenue	Usage	Net Revenue	Usage	Net Revenue
<b>3 yr Average 2017/18-2019/20</b>	<b>47,486</b>	<b>£197,055</b>	<b>4,964</b>	<b>£16,539</b>	<b>48,362</b>	<b>£166,436</b>	<b>100,812</b>	<b>£380,030</b>
<b>2020/21</b>								
April	0	£0	0	£0	0	£0	0	£0
May	528	£1,945	0	£0	591	£1,808	1,119	£3,753
June	1,648	£5,742	167	£549	3,125	£9,452	4,940	£15,743
July	9,317	£41,023	1,778	£6,138	11,089	£40,793	22,184	£87,954
August	15,202	£71,371	3,314	£11,741	15,444	£59,294	33,960	£142,405
September	10,556	£40,862	1,089	£3,648	10,894	£36,424	22,539	£80,934
<b>Q2 Total</b>	<b>37,251</b>	<b>£160,943</b>	<b>6,348</b>	<b>£22,077</b>	<b>41,143</b>	<b>£147,771</b>	<b>84,742</b>	<b>£330,790</b>
<b>2021/22</b>								
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	1,249	£4,369	10,450	£35,760	22,675	£84,191
July	13,449	£62,231	1,978	£7,096	12,400	£48,487	27,827	£117,814
August	18,530	£87,288	3,270	£11,671	14,704	£58,627	36,504	£157,586
September	9,964	£39,573	1,058	£3,418	9,462	£33,125	20,484	£76,116
<b>Q2 Total</b>	<b>63,808</b>	<b>£272,427</b>	<b>8,301</b>	<b>£29,083</b>	<b>59,171</b>	<b>£214,235</b>	<b>131,280</b>	<b>£515,745</b>

Revenue from all car parks, with the exception of Residents, is above budget with higher numbers of visitors seen in the first half of the year than that seen in recent years.

Expenditure overall is largely as per budget at the end of the 2<sup>nd</sup> quarter, with slightly higher than budgeted payment processing costs, which is to be expected given the higher revenue.

As reported in Q1, a budget of £2k was included for the hire of a Variable Message Sign (VMS) during the peak summer months, however, this sign has been provided free of charge by Dorset Council for a trial period. As such an underspend on this budget has been realised in Q2.

Market income has also exceeded budget, £7k at the end of Q2 and it is now forecast to be £9k over budget by the end of the year.

Projecting forward to year-end, a surplus of £510k is anticipated against a budgeted surplus of £338k a variance of £172k. This forecast does not include any works that may be required at North Beach car park to facilitate the bike hire concession.

A detailed car park report will be issued to the Roads and Transport Committee in November.

### **Boat Park & Fishermen's Huts**

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Employee Costs	5,449	9,050	(3,601)	9,640	6,200
Expenditure	6,010	11,280	(5,270)	25,700	20,405
Income	(33,812)	(29,630)	(4,182)	(49,195)	(54,256)
<b>Net Expenditure</b>	<b>(22,353)</b>	<b>(9,300)</b>	<b>(13,053)</b>	<b>(13,855)</b>	<b>(27,652)</b>

Income for the boat park is £4k above budget at the end of the 2<sup>nd</sup> quarter, due to higher than estimated seasonal and annual ticket sales.

Expenditure is below budget at the end of the quarter, £5.2k in total. £4.3k of this relates a budget included for the repairs to the old jetty. However, these works were completed in March 2021, Appendix A: ref 27 refers. Budgeted works for tanking, Appendix A: ref 2 are now unlikely to go ahead, and part of this budget has been utilised for a conditions report on the eastern/middle jetty, ref AD3. The scope of works has yet to be finalised, but this may lead to a sum in excess of the balance of the original budget being required.

Projecting to year-end, a positive variance is forecast against a budgeted surplus of £13.8k, however, this is dependent upon any additional works being required to the jetty, as stated above.

## Public Conveniences

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Expenditure	74,895	70,212	4,683	158,075	162,757
Income	(87)	(87)	0	(2,075)	(2,075)
<b>Net Expenditure</b>	74,808	70,125	4,683	156,000	160,683

The Council has now received a rebate of NNDR paid for the current and prior financial year.

A budget of £30k was provided for repairs to Burlington Chine public conveniences, which are programmed financially for Q4. However, interim repairs have been required during Q2, leading to an overspend year to date.

The year-end forecast assumes that the budget of £30k, Appendix A ref: 12, for repairs to Burlington Chine will be spent. However, the scope of works has still to be agreed.

## Cemeteries

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Expenditure	1,622	5,150	(3,528)	30,840	9,285
Income	(19,384)	(17,770)	(1,614)	(34,940)	(36,554)
<b>Net Expenditure</b>	(17,762)	(12,620)	(5,142)	(4,100)	(27,269)

Income is marginally over budget year to date.

As shown in Appendix A: ref 24, a budget of £18k has been allocated for repairs to a wall at Northbrook cemetery. However, it is now anticipated that due to delays in determining the scope of works that are required, that this project will now roll over to 2022/23 and the expenditure has not been assumed in the year end forecast. As such this now shows a forecast year end surplus of £27k against a £4k budget.

## Parks & Operations

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Employee Costs	220,435	236,510	(16,075)	502,270	465,000
Expenditure	108,035	103,653	4,382	230,985	224,013

Income	(60,236)	(49,893)	(10,343)	(94,415)	(104,758)
<b>Net Expenditure</b>	268,234	290,270	(22,036)	638,840	584,254

Virement: A virement of £20,700 from employee costs to depot hired services has been made. This is for the period July to January due to the inability to recruit to the post of Grounds & Estates Manager and the subsequent use of external contractors to provide management support. This will be reviewed in Q4 and a further virement may be required.

The income variance of £10k relates mainly to car parking income from the overflow on King George's Field and the hire of Sandpit Field, with several other insignificant variances.

In spite of the virement as noted above, there still remains a positive variance in employee costs of £16k at the end of the period. A budget was approved for two posts, a Grounds Maintenance Supervisor and a Buildings Supervisor. Subsequently these posts were merged to a Grounds and Estates Manager, which has resulted in one budgeted post being removed from the Council's staffing structure. Moving into the second half of the year and the year-end forecast, two grounds operative posts are vacant, in addition to one of the supervisor posts, and are not expected to be recruited until the latter stages of Q4.

Expenditure is over budget year to date by £4.4k. This primarily relates partly to Appendix A ref: BF5, expenditure of £8.3k for ground surveys at the Spa/Recreation Ground, £7.5k of which has been financed from an earmarked reserve, as this was brought forward from 2020/21. Additional expenditure relating to this is now anticipated, ref: AD4. Further overspends have been realised in equipment purchases year to date and training, however these are offset by underspends in areas such as highways vehicle hire.

In terms of the year-end forecast, expenditure, Appendix A refs: 9, 10 and 26, with a total budget of £22.5k, are now not expected to be undertaken during this financial year. However, these savings will be partially offset by additional repairing works Appendix A re: AD4, with the potential for other additions such as the relocation of the half-pipe in King George's skate park to enable a new half-pipe to be installed, which was initially approved for 2020/21. However, the date and cost of the works are yet to be confirmed.

### **Beach Gardens**

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Employee Costs	20,926	23,170	(2,244)	23,170	20,930
Expenditure	12,976	20,715	(7,737)	38,600	30,818
Income	(37,090)	(30,600)	(6,490)	(31,600)	(38,090)
<b>Net Expenditure</b>	<b>(3,186)</b>	<b>13,285</b>	<b>(16,471)</b>	<b>30,170</b>	<b>13,658</b>

This department has realised a positive variance of £16.4k at the end of the 1<sup>st</sup> quarter.

Income is £6.5k above budget, with £4.7k and £1.1k attributable to putting and casual tennis respectively.

The staffing budget is £2.2k under budget, partly due to a variance from budgeted pension contributions.

Expenditure is also lower than budget, albeit spread over many budget headings with the only significant variances being for cash collection and repairs and maintenance. The forecast for year-end, a deficit of £13.6k, includes £8k for repairs to the pavilion, the scope of which is currently under review, Appendix A ref:8.

### The Downs

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Expenditure	1,043	1,800	(757)	17,620	36,852
Income	(6,662)	(6,322)	(340)	(12,595)	(12,934)
<b>Net Expenditure</b>	<b>(5,619)</b>	<b>(4,522)</b>	<b>(1,097)</b>	5,025	23,918

There has been little activity in this area year to date, with small variances over several budget headings being seen.

The variance forecast for year-end relates to repairing works on Peveril Point Road brought forward from 2020/21, Appendix A: ref BF2. This expenditure will be financed from reserves. The year-end outturn also includes £10k for repairing works to the Peveril Point Fortification, Appendix A ref: 11, which may be delayed as this will be subject to a public consultation and potentially external funding.

### Beaches & Foreshore

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Employee Costs	40,403	30,090	10,313	38,450	50,325
Expenditure	86,258	59,410	26,848	65,850	92,625
Income	(36,443)	(44,815)	8,372	(52,345)	(43,973)
<b>Net Expenditure</b>	90,218	44,685	45,533	51,955	98,977

At the end of the 1<sup>st</sup> half of the financial year a negative variance of £45.5k has been seen in this department.

Employee costs are over budget due to the early recruitment of 3 Seafront Advisor posts, with the hours worked during the season above those that were budgeted. There was also the inclusion of an

additional post approved during the course of the year, subject to this post and the additional hours worked being funded from the Welcome Back fund, via Dorset Council. The additional post was initially approved for a waste operative, but the inability to appoint to this post resulted in the recruitment of an additional Seafront Advisor in lieu.

Expenditure is £26k over budget at the end of the 2<sup>nd</sup> quarter. The purchase of RNLI lockers, £1.9k, has been brought forward from 2020/21, and will be financed from an earmarked reserve, Appendix A: ref BF1. There is also a significant item of expenditure, Appendix A ref: AD2, repairs to the slipway at the Stone Quay following storm damage in February 2021, that have been undertaken during Q2 accounting for £33.5k. These overspends have been offset by an underspend in seaweed removal, £8k under budget.

Overall, a revised year-end outturn of a net deficit of £99k against a budget of £51.9k is being projected at the end of the quarter.

### **Beach Huts**

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Expenditure	15,278	19,805	(4,527)	38,520	33,743
Income	(111,796)	(53,700)	(58,096)	(61,200)	(132,274)
<b>Net Expenditure</b>	<b>(96,518)</b>	<b>(33,895)</b>	<b>(62,623)</b>	<b>(22,680)</b>	<b>(98,531)</b>

As reported in Q1, a cautious budget was set for this department due to assumptions surrounding Covid-19 restrictions having to be made. In addition, it was also expected that huts at the Spa site would not be available for hire during the 2021 summer season. However, the restrictions that were considered and the closure of the Spa site did not transpire as anticipated. As such, beach hut income is £58k over budget at the end of the 2<sup>nd</sup> quarter. A proportion of this, approximately £7.8k, may be attributed to the change in the VAT rate from 20% to 5% for the hospitality sector.

Expenditure is £4.5k under budget with only minor variances over several budget headings to report. Overall year-end projections have been revised to a surplus of £98.5k against a budgeted surplus of £22.6k.

### **Publicity & Tourism**

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Employee Costs	84,208	83,050	1,158	151,240	155,000
Expenditure	24,074	29,920	(5,846)	69,340	63,476
Income	(15,264)	(15,640)	376	(27,050)	(26,674)
<b>Net Expenditure</b>	<b>93,018</b>	<b>97,330</b>	<b>(4,312)</b>	<b>193,530</b>	<b>191,802</b>

At the end of the 2<sup>nd</sup> quarter a positive variance of £4.3k has been realised. Income is generally as per budget and employee costs are £1.1k under budget. The variance in employee costs due to increased hours worked and an extension of contract by 1 month is expected to be funded from the Visitor Demand fund.

Expenditure is also under budget, insignificant individually but cumulatively totalling £5.8k, with cash collection and stock purchases being the largest underspends.

The forecast for year-end is showing a deficit of £191k against a budgeted deficit of £193k.

### Allotments

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Expenditure	1,167	2,250	(1,083)	3,300	2,217
Income	(4,438)	(4,323)	(115)	(8,645)	(8,760)
<b>Net Expenditure</b>	<b>(3,271)</b>	<b>(2,073)</b>	<b>(1,198)</b>	<b>(5,345)</b>	<b>(6,543)</b>

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 £6.5k against a budgeted net surplus of £5.3k.

### General Buildings/Misc Areas (incl roads)

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Expenditure	11,951	10,500	1,451	12,000	13,451
Income	(34,253)	(34,250)	(3)	(75,755)	(75,758)
<b>Net Expenditure</b>	<b>(22,302)</b>	<b>(23,750)</b>	<b>1,448</b>	<b>(63,755)</b>	<b>(62,307)</b>

Year to date a £1.4k variance has been realised. This is due to the electrical works at the Station being carried over to 2021/22, Appendix A: ref BF3, but will be financed from a reserve.

### Central Services

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Employee Costs	112,511	120,885	(8,374)	241,770	233,000
Expenditure	71,396	65,865	5,531	135,080	149,011
Income	(5,971)	(7,625)	1,654	(15,900)	(14,246)
<b>Net Expenditure</b>	<b>177,936</b>	<b>179,125</b>	<b>(1,189)</b>	<b>360,950</b>	<b>367,765</b>



The variance in income is due to lower than anticipated room hire for weddings.

Employee costs show a variance of £8.3k, being costs relating to two vacant p/t receptionist posts.

Expenditure at the end of Q2 is over budget by £5.5k, which is the cumulative effect of both positive and negative variances over many budget headings. The most significant of which are a £6.8k overspend on repairs and maintenance, due to the increased cost of fire door replacement Appendix A ref: 7 refers, an overspend on personnel/recruitment costs due to the commissioning of a staffing review, an underspend on equipment purchases and training/employee expenses.

The forecast for year-end is currently a deficit of £367k against a budgeted deficit of £360k. This includes expenditure of £6k budget for an entry system to the Town Hall, Appendix A, ref: 7, however these works may be deferred, which should result in a smaller variance against budget.

### **Corporate Management & Democratic Services**

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Expenditure	19,181	32,278	(13,097)	103,305	101,208
Income	(500)	0	(500)	0	500
<b>Net Expenditure</b>	19,681	32,278	(12,597)	103,305	101,708

Expenditure is £13k under budget at the end of Q2. £5k relates to a budgeted contribution for bay enforcement, which is now to be funded directly from Dorset Council's Visitor Demand grant. £3k is for the community bus to Durlston Country Park. The need for this funding is not clear and it may be paid directly from the same fund, however, this is still under review. Other, smaller variances have been seen in the newsletter, civic expenses and environmental project budgets.

As shown in Appendix A: ref BF4, expenditure up to £11k has been brought forward from 2020/21 on the website, which is included in the year-end outturn figures. This will be funded from an earmarked reserve.

### **Employee Costs**

At the end of the 2<sup>nd</sup> quarter, employee costs of £505k were seen against a budget of £527k with a positive variance of £22k being realised. The budgets below include a virement of £20.7k which has been made from the staffing budget (Parks & Operations) to the Depot hired services budget, with £8.4k, £11.7k and £0.6k relating to Q2, Q3 and Q4 respectively. A further virement may be required to cover the hired service costs of interim management support, subject to recruitment.

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
Car Parks	19,441	22,995	(3,554)	44,560	30,100
Market	1,565	1,500	65	2,230	2,295
Boat Park	5,449	9,050	(3,601)	9,640	6,200
Parks & Operations	220,435	236,510	(16,075)	502,270	465,000
Beach Gardens	20,926	23,170	(2,244)	23,170	20,930
Beaches - Cleaner	16,827	18,840	(2,013)	25,150	24,700
Beaches - Warden	23,576	11,250	12,326	13,300	25,625
Tourism	84,208	83,050	1,158	151,240	155,000
Central Services	112,511	120,885	(8,374)	241,770	233,000
<b>Total</b>	<b>504,938</b>	<b>527,250</b>	<b>(22,312)</b>	<b>1,013,330</b>	<b>962,850</b>

The most significant positive variances have been realised in Parks & Operations and Central Services, due to vacant posts as detailed earlier in the report. The negative variances seen in the Seafrost Advisor and Visitor Services Assistant posts are expected to be funded from various grants. The year to date and forecast figures includes provision for a pay increase of 1.75%, which is the current offer from the employers, although this has yet to be agreed.

The forecast for year-end is also based upon several assumptions which may be revised in the next few months. Several vacancies are not anticipated to be recruited to until late in Q4, namely 2 x general operative posts and an enforcement officer post as well as the Grounds and Estates Manager post.

It is currently estimated that the employee costs overall will be £50k under budget at the end of the year. However, the Council is currently undertaking a review of administrative posts and is subject to change based upon the outcome of this review.

### Interest & Investment Income

	Q2			Annual	
	Actual	Budget	Variance	Budget	Projected Outturn Q2
	£	£	£	£	£
<b>Net Expenditure</b>	<b>(85,055)</b>	<b>(85,000)</b>	<b>(55)</b>	<b>(160,000)</b>	<b>(160,055)</b>

Investment interest for the quarter for some of the Council's strategic investments has been estimated, with actual outturn yet to be received. However, initial indications are that total returns are generally as per budget. Interest on short-term investments continues to remain stubbornly low.

The year-end outturn is based upon expending the Council's reserves on its capital programme as per budget. However, some projects may be deferred, and costs may increase, therefore variances are likely to occur by year-end.

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

### **Revenue Account - General Overview**

At the end of the 2<sup>nd</sup> quarter of the Council's financial year a positive variance of £266k has been realised against a budgeted surplus of £187k. The forecast for year-end is a surplus on the general fund of £173k.

Income is significantly over budget for car parking and beach huts for the 1<sup>st</sup> half of the financial year. These variable revenue streams receive the majority of income during the 1<sup>st</sup> half of the year and as such any further variations should be comparatively less impactful on the general fund than those variances already realised.

The 2<sup>nd</sup> half of the year is generally focussed on expenditure, which may be subject to further variances during the remainder of the financial year, with a £49k underspend seen in the 1<sup>st</sup> half of the year. A schedule of significant expenditure is provided in Appendix A, with £184k having been approved for this financial year and £44k set to be financed from reserves rather than the general fund. Presently £31.3k of this approved expenditure is not expected to be spent and a further £24k is anticipated to be carried forward to 2022/23. A further £46k has been brought forward as outstanding from 2020/21, with funds placed in a reserve at the end of 2020/21 to finance these works. A further £48.5k has been added to the schedule in year.

Presently, a surplus on the general fund of £173k is forecast for year-end, against a budgeted deficit of £168k, which is a very good position for the Council given the uncertainty over the last few years. However, there will inevitably be further variations during the course of the year, with unexpected expenditure likely and the possible deferment of expenditure to the next financial year. Also, there is currently £20k that may potentially be issued to the council in the form of grants from Dorset Council, from Covid recovery funds. However, these cannot be accounted for until received.

## Appendix A

### Significant One-Off Revenue Expenditure 2021/22

Ref:	Service Area	Project	Budget	Actual	Programmed	Status Update
	New projects for 2021/22					
1	Parade Railings	Repairs	5,000	-	July	Completed-provision made pending invoice
2	Fishermen's Huts	Tanking	7,000	-	October	Project cancelled-2.5k eastern jetty inspection boat park
3	Depot	Equipment (mower box)	7,200	-	Q4	
4	Town Hall	Entry System	6,000	-	November	To be reviewed
5	Parks & Open Spaces	Trees - purchase	5,000	-	January	
6	Various	Signage, incl CCTV, Water	8,000	727	v	
7	Town Hall	Door replacement	5,000	13,811	June/July	Reported to Council 26 <sup>th</sup> July 2021 Minute 39
8	Beach Gardens	Pavilion Repairs	8,000	-	Q4	
9	Parks & Open Spaces	Cycle Racks	2,500	-	July	To be paid directly by Dorset Council-Welcome Back
10	Recreation Ground	Drainage	5,000	-	October	Works not required
11	Downs	Peveril fortification repairs	10,000	-	Q4	Subject to public consultation
12	Public Conveniences	Burlington Chine drain repairs	30,000	-	Q4	Pending Council decision
13	Days Park	Fence Repairs	5,000	595	Sept/October	Works carried out in-house
14	Miscellaneous Areas (Roads)	SIDS	4,000	2,495	June	SIDS paid, posts outstanding
15	Car Parks	EV Charger	4,000	-	February	
16	Car Parks	Visual Message Signs	2,000	-	July/August	No costs to be incurred
17	Boat Park	Anchor Bolts	2,000	-	March	
18	Downs (EWG)	Noticeboards	4,000	-	February	
19	Environmental	Energy Efficiency Improvements	10,000	-	January	To be reviewed in November
20	Environmental	Campaigns (incl Beach Buddies)	3,000	130	v	
22	Parks & Open Spaces	Bins	4,000	270	v	
23	Public Conveniences	Survey Fees	3,000	-	October	Dorset Property Services instructed
24	Cemeteries	Northbrook cemetery - Wall repairs	18,000	-	October	Likely to be carried forward to 2022/23
25	St Marks Playing Fields	Repairs	7,500	5,980	October	Programmed works complete
26	Spa/Recreation Ground	Electrical Boxes - Maintenance	15,000	-	November	Works not being carried out
27	Boat Park	Old Jetty repairs	4,350	-	April	Carried out in 2020/21
			184,550	24,008		

## Appendix A

Projects brought forward from 2020/21 to be financed from Earmarked Reserve						
BF1	Beaches	Lifeguard Lockers	1,750	1,960	August	Works completed
BF2	Peveril Point	Road repairs, signage and line markings	20,000	-	Q4	
BF3	Station	Landlord's Electrical Safety Certificate	6,000	2,900		Works completed
BF4	DRM	Website	11,000	-	Q4	
BF5	Spa	Ground Surveys	7,200	8,350	Ongoing	Additional monitoring required – AD4
			<b>45,950</b>	<b>13,210</b>		
Additional projects for 2021/22						
AD1	Rec/Chadwick play area	Noticeboard	2,747	2,747	April	Completed-no budget implications
AD2	Stone Quay Slipway	Repairs-Void In-fill	35,000	33,543	September	Approved Minute 43, 26 <sup>th</sup> July 2021
AD3	Boat Park	Jetty survey	3,000	2,350	August	Completed-budget from ref: 2-No budget implications
AD4	Spa	Grounds survey	7,850	-	Ongoing	
			<b>48,597</b>	<b>38,640</b>		



## Treasury Management Outturn Report H1 2021/22

### Introduction

The Authority's treasury management strategy for 2021/22 was approved on 18<sup>th</sup> January 2021. 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:** The economic recovery from coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.

Government initiatives continued to support the economy over the quarter but came to an end on 30<sup>th</sup> September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.

Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The Bank of England now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The Office of National Statistics' (ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0% year/year, marginally higher than expectations for 2.7%.

The easing of restrictions boosted activity in the second quarter of calendar year, helping push GDP up by 5.5% q/q (final estimate vs 4.8% q/q initial estimate). Household consumption was the largest contributor. Within the sector breakdown, production contributed 1.0% q/q, construction 3.8% q/q and services 6.5% q/q, taking all of these close to their pre-pandemic levels.

The US economy grew by 6.3% in Q1 2021 (Jan-Mar) and then by an even stronger 6.6% in Q2 as the recovery continued. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period but in its most recent meeting made suggestion that monetary policy may start to be tightened soon.

The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

**Financial markets:** Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, than was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instances, led to higher prices.

The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30<sup>th</sup> September. Over the same period the 10-year gilt yield fell from 0.80% to 0.71% before rising to 1.03% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.37%.

The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter.

**Credit review:** Credit default swap spreads were flat over most of the period and are broadly in line with their pre-pandemic levels. In late September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but are now falling back. The gap in spreads between UK ringfenced and non-ringfenced entities continued to narrow, but Santander UK remained an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 53bps and Lloyds Banks Plc the lowest at 32bps. The other ringfenced banks were trading between 37-39bps and Nationwide Building Society was 39bps.

Over the period Fitch and Moody's upwardly revised to stable the outlook on a number of UK banks and building societies on our counterparty list, recognising their improved capital positions compared to last year and better economic growth prospects in the UK.

Fitch also revised the outlooks for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable from negative. The rating agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.

At the end of the period Arlingclose had completed its full review of its credit advice on unsecured deposits. The outcome of this review included the addition of NatWest Markets plc to the counterparty list together with the removal of the suspension of Handelsbanken plc. In addition, the maximum duration for all recommended counterparties was extended to 100 days.

As ever, the institutions and durations on the Authority's counterparty list recommended by treasury management advisors Arlingclose remain under constant review.

#### **Local Context**

On 31<sup>st</sup> March 2021, the Authority had net investments of £6.2m with usable reserves and working capital being the underlying resources available for investment.

#### **Borrowing Strategy during the period**

At 30<sup>th</sup> September 2021 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 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 30<sup>th</sup> September 2021 is shown in Table 1 below.

Table 1: Treasury Investment Position

<b>Investment Portfolio</b>	<b>31.03.21 Balance £</b>	<b>Net Movement £</b>	<b>30.09.21 Balance £</b>
Banks and building societies (unsecured)	512,973	1,113,085	1,626,058
Money Market Funds	750,000	0	750,000
UK Govt	450,000	(450,000)	0
<b>Total Internal Investments</b>	<b>1,712,973</b>	<b>663,085</b>	<b>2,376,058</b>
Investments in Pooled Funds:			
Property	3,045,533	212,391	3,257,924
Bonds	965,700	(26,986)	938,714
Multi-Asset	503,174	(394)	502,780
<b>Total External Funds-Market Value</b>	<b>4,514,407</b>	<b>185,011</b>	<b>4,699,418</b>
<b>TOTAL INVESTMENTS</b>	<b>6,227,380</b>	<b>848,096</b>	<b>7,075,476</b>



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.

Ultra-low short-dated cash rates which have been a feature since March 2020 when Bank Rate was cut to 0.1% have resulted in the return on sterling low volatility net asset value money market funds (LVNAV MMFs) being close to zero even after some managers have temporarily waived or lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee cuts or waivers should result in MMF net yields having a floor of zero, but the possibility cannot be ruled out.

Deposit rates with the Debt Management Account Deposit Facility (DMADF) are also largely around zero.

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 %
31.03.2021	4.76	A+	77%	15	0.02%
30.09.2021	5.03	A+	100%	1	0.01%
Similar LAs	4.67	A+	51%	78	0.11%
All LAs	4.69	A+	69%	10	0.08%

**Externally Managed Pooled Funds:**

£4.7m 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.

The improved market sentiment in the past 6 months is reflected in property and multi-asset fund valuations and, in turn, in the capital values of the Authority’s property and multi-asset income funds in the Authority’s portfolio. The prospect of higher inflation and rising bond yields resulted in muted bond fund performance, as can be seen in the valuations given in Table 1, although income has remained steady.

A detailed breakdown of the 12-month performance of the Authority’s strategic investments is shown in Appendix A. In the 1-year period to 30<sup>th</sup> September 2021, these funds generated a total return of £510k (11.67%), comprising a £183k (4.2%) income return which is used to support services in year, and £326k (7.47%) of unrealised capital gain. The capital gain is somewhat of a correction

following the economic shock and unrealised losses seen last year. The total unrealised capital gain from purchase to 30<sup>th</sup> September 2021 is £0.67m.

Because the Authority’s externally managed 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 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 2020/21**

Estimated income from treasury investments was set at £160,000 for the 2021/22 financial year. This was based upon an assumed average 3.2% annualised income return. Table 3 below shows the income and budget to 30<sup>th</sup> September 2021. This shows that income is as per budget year to date.

Table 3: Income-Actual v Budget 30 September 2021

	Actual £k	Budget £k	Under/Over £k
Treasury Investment Income	85	85	0

**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.

	30.9.21 Actual	2021/22 Target	Complied?
Portfolio average credit rating	A+	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.

	30.9.21 Actual	2021/22 Target	Complied?
Total cash available within 3 months	£2.3m	£1m	Yes

## Arlingclose's Outlook for the remainder of 2021/22

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
<b>Official Bank Rate</b>													
<b>Upside risk</b>	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<b>Arlingclose Central Case</b>	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Downside risk</b>	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

Arlingclose expects Bank Rate to rise in Q2 2022. We believe this is driven as much by the Bank of England's desire to move from emergency levels as by fears of inflationary pressure.

Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.

The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.

While Q2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.

Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.

The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increase in wages is possible given the pressures on businesses.

Government bond yields increased sharply following the September FOMC and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.

The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

# Appendix A

## STRATEGIC POOLED FUND PORTFOLIO

SWANAGE

From: 30/09/2020

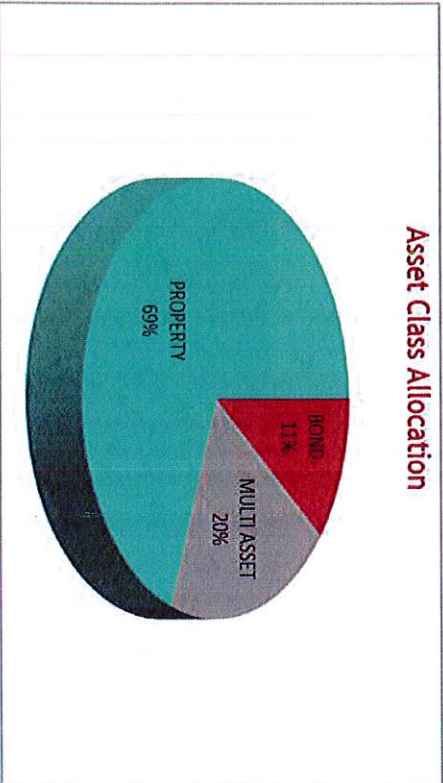
To: 30/09/2021

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 - LAUIT PROPERTY FUND	PROPERTY	1,053,526	3,257,924	318,165	131,026	1.0	10.82%	4.46%	15.28%	3.9%
M&G STRATEGIC CORPORATE BOND FUND	BOND	44,259	502,780	4,537	12,958	1.0	0.91%	2.60%	3.51%	3.0%
NINETY ONE (INVESTEC) DIVERSIFIED INCOME FUND	MULTI ASSET	940,645	938,714	4,056	39,628	1.0	0.43%	4.24%	4.67%	2.8%
<b>GRAND TOTAL</b>			<b>4,699,418</b>	<b>326,757</b>	<b>183,612</b>	<b>1.0</b>	<b>7.47%</b>	<b>4.20%</b>	<b>11.67%</b>	<b>2.7%</b>

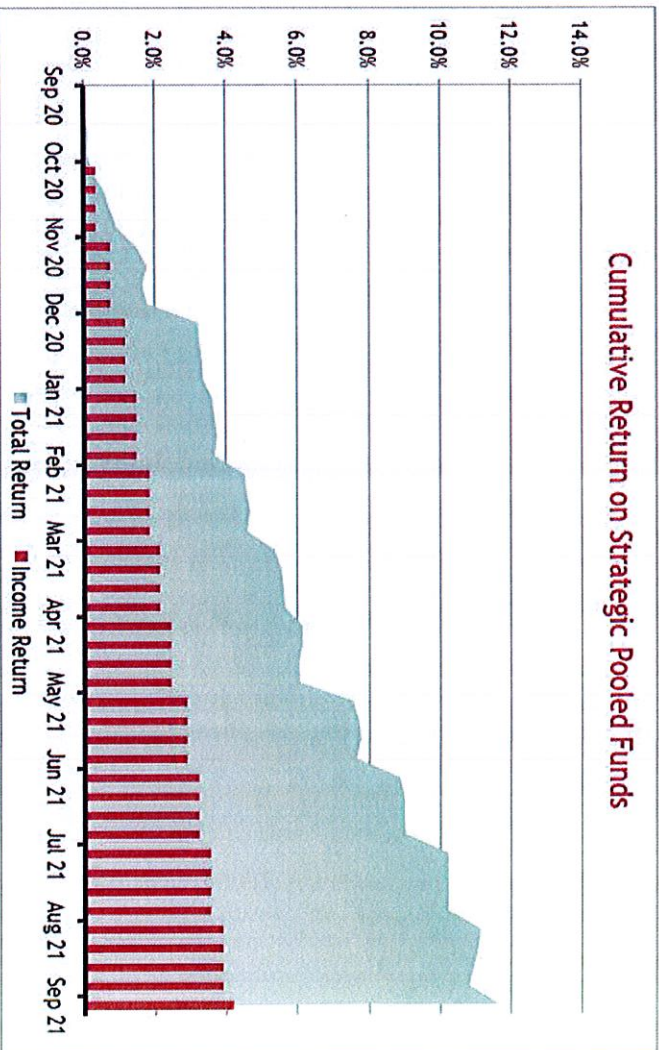
Unrealised capital gain since purchase: 696,917

Annualised income return: 4.20%

### Asset Class Allocation



### Cumulative Return on Strategic Pooled Funds



**Capital Programme – Monitoring Report 2021/22**

Project Ref:	Project	2021/22 Budget	Forecast Outturn for the year	Actual Expenditure Year to Date	Status
		£	£	£	
<b>Approved Projects-2021/22 Estimates</b>					
1	<b>Play Areas/Skate Park</b> King Georges Play Area	90,000	90,000	0	Ongoing
2	<b>Cemetery</b> Godlingston Extension	200,000	256,148	123,771	Ongoing
3	<b>Station Approach</b> Infrastructure Improvements	10,000	10,000	0	Ongoing
4	<b>Roads</b>				
a	Panorama Rd/Quarry Close - Upgrade/Improvement	50,000	50,000	0	Ongoing
b	Cow Lane - Upgrade/Enhancement	15,000	15,000	0	Ongoing
5	<b>Downs</b> Peveril Point Stabilisation Scheme	75,000	75,000	0	Ongoing
6	<b>Seafront Coastal Defence Projects (incorporating)</b> Stone Quay - Reconstruction and Bonding	80,000	80,000	0	Ongoing
7	<b>Depot</b> Mezzanine Decking & Extractor Fan installation	22,000	0	0	Not Active
8	<b>Spa</b> Stabilisation & Regeneration	300,000	30,000	0	Ongoing
9	<b>Environmental</b> Sustainable energy	18,000	18,000	0	Ongoing
10	<b>Beach Gardens</b> Tennis Court Resurfacing	24,000	29,000	0	Ongoing
11	<b>Parks</b> Days Park- Footpath Lighting Installation	18,000	60,000	0	Ongoing
12	<b>Festive Lighting</b> Seafront Catenary Wire & Lights Replacement	15,000	16,648	16,648	Completed
	<b>Subtotal</b>	<b>917,000</b>	<b>729,796</b>	<b>140,419</b>	
<b>Projects brought forward from 2020/21</b>					
BF1	<b>Capital Grants</b> Swanage & Purbeck Development Trust - Football Club redevelopment		130,000	0	Ongoing
BF2	<b>Play Areas</b> Recreation Ground		9,800	9,800	Completed
	<b>Expenditure B fwd Subtotal</b>		<b>139,800</b>	<b>9,800</b>	
<b>Approved Additional Projects</b>					
AD1	<b>Capital Grants</b> Swanage & Purbeck Development Trust - Football Club Floodlights		66,300	0	Ongoing
	<b>Additional project expenditure Subtotal</b>		<b>66,300</b>	<b>0</b>	
	<b>Total Capital Expenditure</b>	<b>917,000</b>	<b>935,896</b>	<b>150,219</b>	

## **Project Updates:**

### **1: Play Areas: King Georges Equipment Replacement**

Progression of this project to the tendering phase via a framework agreement is expected in Q3 of the financial year, with the expectation that the project will commence in January/February, for completion in March 2022. **Ongoing. Financing- Earmarked reserves (ER).**

### **2: Cemetery-Extension**

In June 2020, TGMS were initially appointed as consultants for this project and the contract was extended in January 2021 to include project management, stage 4.

During March/April 2021, TGMS carried out a tender exercise on behalf of the Council and evaluated all submissions. At the Extraordinary Meeting of the Council held on 5<sup>th</sup> May 2021, Council considered the recommendations made by TGMS and consequently awarded the contract for the extension of Godlingston Cemetery to Suttle Projects Ltd for a sum of £246,118, Minute 193. Works are progressing well, and it is anticipated that the works will now be completed in October 2021. **Ongoing. Financing-Usable Capital Receipts Reserve (UCRR).**

### **3: Station Approach-Infrastructure**

Following protracted discussions with the Co-operative and Dorset Council, and a review by the Capital Projects Sub-Committee, it was agreed that the preferred route to take this project forward was to engage the services of a suitably qualified professional, so that an options appraisal could be developed. Updates will be taken to the Sub-Committee during the year. **Ongoing. Financing -UCRR.**

### **4: Roads**

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

Initial discussions took place with Dorset Council during 2020/21. Core samples have been undertaken on Panorama Road and a report from the project Engineer at Dorset Highways is pending. Progress is reported on an ongoing basis to the Capital Projects Sub Committee **Ongoing. Financing -UCRR**

#### **b) Cow Lane-Upgrade/Enhancement**

Following the extraction of core samples, a report from the Project Engineer at Dorset Highways is pending. **Ongoing. Financing-UCRR**

The Council has been notified that Cow Lane and part of Panorama Road may be adopted by Dorset Council and the Council will therefore proceed with a section 38 notice.

### **5: Downs-Peveril Point Stabilisation Scheme**

This project was included on the list of priority projects to be taken forward by Dorset Property in 2020/21. An initial survey was carried out and Dorset Property requested that trial bore holes be carried out along the road. Discussions on how to move the project forward following the initial report are ongoing. **Ongoing. Financing -UCRR**

### **6: Seafront Coastal Defence Projects: Stone Quay Reconstruction & Bonding**

The scope of the project for the Stone Quay needs to be determined as part of a wider coastal defence project. However, it was reported to the Capital Projects Sub-Committee on 28<sup>th</sup> April 2021 that

interim repairs to fill voids in the slipway have been carried out, see Budget Report Q2. **Ongoing. Financing -UCRR**

#### **7: Depot-Mezzanine Decking & Extractor Fan Installation**

This project is now on hold and will most probably be carried forward to 2022/23. **Not Active. Financing -UCRR.**

#### **8. Spa-Stabilisation and Regeneration**

This project is still in the investigatory phase, with a ground stability report having been received and monitoring ongoing to assess the feasibility of any project. It is anticipated that a tender will be undertaken for the design stage in due course. A budget of £300,000 has been provided for works in 2021/22, with £950,000 having been allocated for the next three financial years. However, the estimated costs and staging of payments is under review and it is anticipated that project management costs only will be incurred in the current financial year. **Ongoing. Financing -ER.**

#### **9: Environmental- Sustainable Energy**

An energy audit was undertaken in March 2021 and a report was considered by the Environmental Working Group on 19<sup>th</sup> May 2021. A single large-scale installation across all sites was suggested, compared to the smaller roll out of the technology which had been allowed for in the capital programme. This matter will be considered further by the Environmental Working Group in Q3. **Ongoing. Financing -UCRR**

#### **10: Beach Gardens: Tennis Court 3 Resurfacing**

Council agreed a budget of £24,000 for this project when approving its capital programme for the 2021/22 financial year in January 2021. The Council committed to financing £6,000 of this project from the Usable Capital Receipts Reserve (UCRR), subject to £18,000 being financed from third parties, including the Tennis Club.

At its meeting held on 26<sup>th</sup> April 2021, Council considered a briefing note which outlined the scope of works required, including future improvements. Members were asked to confirm the project and the Council's contribution of £6,000, and also to consider funding this from the Community Infrastructure Levy (CIL) reserve. In addition to the approved contribution Members were also asked to approve an additional contribution of £5,000 to finance project management costs.

Minute 180, Council confirmed its commitment to funding £6,000 for the works, and approved the additional contribution for £5,000, with a total of £11,000 to be met from the Council. A specification was drawn up and the survey is currently being considered. **Ongoing. Financing STC-tbc/Third Party Contributions.**

#### **11. Parks-Days Park Footpath & Lighting Installation**

An initial budget of £18,000 was approved for the installation of footpath lighting at Day's Park, to be financed from the CIL reserve.

At the time of setting the budget for 2021/22, the installation of lighting and pathway extension/upgrade was considered to be a two-phase project, with the costings of phase one included in the

2021/22 estimates. However, both phases, the installation of lighting and the extension/upgrade to the pathway have now been programmed for 2021/22, as it is anticipated that both phases will now be done at the same time.

At the meeting held on 26<sup>th</sup> April 2021, Minute 171, Council approved the recommendation made by the Capital Projects Sub-Committee on 24<sup>th</sup> February 2021 and subsequently the General Operations Committee on 31<sup>st</sup> March 2021 to undertake the upgrade to pathways at Day's Park, with a budget up to £60,000, to be financed from the CIL reserve. Dorset Property Services have been instructed to agree a specification of works to take forward to tender, and it was reported to the Committee on 22<sup>nd</sup> September 2021 that the works may be delayed to the next financial year. **Ongoing. Financing - CIL Reserve**

## **12. Festive Lighting-Seafront Catenary Wire & Lights Replacement**

A budget of £15,000 was initially approved for this project. Following a recommendation made by the Capital Projects Sub-Committee held on 24<sup>th</sup> February, Minute 4c), and further to a report submitted by the Operations Manager, it was approved by Council on 15<sup>th</sup> March 2021 to increase the allocated budget and award the contract for the supply of the lights to the Festive Lights Co. for £7,298 and to award the contract for installation works to WGS Power & Lighting for £9,350. **Completed. Financing -UCRR.**

### **BF1: Capital Grants – Football Club - Swanage & Purbeck Development Trust**

The football club redevelopment at Days Parks is being managed by the Swanage & Purbeck Development Trust. A grant of £20,000 was allocated for the 2020/21 financial year, however this was not drawn down., with a further £220,000 being programmed for the 2022/23 financial year. At its meeting held 16<sup>th</sup> June 2021, the Sports, Leisure and Wellbeing Working Group considered an application made by the Swanage & Purbeck Development Trust for a contribution towards professional fees for the redevelopment of Day's Park. It was estimate that the fees would be in the region of £260k. At its meeting held 26<sup>th</sup> July 2021, Council gave further consideration to the application for a grant and it was agreed, Minute 34 (b) that the Council would pledge to make a grant for 50% of the professional fees required to take the project forward to planning (up to a maximum of £130k), subject to match funding being obtained. **Ongoing. Financing – UCRR/tbc.**

### **BF2: Play Areas-Recreation Ground (Chadwick Play Area)**

Following the installation of the play equipment in December 2020 at the Recreation Ground play area, it was reported that further works would be required to eradicate pooling of water. This was reported to the Capital Projects Sub-Committee at the meeting held 24<sup>th</sup> February 2021. The Sub-Committee recommended that an additional budget of £10,000 be allocated to install drainage and wetpour surfacing to complete the project. The recommendation was approved by Council at the meeting held 15<sup>th</sup> March 2021, Minute 162 (a).

This project subsequently rolled over into the 2021/22 financial year. **Completed. Financing -ER**

### **AD1: Capital Grants – Swanage & Purbeck Development Trust: Football Club Floodlights**

Following an application made by the Swanage & Purbeck Development Trust on behalf Swanage & Herston Football Club, Council approved a grant of £66,300 to finance the installation of new lighting



columns and floodlights, Minute 34 (a) of the Council meeting held 26<sup>th</sup> July 2021. **Ongoing. Financing  
STC-CIL.**

Alison Spencer - Finance Manager

Martin Ayres-Town Clerk

October 2021

## Agenda Item 5 d)

### Reserves & Balances

A summary of the reserves and balances held at 30<sup>th</sup> September 2021 is given below:

	Balance 01/04/2021 £	Movement in Year £	Balance 30/09/2021 £	*Estimate 31/03/2022 £	Current Forecast 31/03/2022 £
<b>General Fund</b>	818,092	453,403	1,287,495	546,500	934,830
<b>Earmarked Reserves</b>	2,191,043	7,782	2,198,825	1,763,961	1,981,833
<b>UCRR</b>	2,498,786	(140,419)	2,358,367	1,986,495	1,836,990
<b>Total</b>	<b>5,507,921</b>	<b>320,766</b>	<b>5,828,687</b>	<b>4,296,956</b>	<b>4,753,653</b>

\*Estimate 31/03/2022 are the values that were expected at the end of this financial year when the budget was set in January 2021.

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

### Earmarked Reserves

A breakdown of the earmarked reserves and movements to 30<sup>th</sup> September 2021, with the preliminary forecast year-end balances also given.

	Actual 01/04/2021 £	Transfer to/(from) reserve £	Balance 30/09/2021 £	Forecast 31/03/2022 £
Vehicle & Plant Replacement	0	0	0	10,000
King Georges Play Area & Skate Park	93,017	0	93,017	3,017
Play Equipment-General Areas	11,206	(9,800)	1,406	11,406
Car Park Machines	26,748	0	26,748	34,248
Tennis Courts Refurbishment	4,967	0	4,967	7,967
Seafront Enhancement Scheme	1,134,557	0	1,134,557	1,104,557
Community Sea Defence Project	450,000	0	450,000	450,000
Public Conveniences	50,000	0	50,000	70,000
Beach Huts Reserve	55,000	0	55,000	65,000
Football Club Facilities	6,958	0	6,958	6,958
De Moulham Back Roads	27,815	0	27,815	29,815
Insurance & Contingency Reserve	40,000	0	40,000	40,000
Community Infrastructure Levy	191,161	36,772	227,933	112,701
IT Equipment Reserves	13,164	0	13,164	18,164
C fwd Unspent committed expenditure	86,450	(19,190)	67,260	18,000
<b>Total</b>	<b>2,191,043</b>	<b>7,782</b>	<b>2,198,825</b>	<b>1,981,833</b>

- £9,800 has been spent on playgrounds, project ref: BF2 of the Capital Programme monitoring report.
- £19,190 has been transferred to the general fund balance to finance expenditure that was initially programmed for the prior financial year.
- £36,772 has been transferred to the CIL reserve.

**Usable Capital Receipts Reserve (UCRR)**

£140,419 has been utilised to finance two capital projects, ref: 2 & 12 of Capital Programme monitoring report.

**Unrealised Capital Gains/(Losses)**

The council currently has an unrealised capital gain of £697k. This capital gain cannot be accounted for until realised, however, it does represent funds that may be made available to the Council.

	Balance 01/04/2021 £	Movement in Year £	Balance 30/09/2021 £
<b>Unrealised Capital Gains/(Losses)</b>	514,407	185,011	696,971