Agenda Item 3 a)

Budget Monitoring Report - Income & Expenditure Account
Quarter ending 30th September 2026

Summary

At the end of the 2nd quarter the Council's revenue account is showing a positive variance of £91.7k against budget.

Service	Q2			Annual	
	Net Expenditure	Budgeted Net Expenditure	Variance Year to Date	Budgeted Net Expenditure	Forecast Out-turn
Car Parks	(660,818)	(624,793)	(36,025)	(689,895)	(725,667)
Management Account - Co-operative Car Park	(12,508)	(12,250)	(258)	(24,500)	(24,758)
Boat Park	(44,992)	(41,661)	(3,331)	(39,730)	(42,984)
Public Conveniences	96,065	92,205	3,860	176,975	180,835
Burlington Chine Beach Chalets Mgt A/c	0	0	0	(155)	(155)
Cemeteries	(16,145)	(9,923)	(6,222)	(20,745)	(26,967)
Parks and Operations	350,015	350,631	(616)	773,600	733,747
King George's Field Trust-Management A/c	(11,500)	(22,250)	10,750	(15,000)	(3,957)
CCTV System & Control Centre	1,545	2,000	(455)	4,500	4,045
Beach Gardens	(20,798)	(27,071)	6,273	(12,490)	(5,511)
The Downs/Other Grounds and Gardens	(18,988)	(7,732)	(11,256)	(8,275)	(19,531)
Beaches and Foreshore	82,506	82,693	(187)	103,685	112,932
Beach Bungalows	(153,059)	(151,414)	(1,645)	(130,580)	(134,514)
Publicity & Information Centre	132,511	141,139	(8,628)	288,565	275,308
Allotments	(1,174)	(975)	(199)	(2,575)	(2,774)
General Buildings	(13,489)	(30,378)	16,889	(51,655)	50,633
Central Services & Corporate Management	284,351	313,897	(29,546)	594,580	549,300
Members & Civic Costs	4,186	4,230	(44)	20,650	20,606
Grants/Donations/Third Party Contributions	26,263	32,125	(5,862)	85,890	75,140
Net Cost of Services	23,971	90,473	(66,502)	1,052,845	1,015,728
Non-Service Expenditure					
Community Infrastructure Levy	(13,445)	0	(13,445)	0	(13,445)
Precept on Dorset Council	(1,159,000)	(1,159,000)	0	(1,159,000)	(1,159,000)
Interest and investment income	(146,765)	(110,000)	(36,765)	(220,000)	(280,000)
Net Operating expenditure	(1,295,239)	(1,178,527)	(116,712)	(326,155)	(436,717)
Other Movements on the General Fund					
Appropriation to Reserves	24,945	0	24,945	179,670	292,775
Appropriation from Reserves	0	0	0	0	0
Financing Capital Expenditure	67,691	67,691	0	140,000	140,000
(Surplus)/Deficit for the Period	(1,202,603)	(1,110,836)	(91,767)	(6,485)	(3,942)

Car Parks

Car parking realised a net surplus of £660.8k for the period against a budgeted surplus of £624.8k, a negative variance of £36k.

	Q2			Annual	
	Actual	**Budget**	**Variance**	**Budget**	**Forecast Outturn - Q1**
	£	**£**	**£**	**£**	**£**
Employee Costs	31,348	31,890	(542)	60,480	60,190
Expenditure	123,591	120,467	3,124	197,900	201,025
Income	(815,757)	(777,150)	(38,607)	(948,275)	(986,882)
Net Expenditure	(660,818)	(624,793)	(36,025)	(689,895)	(725,667)

As shown in the summary above, income is £38.6k above budget overall at the end of the 1st half of the year, with car park income variances of +£14.9k, Main Beach and +£8.3k Broad Road. +£11.1k relates to EVCP electricity, pending revised provision, with an expenditure offset. ECN income is £4.8k above budget.

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**
2024/25								
April	5,493	£21,998	227	£757	6,024	£22,305	11,744	£45,059
May	8,987	£38,488	752	£2,824	8,375	£34,543	18,114	£75,854
June	9,103	£40,949	881	£3,420	8,698	£35,520	18,682	£79,889
July	10,613	£54,912	1513	£6,294	9,746	£45,559	21,872	£106,766
August	15,101	£79,178	2605	£10,674	14,022	£66,950	31,728	£156,803
September	7,427	£32,655	550	£1,936	7,160	£29,730	15,137	£64,321
H1 Total	**56,724**	**£268,180**	**6,528**	**£25,905**	**54,025**	**£234,607**	**117,277**	**£528,692**
2025/26								
April	7,737	£36,341	399	£1,486	7,419	£32,180	15,555	£70,007
May	9,398	£46,548	751	£2,816	8,396	£37,810	18,545	£87,173
June	9,172	£45,559	919	£3,483	7,798	£35,037	17,889	£84,078
July	12,090	£62,849	2046	£8,452	10,222	£47,805	24,358	£119,107
August	14,966	£78,646	2701	£11,170	13,808	£64,449	31,475	£154,265
September	7,083	£34,789	504	£1,815	6,564	£29,158	14,151	£65,763
H1 Total	**60,446**	**£304,732**	**7,320**	**£29,223**	**54,207**	**£246,439**	**121,973**	**£580,393**
2026/27								
April	7,168	£36,306	335	£1,541	6,525	£30,385	14,028	£68,233
May	9,206	£51,830	1071	£6,418	8,481	£42,770	18,758	£101,018
June	7,973	£44,134	717	£4,021	7,623	£36,815	16,313	£84,970
July	13,033	£76,577	2194	£12,770	11,179	£57,964	26,406	£147,311

August	15,428	£89,136	2136	£12,777	14,023	£71,572	31,587	£173,485
September	7,605	£42,587	470	£2,388	7,539	£37,764	15,614	£82,738
H1 Total	**60,413**	**£340,570**	**6,923**	**£39,915**	**55,370**	**£277,271**	**122,706**	**£657,755**

Table 1, above, compares long-stay car park usage and revenue for the first half of 2026/27 with the same periods in the preceding two financial years. Compared with 2025/26, visitor numbers were broadly unchanged, while revenue increased by 13%. Compared with 2024/25, visitor numbers increased by 4.6% and revenue increased by 24%. These results demonstrate the effect of the changes made to long-stay tariffs and the tariff structure in 2026.

Following on from the Q1 report, the purchase distribution % of tickets has been given in table2 below.

Table 2: % distribution of standard tariff purchases – Apr – Sept

	Tariff						
Period	**1 Hour**	**2 hours**	**3 hours**	**4 hours**	**5/6 hours**	**13 hours**	**3 & 7 day**
H1 25/26	15.00%	34.00%	0.00%	27.50%	16.00%	7.00%	0.50%
H1 26/27	16.00%	26.00%	23.50%	15.00%	8.00%	11.00%	0.50%
YOY Movement	**1.00%**	**-8.00%**	**23.50%**	**-12.50%**	**-8.00%**	**4.00%**	**0.00%**
Estimate	16.00%	26.00%	16.00%	21.00%	15.00%	5.50%	0.50%

There has continued to be a greater number of 3 hour parking sessions and fewer 4 hour tickets purchased than the figures used for budget setting. A higher uptake has also been seen in the 13 hour tariff with the 5 hour ticket lower than prior year (revised to 5 hours from a 6 hour tariff in 25/26).

Employee costs and expenditure are generally in line with budget overall. There are some variances, such as electricity and repairs and maintenance costs with variances of +£6 and -£5.2k respectively.

Projecting forward to year-end, a surplus of £725k is anticipated against a budgeted surplus of £689k.

Boat Park & Fishers' Huts

	Q2			Annual	
	Actual	**Budget**	**Variance**	**Budget**	**Forecast Outturn - Q2**
	£	**£**	**£**	**£**	**£**
Employee Costs	17,943	18,090	(147)	19,940	19,870
Expenditure	9,890	12,089	(2,199)	20,010	17,811
Income	(72,825)	(71,840)	(985)	(79,680)	(80,665)
Net Expenditure	(44,992)	(41,661)	(3,331)	(39,730)	(42,984)

Income and expenditure for the boat park have largely been as per budget for the 2nd quarter, with only small variances across multiple budget lines.

The year-end forecast shows an outturn of a surplus of £43k against a budgeted surplus of £39.7k.

Public Conveniences

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn - Q2
	£	£	£	£	£
Expenditure	100,121	95,480	4,641	183,400	188,041
Income	(4,056)	(3,275)	(781)	(6,425)	(7,206)
Net Expenditure	96,065	92,205	3,860	176,975	180,835

Expenditure is £4.6k over budget year to date and this mainly relates to an underspend in the repairs and maintenance budget being offset by an overspend in utilities.

As reported in Q1, it is proving challenging to monitor actual water consumption against invoiced usage in a timely manner, with numerous invoices and credit notes being applied each month.

Cemeteries

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	7,370	7,767	(397)	14,195	13,798
Income	(23,515)	(17,690)	(5,825)	(34,940)	(40,765)
Net Expenditure	(16,145)	(9,923)	(6,222)	(20,745)	(26,967)

Small variances have been seen in in some expenditure lines, but there are no significant variances to report.

Income is £5.8k above budget year to date, but as ever this is a demand driven revenue source and variances, both positive and negative are usual.

Parks & Operations

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	290,392	289,110	1,282	595,180	594,500
Expenditure	146,552	139,721	6,831	311,470	280,140
Income	(86,928)	(78,200)	(8,728)	(133,050)	(140,893)
Net Expenditure	350,015	350,631	(616)	773,600	733,747

At the end of the 1st half of the year, the Parks & Operations department net expenditure is £0.6k under budget.

Income is £8.7k over budget, and is primarily due to a £3k contribution from Barratts for the installation of a new pathway, and settlement of the Vodafone lease renewal.

Overall expenditure is £6.8k above budget at the end of the period. The significant variances were reported in Q1, being expenditure on catenary for the festive lights and emergency repairs to a tractor.

A budget of £60,000 was allowed for expenditure on the sports hall at Day's park. However, a grant of £21,840 has been approved for the Football Club in lieu of direct payment for repair works. A vire of £21,840 has been transacted to the grants budget. The balance of £38,160 will be transferred to an EMR pending agreement on the expenditure.

A small variance in employee costs has been realised.

Beach Gardens

	Q2			Annual	
	Actual	**Budget**	**Variance**	**Budget**	**Forecast Outturn – Q2**
	£	**£**	**£**	**£**	**£**
Employee Costs	28,917	28,410	507	35,730	36,860
Expenditure	29,414	29,544	(130)	45,240	45,110
Income	(79,129)	(85,025)	5,896	(93,460)	(87,481)
Net Expenditure	(20,798)	(27,071)	6,273	(12,490)	(5,511)

Expenditure and employee costs are generally as per budget, with a few insignificant variances. Sports equipment purchases are over budget by £3.7k, following the approval of additional expenditure of £4.75k for the repurposing of court 6 for Pickleball.

Income is £5.8k under budget, being mainly across tennis -£1.2k and putting -£3.5k.

Downs/Miscellaneous Grounds

	Q2			Annual	
	Actual	**Budget**	**Variance**	**Budget**	**Forecast Outturn – Q2**
	£	**£**	**£**	**£**	**£**
Expenditure	10,843	2,738	8,105	5,475	13,580
Income	(29,831)	(10,470)	(19,361)	(13,750)	(33,111)
Net Expenditure	(18,988)	(7,732)	(11,256)	(8,275)	(19,531)

The variance in net expenditure of £11k is due to back rent following the conclusion of a rent review with the RNLI.

The variance in expenditure is due to repairs that were carried out on Broad Road following an accident. This is offset by repayment through an insurance claim.

Beaches & Foreshore

	Q2			Annual	
	Actual	**Budget**	**Variance**	**Budget**	**Forecast Outturn – Q2**
	£	**£**	**£**	**£**	**£**
Employee Costs	37,593	41,200	(3,607)	52,070	48,260
Expenditure	81,464	75,308	6,156	85,430	101,223
Income	(36,551)	(33,815)	(2,736)	(33,815)	(36,551)
Net Expenditure	82,506	82,693	(187)	103,685	112,932

At the end of the 2nd quarter net expenditure is largely as per budget.

Income year to date is £2.7k above budget. This is due to a repayment of £2.7k from HMRC as reported in Q1.

Expenditure is over budget with a £6.1k variance. Seaweed removal is £10.4k over budget, with £27.4k spent to date. At the Council meeting held 22nd June 2026, Minute 45 (a) it was agreed that a £10k budget to develop the Beach Access vision be approved and is included in the year-end outturn figures.

Employee costs are under budget, with fewer hours used for the seasonal beach warden posts.

Overall, a revised year-end outturn of a net deficit of £112k against a budget of £103k is being projected.

Beach Huts

	Q2			Annual	
	Actual	**Budget**	**Variance**	**Budget**	**Forecast Outturn – Q2**
	£	**£**	**£**	**£**	**£**
Employee Costs	565	0	565	0	565
Expenditure	36,291	47,126	(10,836)	78,870	65,745
Income	(189,914)	(198,540)	8,626	(209,450)	(200,824)
Net Expenditure	(153,059)	(151,414)	(1,645)	(130,580)	(134,514)

Beach hut income is £8.6k under budget at the end of the quarter, with Shore Road -£5.8k and Spa Retreats -£2.7k from budget.

Expenditure is £10.8k under budget, a combination of NNDR -£3.4k and Cleaning Services -£5.2k.

Employee costs have been added due to the cleaning being brought in-house for the summer season.

Publicity & Tourism

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Employee Costs	120,609	120,375	234	242,840	238,445
Expenditure	36,296	44,469	(8,173)	79,710	71,537
Income	(24,395)	(23,705)	(690)	(33,985)	(34,675)
Net Expenditure	132,511	141,139	(8,628)	288,565	275,308

At the end of the 1st quarter a positive variance of £8.6k has been realised.

Income is generally as per budget, with a positive variance in total.

Although expenditure is showing a positive variance, this is the total over many budget lines with small variances, the largest variance being stock purchases at -£2.5k.

Employee costs are marginally over budget ytd. However, a variance is anticipated by year-end due to an upcoming vacancy. The forecast is anticipating a new employee being in post in January. Any delays will see this underspend greaten.

Allotments

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	3,678	3,725	(47)	7,175	7,128
Income	(4,851)	(4,700)	(151)	(9,750)	(9,901)
Net Expenditure	(1,174)	(975)	(199)	(2,575)	(2,774)

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

General Buildings/Misc Areas (incl roads)

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	21,389	4,500	16,889	26,500	128,788
Income	(34,878)	(34,878)	0	(78,155)	(78,155)
Net Expenditure	(13,489)	(30,378)	16,889	(51,655)	50,633

Expenditure is £15.9k over budget at the end of the 1st half of the year. As reported in Q1, £11k was approved as emergency expenditure in relation to a collapsed drain at Prospect Green (reported

Minute no. 235, 27 April 2026). A further £7.5k of expenditure was incurred for repairs to the Parade railings, Minute 216 (f).

Appendix A ref: 2 refers to repairs to the surface of Panorama Road. A budget of £20k was allowed for this project. However, quotes exceeded budget and approval of expenditure of £30k was approved by Council in September 2026.

Provision has been made in the forecast outturn figures for estimated expenditure of c. £75k as a contribution towards the rebuilding of a boundary wall in Marsh Way, Appendix A ref: AD5 refers.

A forecast deficit for the year of £50.6k is now being forecast against a budgeted surplus of £51.6k a variance of £102k.

Central Services & Corporate Management

	Q2			Annual	
	Actual	**Budget**	**Variance**	**Budget**	**Forecast Outturn – Q2**
	£	**£**	**£**	**£**	**£**
Employee Costs	198,204	216,050	(17,846)	432,100	398,520
Expenditure	99,968	103,697	(3,729)	183,330	179,601
Income	(13,821)	(5,850)	(7,971)	(20,850)	(28,821)
Net Expenditure	284,351	313,897	(29,546)	594,580	549,300

At the end of Q2 net expenditure is £29.5k under budget, with several variances underlying this figure.

Income is £7.9k over budget, and this relates to the recharge of legal fees following the resolution of the Vodafone lease renewal at Day' s Park.

The largest variance relates to legal and professional fees being £4k over budget, with total expenditure £3.7k under budget. This is an accumulation of small variances over many budget lines.

Employee costs are under budget due to reduced hours and a vacancy in H1. A further post will become vacant during Q3. The outturn assumes full employment in January 2027.

Members and Civic Costs

	Q2			Annual	
	Actual	**Budget**	**Variance**	**Budget**	**Forecast Outturn – Q2**
	£	**£**	**£**	**£**	**£**
Net Expenditure	4,186	4,230	(44)	20,650	20,606

Expenditure is largely on budget at the end of Q2.

Grants & Donations

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Expenditure	26,263	32,125	(5,862)	85,890	75,140

Expenditure is under budget year to date. The main contributor to this variance is the agreement to issue a grant of £7.5k in the current year to Cultural Purbeck, whereas a budget of £15k had originally been provided. This will now be paid over a 3 year period.

Following the conclusion of negotiations with Vodafone, a revised annual rental of £3k per annum was agreed, a reduction of £2.25k. As such, and in line with the agreement with Council, £4.1k (up to 30/04/2027) was paid as a grant the Swanage & Herston Football Club.

A budget of £60k was included in the 2026/27 estimates for works to the football club buildings (see Parks & Operations). Given further discussions, it was agreed that a grant of £21,840 would be issued to the football club for costs incurred for remedial works, Appendix A ref: 4) and is included in the year-end forecast. The balance of the budgeted £60k will be transferred to an EMR (see section on EMR).

Note: Vire of £21,840 from Day's Park to grants.

King George's Management Account

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn Q2
	£	£	£	£	£
Employee Costs	4,207	1,500	2,707	3,000	6,000
Expenditure	8,079	8,750	(671)	14,500	13,829
Income	(23,786)	(32,500)	8,714	(32,500)	(23,786)
Net Expenditure	(11,500)	(22,250)	10,750	(15,000)	(3,957)

In contrast to the council's car parks, income from overflow car parking is £12.7k below budget, with income from event parking/administration £4k above budget. Employee costs have been recharged from Parks & Operations. The surplus of £11.5k has been appropriated to the earmarked reserve and adjustments will continue to be made at the end of each quarter.

Employee Costs

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Car Parks	28,430	28,380	50	53,460	53,470
Market-CSA	2,919	3,510	(591)	7,020	6,720
Boat Park	17,943	18,090	(147)	19,940	19,870
Parks & Operations	294,599	290,610	3,989	598,180	600,500
Beaches - Cleaner	28,001	27,870	131	38,740	38,930
Beaches - Warden	9,592	13,330	(3,738)	13,330	9,330
Beach Gardens	28,917	28,410	507	35,730	36,860
Tourism	121,174	120,375	799	242,840	239,575
Central Services	198,204	216,050	(17,846)	432,100	398,520
Total	729,779	746,625	(16,846)	1,441,340	1,403,210

At the end of the 1st half of the year a positive variance of £16.8k was realised in total. A pay award of 3.3% was agreed in August and paid in September. A budget of 3% was incorporated into the estimates so there are some small variances on settlement.

Presently, a year-end positive variance of £38k is forecast. This is due to current and future vacancies in Central Services and Visitor Services.

Interest & Investment Income

	Q2			Annual	
	Actual	Budget	Variance	Budget	Forecast Outturn – Q2
	£	£	£	£	£
Net Expenditure	(146,765)	(110,000)	(36,765)	(220,000)	(280,000)

Investment interest in the first half of the year is significantly above budget, £36.7k.

It is usual that variances will occur from budget with fluctuations due to interest rates from those assumed at budget setting. New deposits are expected to be in the region of 3.9% - 4.25% as we see rates starting to increase given assumed increases in bank rate.

As the start of the Green Seafront Scheme draws nearer, during the second half of the financial year consideration will need to be given to the timings of the redemption of units in the Council's long term investments.

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

Revenue Account - General Overview

At the end of the 1st half of the council's financial year, net expenditure is £91.7k under budget.

The main contributors to this variance are: +£38k in employee costs, +£36.7k variance from investment income, +£36k variance in car parks, +£11k general areas and -£16k general buildings.

Presently, a surplus on the general fund of £3.9k is forecast at year-end, against a budgeted surplus of £6.4k. The forecast includes supplementary expenditure of c. £75k for a contribution towards the rebuild of a boundary wall. Additionally, contributions to reserves are forecast to exceed budget, with £38k being transferred for the Football Club, pending approval, and an estimated £60k of surplus treasury income to be transferred to EMR.

Reserves and Balances held 30th September 2026

A summary of the reserves and balances held at 30th September 2026 is given below:

	Balance 31/03/2026 £	Movement in Year £	Balance 30/09/2026 £
General Fund	738,756	1,202,603	1,941,359
Earmarked Reserves	3,469,349	24,945	3,494,294
Capital Receipts Reserve	1,889,216	0	1,889,216
Total	**6,097,321**	**1,227,548**	**7,324,869**

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

Earmarked Reserves

The Council holds the following earmarked reserves:

	Balance 31/03/2026 £	Transfer to/(from) reserve £	Balance 30/09/2026 £
Beach Huts Reserve	10,000	0	10,000
Environmental Projects Reserve	92,000	0	92,000
Community Infrastructure Levy	390,021	13,445	403,466
De Moulham Back Roads	28,664	0	28,664
Treasury Risk Management Reserve	214,132	0	214,132
Car Park Machines	9,811	0	9,811
Play Equipment-General Areas	51,406	0	51,406
Vehicle & Plant Replacement	40,000	0	40,000
Tennis Courts Refurbishment	19,944	0	19,944
Public Conveniences	15,000	0	15,000
IT Equipment Reserves	20,264	0	20,264
Green Seafront Scheme	1,850,000	0	1,850,000
Community Sea Defence Project	450,000	0	450,000
King George's Field Management Account	68,144	11,500	79,644
Bandstand	9,888	0	9,888
Asset Management Plan Reserve	175,000	0	175,000
Boat Park/Fishers Huts Reserve	20,000	0	20,000
Grants Reserve	5,075	0	5,075
Day's Park Sports Facility *	0	0	0
Total	**3,469,349**	**22,495**	**3,494,294**

*At the Council meeting held 29 January 2024, Minute 181, Council committed £220,000 to the funding of a community sports facility at Day's Park. Since then, £40,836 has been spent to date which leaves a balance of £179,164 in unspent committed funds outstanding. A grant of £21,840 has been approved in the current financial year.

In order to separately identify the committed expenditure, Members are asked to consider the establishment of a Day's Park Sports Facility EMR, so that the committed funds can be separately identified. Initially, financing was committed from UCRR, however, this cannot be transferred to an EMR. Therefore, it is suggested that at year-end when the balance of unspent funds is known, as well as the balance on the general reserve, that financing of the capital programme is redistributed and funds transferred to the new EMR.

Decision required: To approve a Day's Park Sports Facility Reserve and transfer unspent and committed funds to the reserve at year-end.

Appendix A

Significant (> £5k) One Off Revenue Expenditure/Minor Works – 2026/27

Ref	Item/location	Description of Works	Budget £	Actual Expenditure to date	Works programmed	Update
1	Town Hall	Insulation	5,000	-	Jan-27	Project cancelled
2	Panorama Road	Surface repairs	20,000	-	Nov-26	Budget approval up to £30k - Minute 910(a) Council meeting 14 September 2026
3	Days Park	Pathway repairs	5,000	-	Oct-26	
4	Days Park	Football Club - Asbestos Removal	60,000	-	Q3	Grant of £21,840 approved Minute 72 (b) Council Meeting 5 August 2026
5	Beaches & Foreshore	Signage	10,000	10,489	May-26	Contract of £12k approved 27 April 2026
			100,000	**10,489**		

Supplementary Budgets 26/27

AD1	Festive Lights	Catenary Wire - Installation and Rental yr1	15,895	15,892	Q1	Agreed - Minute 216 (a) Council Meeting 23 March 2026
AD2	Parade Railings	Railing Repairs	7,500	7,500	Q1	Agreed - Minute 216 (f) Council Meeting 23 March 2026
AD3	Prospect Green	Drainage repairs	11,126	11,126	Q1	Reported - Minute 235 Council Meeting 27 April 2026
AD4	Vehicles	Repairs to John Deere Tractor	6,564	6,564	Q1	Reported - Minute 48 (a) Council Meeting 22 June 2026
AD5	Marsh Way Wall	Wall rebuild & Fees	75,000	-	Q3	Agreed – Minute 73 (d) Council Meeting 5 August 2026
AD6	Beaches & Foreshore	Beach Access Vision	10,000	-	Q4	Agreed – Minute 45 (a) Council Meeting 22 June 2026
			126,085	**41,082**		

Treasury Management Outturn Report H1 2026/27

Introduction

The Authority's treasury management strategy for 2026/27 was approved on 12 January 2026. 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 key story remained the conflict in the Middle East and its impact on global energy prices and inflation, while on the UK politics side, Andy Burham became the new Prime Minister. Although energy prices had shown signs of moderating towards the end of (calendar) Q2, the continuing conflict pushed oil and gas up sharply once again in Q3. Around mid-September, Brent oil and UK gas prices were over 30% and 70% higher respectively compared to the period preceding the Bank of England's (BoE) July Monetary Policy Report (MPR).

Given the inflationary impact of the previous energy shock from the Russia/Ukraine war, central bank policymakers remained alert to higher energy prices feeding into wider price and wage-setting behaviour ('second-round effects'). In the UK, higher fuel and energy prices were evident in headline inflation, but there was limited evidence of material second-round effects. At the same time, underlying wage pressures continued to moderate, and the labour market remained relatively loose.

The BoE's Monetary Policy Committee (MPC) maintained Bank Rate at 3.75% throughout the period. In April the MPC voted by 8-1 to leave rates unchanged, with one member wanting a 0.25% increase. The voting subsequently became more hawkish, moving to 7-2 in June and 6-3 in both July and September, with all dissenters preferring to increase Bank Rate to 4.00%. The change in voting patterns reflected increasing policymaker concern over the persistence of the energy shock and the risk that higher headline inflation could become embedded in domestic prices and wages.

At the September MPC meeting, the Committee judged the inflation risks were further to the upside compared to its July MPR. Energy prices had risen again and borrowing costs were materially higher than before the US/Iran conflict. Despite expecting inflation would rise further in the near-term, most members believed that a soft labour market, spare capacity and restrictive monetary conditions would reduce inflation over time. Moreover, the data showed there was still little evidence of material second-round effects, although the MPC emphasised that the risk of these effects would increase the longer elevated and volatile energy prices persisted.

UK headline consumer price inflation (CPI) initially declined, suggesting the initial energy shock was not spreading into a wider range of goods and services. However, later in the period inflation picked up again, with CPI rising from 2.6% in June to 3.1% in August due largely to higher transport costs. Core CPI was 2.6% in July and August, suggesting the divergence between that and headline inflation was due to energy rather than a broad increase in underlying inflation.

UK economic activity was somewhat stronger than initially anticipated over the period. GDP expanded by 0.6% in the first quarter of the calendar year and 0.5% in the second quarter, slightly stronger than the initial estimate of 0.4%. Monthly activity was more volatile, with a contraction of -0.1% in April, followed by gains of 0%, 0.3% and 0.4% in May, June and July respectively.

Labour market data continued to show softening employment conditions. The unemployment rate fell to 4.9% in April and remained at that level to July, against expectations it would tick up. Job vacancies also continued to decline, to 702,000 in the three months to July. Earnings growth moderated, with regular earnings at 3.5% in the three months to July and total earnings at 3.9%, suggesting weaker labour demand was continuing to restrain domestic wage pressures.

Arlingclose, the authority's treasury adviser, expects Bank Rate will stay at 3.75%. However, higher energy prices due to the ongoing conflict(s) and uncertainty around the government's upcoming Budget have increased the near-term upside risks. Moreover, stronger inflation projections, which accompanied the September MPC decision, shifted market expectations for Bank Rate higher. In addition, despite little evidence of second-round effects to date, the changing tone of the MPC minutes suggests it may not need something seismic to tip the Committee to increase Bank Rate.

The US Federal Reserve held the Fed Funds target range at 3.50%-3.75% through to July. However, inflation pressures rose during the summer, pushing headline CPI to 3.4% in August, with higher petrol prices accounting for much of the increase. This led the Fed to raise its target range to 3.75%-4.00% in September. The move reflected increased concern over inflation at a time when US economic activity and labour-market conditions were relatively resilient.

Following a 0.25% increase in June, the European Central Bank raised its three key policy rates by a further 0.25% in September, taking the deposit facility rate to 2.50%. Inflation increased from 2.9% in July to 3.2% in August, and an initial estimate suggested a further rise to 3.8% in September, with energy prices the principal driver. The ECB emphasised the uncertainty around the duration of the energy shock and the risk prolonged higher inflation could feed into wider price-setting.

Financial markets: After the sharp deterioration early in the period, financial market sentiment improved somewhat as there were ongoing hopes that the US/Iran war would be resolved. However, towards the end of the period, signs of any potential resolution appeared premature and oil prices rose alongside inflation and bond yields while equity market volatility increased as investors weighed conflict-related as well as AI-related concerns.

Bond yields in both the US and UK increased markedly over the period, with the gap between gilts and US Treasuries tightening towards the end of the period. While term premia are still embedded in gilt yields given the relatively uncertain fiscal outlook, a more hawkish Fed alongside persistent US inflation and fiscal concerns have pushed the yields on US Treasuries to their highest levels in years.

Some relatively market-friendly announcements were made by Andy Burnham in his speech at the Labour Party conference, but it will be the Budget at the end of October that will hopefully provide some clarity on what the UK's fiscal position might look like going forward.

Over the period, the 10-year UK benchmark gilt yield started at 4.86% and ended at a high of 5.43%. The 20-year gilt yield starting at 5.45% and finished at 5.93%, another high for the period. The Sterling Overnight Rate (SONIA) averaged 3.73% over the period to 30th September.

Credit review: Arlingclose maintained its advised recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

During the period, Fitch upgraded numerous banks due to a rating methodology change, as well as the reference obligations used for Issuer Default Ratings and introduced more differentiated notching between deposits, senior preferred, senior unsecured and senior non-preferred debt ratings.

Later in the period, Moody's changed the outlook on HSBC to Positive from Stable, while also affirming its long-term deposit rating. This follows a similar action from S&P on HSBC's outlook a few months prior to this.

After spiking in April following escalation in the Iran war, credit default swap prices on UK banks declined during most of the period but started to pick up again in September. They ended the period well below levels that may give cause for concern but remain under constant monitoring.

European banks' CDS prices followed a similar pattern to the UK, while Canadian bank CDS prices rose early in the period and then remained at similar levels, while Australian and Singaporean banks tended to trend downwards.

Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

Financial market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will continue to 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 2026, the Authority had net investments of £6.4m (current value) with usable reserves and working capital being the underlying resources available for investment.

Borrowing Strategy during the period

At 30th September 2026 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 £6.4m and £7.47m 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 2026 is shown in Table 1 below. A breakdown of individual investments is shown in **Appendix A**.

Table 1: Treasury Investment Position

Investment Portfolio	31.03.26 Balance £	Net Movement £	30.09.26 Balance £	30.09.26 Income Return %
Banks and building societies (unsecured)	88,484	14,754	103,238	
Money Market Funds	1,250,000	0	1,250,000	
UK Govt/DMADF – DMO Deposit	1,400,000	1,100,000	2,500,000	
Total Internal Investments	**2,738,484**	**1,114,754**	**3,853,238**	**3.82%**
Investments in Pooled Funds:				
Property	2,372,424	-39,311	2,333,113	
Bonds	420,995	-10,281	410,714	
Multi-Asset	873,755	-1,534	872,221	
Total External Funds-Market Value	**3,667,174**	**-51,126**	**3,616,048**	**4.86%**
TOTAL INVESTMENTS	**6,405,658**	**1,063,628**	**7,469,286**	**4.32%**

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 remained at 3.75% during the period. The rates on DMADF deposits ranged between 3.74% and 4.11% and money market rates between 3.85% and 3.89%.

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 %
31.03.2026	4.30	AA-	49%	29	3.63%
30.09.2026	3.97	AA-	35%	76	3.82%
All LAs	4.58	A+	67%	10	3.93%

Externally Managed Pooled Funds:

£3.61m current value/£3.51m 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 2026, these funds generated an income return of £179k (4.85%), which is used to support services in year. The total unrealised capital gain from purchase at 30th September 2026 is £98k. However, this is in total with two of the long-term investments showing unrealised capital losses and one a capital gain. The individual investments are shown in **Appendix A.**

Financial markets experienced significant volatility over the six months to 30th September 2026, although performance varied considerably between asset classes. Equity markets generally performed well, recovering strongly from the falls seen in March and remaining resilient despite renewed geopolitical uncertainty and higher interest rates. UK equities recorded gains over the period, while global equities were also supported by generally resilient corporate earnings and continued strength in technology-related stocks.

Bond markets were considerably weaker, particularly towards the end of the period. Government bond yields rose as higher energy prices and rising inflation increased expectations that interest rates would remain higher for longer. Longer-dated yields were also affected by concerns over elevated government borrowing and bond issuance, with investors demanding greater compensation for holding longer-term debt. These pressures were not confined to the UK, with government bond yields rising across most major developed economies. This rise placed downward pressure on the capital values of funds with exposure to bonds.

UK commercial property experienced some weakness in capital values over the period as higher gilt yields and interest rates continued to weigh on valuations. However, rental income remained relatively resilient. Property capital values had already undergone a significant adjustment following the rise in interest rates during 2022 and have recovered only modestly since, meaning recent falls have generally been relatively limited.

Income distributions from strategic pooled funds generally remained resilient over the period, despite the volatility in underlying asset prices. However, distributions from individual funds can vary between periods depending on their payment frequency, the timing of underlying income receipts and fund distribution policies. Performance over a six-month period should therefore not be viewed in isolation when assessing the longer-term income generated by these investments.

As Council moves towards the implementation of the Green Seafront Scheme, it will need to consider the redemption of the majority of its strategic investments. It is anticipated that these funds will be required in Q4 2027/28, however this is subject to an agreed timetable once the tender has been awarded.

Estimates for income 2025/26

Income returns remained above budget at an average of 4.32%. The Authority has budgeted £220,000 income from these investments in 2026/27. Income received up to 30 September was £146k against a £110k budget, with interest rates and balances higher than those budgeted.

Table 3: Income-Actual v Budget 30 September 2026

	Actual £k	Budget £k	Under/Over £k
Treasury Investment Income	146	110	36

No funds have been appropriated to the Treasury Risk Management Reserve during H1. This reserve currently holds £214k, with the losses on the M&G and Ninety-One investments standing at £217k. Any requirement to further cushion the council against any potential losses will be assessed on an ongoing basis.

Compliance

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

Appendix A

Investments held at 30/09/2026

Short Term Investments			
Type of Investment	**Counterparty**	**Amount held (at 30/09)**	**Maturity date**
MONEY MARKET FUND	ABERDEEN ASSET MANAGEMENT	500,000	t+1
MONEY MARKET FUND	CCLA - PSDF	750,000	t+1
DEPOSIT - DMADF	DEBT MANAGEMENT OFFICE	650,000	18/12/2026
DEPOSIT - DMADF	DEBT MANAGEMENT OFFICE	250,000	29/10/2026
DEPOSIT - DMADF	DEBT MANAGEMENT OFFICE	550,000	25/02/2027
DEPOSIT - DMADF	DEBT MANAGEMENT OFFICE	300,000	27/11/2026
DEPOSIT - DMADF	DEBT MANAGEMENT OFFICE	750,000	30/03/2027
Total		**3,750,000**	

Strategic Investments				
Fund Name	**Purchase Cost**	**Current Value (at 30/09)**	**Gain/Loss**	**Notice period**
CCLA - LAMIT Property Fund	2,017,940	2,333,113	315,173	6 months
M&G STRATEGIC CORPORATE BOND FUND	500,000	410,714	(89,286)	t+5
NINETY ONE - DIVERSIFIED INCOME FUND	1,000,000	872,221	(127,779)	t+3
Total	**3,517,940**	**3,616,048**	**98,108**	

Agenda Item 3 c)

Capital Programme – Monitoring Report 2026/27

Project Ref:	Project	Budget b fwd	2026/27 Estimate	Forecast Outturn for the year	Actual Expenditure Year to Date
		£	£	£	£
1	**Downs**				
	Peveril Point Stabilisation Scheme	48,875	0	48,875	0
2	**IT-All departments**				
	PC replacement	22,000	0	22,000	0
3	**Green Seafront Scheme**				
	Stabilisation & Regeneration		235,000	235,000	70,522
4	**Capital Grants**				
	Day's Park Community Sports facility	100,500	120,500	0	0
5	**Town Hall**				
	Annexe heating system		10,000	6,000	6,279
6	**Car Parks**				
	Main Beach- Phase 3 & EVCP Installation	0	0	0	0
	Total Capital Expenditure	**171,375**	**365,500**	**312,154**	**76,801**

Project Updates:

1: Downs-Peveril Point Stabilisation Scheme

This scheme has been brought forward from 2025/26. As previously reported Council approved the direct award of the contract to Dorset Council (via the NEC3 TSC.HMEP contract) to undertake surface improvement works on Peveril Point Road for a sum of £48,875, Minute 177 (b) 26 January 2026. Although initially programmed for September/October 2026, this was revised to March 2027, as previously reported. However, it is now anticipated that works will start in December 2026, subject to Dorset Council's works programme.

Ongoing: Financing -UCRR

2: IT – All Departments

This scheme has been brought forward from 2025/26. Discussions continue regarding the specification of any tender that is issued for the procurement of IT equipment/services. Further discussions regarding investing in digital transformation are also ongoing and how the Council may incorporate this into this project.

Ongoing: Financing – EMR

3. Spa & Seafront- Green Seafront Scheme

At the Council meeting held 17 November 2025, Minute 131 (a) Members approved the appointment of WSP (Collaboration Agreement Schedule #3 with Dorset Council) to deliver the professional services required for the submission of planning applications for both the essential and enhanced Green Seafront Schemes, for the sum of £135k. Further approval (Collaboration Agreement #4) Minute 238 (a) 27 April 2026 was given to appoint WSP for Procurement Strategy and Market Engagement with a

budget of £16,745. Additionally, on 5 August 2026, Council awarded a contact to WSP to provide phase 1 procurement support, Minute 73 (b) to a value of £65k (through Collaboration Agreement #6 with Dorset Council) and a diversion design (Collaboration Agreement Schedule #4 with DC) for £3,548, Minute 73 (c).

At its meeting on 19 October, Council approved delegated authority for Officers to procure technical support as required in order to progress the tender pack for the scheme.

Planning approval was granted on 21 October 2026. Officers are currently working towards issuing the SQ and completing the employers' requirements. This project continues to evolve, and updates are provided regularly to Council.

With regards to funding the scheme, Dorset Council approved the allocation of £0.5m of funds from CIL monies and £2.5m in the form of a grant to fund this project.
Ongoing. Financing -EMR/UCRR/CIL/Third Party Grant Funding

4: Capital Grants – Swanage & Herston Football Club or CIO
At its meeting on 28 April 2025, Minute 230, Council approved the allocation of £100,000 of the Community Sports Facility budget towards the installation of the 3G pitch, subject to a robust business plan and lease agreement.

Talks continue as to the best way forward to deliver this project, with the added complexity of repairing works that are required to the building, as noted in Minute 242, 6 May 2026, which Council are funding in the form of revenue grants.
Ongoing – Financing – EMR/Third Party Funding (refer to Q1 budget report pg 9)

5: Town Hall – Annexe Heating System
As agreed by the Environment and Green Spaces Committee, Minute 6 of the meeting held on 24 June 2026, quotes were sought for the installation of a new boiler in the Town Hall Annexe.

Following the receipt of quotes, the contract was awarded to Westmade and works completed in October 2026.
Completed – Financing - EMR

6: Car Parks – Electric Vehicle Charging Point Installation (for information only)
This project was reviewed by Council at an Extraordinary Meeting of the Council held on 5 August 2026, Minute 72 (a). It was agreed that the council would proceed with the Charging Ahead grant application. 14 chargers in total: 2 x 75kW chargers in Mermond Place, 6 (3 dual post) x 7.4kW chargers in both the Main and North Beach car parks. The total costs of the project will be £180,503, with 60% being funded by Dorset Council (with the council paying up front and reclaiming the costs from Dorset Council through a grant) and 40% being funded directly from Connected Kerb.
Ongoing: – Financing - Third Party Contributions

Potential Additon to the Capital Programme:
Tourist Information Centre – Air Source Heat Pump

As reported in Q1, at the Environment & Green Spaces Committee meeting held 24 June 2026, and subsequently approved by Members at the Council Meeting held 20 July 2026, Minute 55 (a), approval was given to source quotes for the installation of an Air Source Heat Pump at the TIC.

Quotes have now been requested and the finalisation of the scope of works will be required in order to assess comparable quotes. Once quotes have been finalised, an application will be submitted to Low Carbon Dorset (LDC) for 50% funding for the installation.

Ongoing - Financing – EMR & Third Party Grant Funding

Alison Spencer - Finance Manager
Martin Ayres-Town Clerk
Gail Percival-Assets and Compliance Manager

November 2026