

**North East Derbyshire District Council**

**Cabinet**

**19 November 2014**

**Budget Monitoring Report, Quarter 2 – July – September 2014**

**Report No: PRK/33/14/BM of Councillor P R Kerry, Portfolio Holder with  
Responsibility for Economy, Finance and Regeneration**

This report is public

**Purpose of the Report**

- To update Cabinet concerning the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury management activity.

**1 Report Details**

- 1.1 The Council has an integrated approach to budget monitoring with Performance, Risk and Finance being considered together at Directorate meetings held during November 2014. The scope of this report is to report the current financial position following this 2014/15 quarter two monitoring exercise. Separate reports which appear elsewhere on this agenda cover Performance and Risk.

**General Fund Revenue Account**

- 1.2 The General Fund Revenue Account summary is shown as **Appendix 1**. The appendix identifies that the original savings target for the financial year 2014/15 was £0.371m (column 1). There have been minor changes to this figure during the first and second quarters of the year, taking it to £0.387m (column 2).
- 1.3 The budget monitoring exercise as summarised in Appendix 1 is based on a comparison of spend to date against the profiled current budget. The variations between the current and original budget reflect the inclusion of agreed use of 'earmarked' balances and additional external funding. A comparison of the profiled budget (column 3) against the actual expenditure to date (column 4) at the Net Cost of Services line shows an under spend at the end of the second quarter of £0.383m. After taking account of investment properties and interest, this under spend increases to £0.487m. The quarterly monitoring meetings have not identified any significant budget issues to report at this stage and the summary shows that the Council is spending below its profiled budget at the end of the second quarter. While savings to date are below the profiled budget Officers are of the view that the Council should be in a position to balance its budget by the year end.

- 1.4 Officers have been working with Budget Managers to compile a revised budget for 2014/15. This will amend the current budgets to capture the budget savings and reduced spending where it is anticipated that there will be a minimal impact upon services. This process will take account of all known potential savings in order to balance the budget for the year. Where possible the budget in future years will be amended to reflect these savings thus serving to reduce the projected budget gap faced by the Council. A separate report containing this work on future years budgets appears elsewhere on this agenda.

### **Housing Revenue Account (HRA)**

- 1.5 The Housing Revenue Account in respect of the second quarter of 2014/15 is set out in **Appendix 2** to this report.

#### Income

- 1.6 Actual income for the second quarter is lower than the approved budget by £0.066m. This is due to two main factors:
- 1.6.1 Rental income is lower than budget by £0.089m. This is a net figure represented by increased rent against budget of £0.044m offset by the increased cost of voids of £0.133m. The cause of the increase relates to where void properties are being held to allow major refurbishment as part of the decent homes programme prior to the occupation by a new tenant. As the property is empty the opportunity is taken to bring it up to decent homes standard which minimises both the disturbance to tenants and the cost of refurbishment. In the short term, however, it reduces rental income.
- 1.6.2 The level of income from Charges for Services is also lower than expected by £0.033m.

#### Expenditure

- 1.7 Supervision and Management is showing an under spend of £0.072m at the end of the second quarters monitoring but this trend is not expected to continue to the end of the financial year. There are no other significant expenditure variances within the HRA to report at the end of the second quarter.
- 1.8 A separate report can be found elsewhere on this agenda which will reflect and address the budget issues that arise from the above variances.
- 1.9 While the overall position on the HRA shows an adverse variation of some £0.028m this is a very marginal variation given the overall levels of expenditure and income involved. While some adjustments to budgets may be appropriate as part of the revised budget process it is anticipated that these will be minimal.

## **Capital Investment Programme**

### Capital Expenditure

- 1.10 The second quarter monitoring position in respect of the Capital Programme is provided in **Appendix 3** to this report. In total the approved capital programme for 2014/15 now stands at £30.738m.
- 1.11 In headline terms the capital programme profiled budget for quarter 2 is £14.090m and actual spend and known commitments total £12.919m, which is £1.171m below budget. The main area of under spend at this stage in the financial year relates to the Decent Homes programme, however, discussions with officers at Rykneld Homes confirm they are comfortable with the progress to date and are confident that they are in a position to ensure the full delivery of the planned work for the year. Accordingly there are no significant issues to report regarding Capital Expenditure at the end of the second quarter.

### Capital Resources

- 1.12 The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the second quarter. In particular it should be noted that officers are confident that the required level of capital receipts will be in place to enable the Programme to be funded at the year end. Officers will continue to work to generate capital receipts in order to secure the funding for the capital programme in future financial years.

## **Treasury Management**

- 1.13 The treasury management function covers the borrowing and investment of Council money. This includes both the management of the Council's day to day cash position and the management of its long term debt. All transactions are conducted in accordance with the Council's approved Treasury Management Strategy and the CIPFA Code of Practice. Good treasury management is a key element in the sound financial management of the Council's resources.
- 1.14 The Council approved the 2014/15 Treasury Management Strategy at its meeting in March 2014. **Appendix 4** identifies the Treasury Management activity undertaken during the second quarter of 2014/15.
- 1.15 Cabinet will be aware that it made a decision at the September meeting of this Committee accepted a tender from Lloyds Bank to provide banking services to the Council. Work is currently progressing to ensure an effective transition from our current provider the Co-op Bank to Lloyds. All parties are currently working towards a transfer date around the end of the current calendar year.

## **2 Conclusions and Reasons for Recommendation**

- 2.1 The report summarises the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury management activity. While a range of minor variations have been identified these are not considered to be significant and on the basis of the information currently available will be managed as part of

the revised budget and year end close down process. While the Council continues to face some challenging savings targets on the basis of the information available from the financial ledger and discussions with service managers officers do not anticipate any major budgetary issues arising in the current financial year.

### **3 Consultation and Equality Impact**

- 3.1 There are no consultation and equality impact implications from this report.

### **4 Alternative Options and Reasons for Rejection**

- 4.1 This report is concerned with monitoring the position against the Council's previously approved budget. Accordingly the report does not set out any options where a decision is required by Members.

### **5 Implications**

#### **5.1 Finance and Risk Implications**

- 5.1.1 Financial issues and implications are covered in the relevant sections throughout this report. In summary these are:

##### General Fund

- 5.1.2 The monitoring position shows a net under spend position in the second quarter of £0.487m and officers are of the view that further work will secure the full level of financial savings required in respect of 2014/15.

##### HRA

- 5.1.3 The HRA is showing a net shortfall of £0.028m against the current budget, however, given the scale of the budgets concerned Officers are of the view that the outturn position at the end of the year will be in line with the Approved Budget.

##### Capital Expenditure

- 5.1.4 There are no significant areas of concern to report regarding the Capital Programme in the second quarter of 2014/15.

##### Capital Income

- 5.1.5 The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the second quarter.

##### Treasury Management

- 5.1.6 There are no significant areas of concern to report regarding Treasury Management activities in the second quarter of 2014/15.



# Appendix 1

## GENERAL FUND SUMMARY 2014/15 - Quarter 2

	1	2	3	4	5
	Original Budget 2014/15 £	Current Budget 2014/15 £	Profiled Qtr 2 Budget £	Actuals with Accruals £	Variance £
Growth	3,073,864	3,245,524	1,682,343	1,388,817	(293,526)
Transformation	2,263,550	2,410,316	1,304,418	1,225,898	(78,520)
Operations	6,115,560	6,115,006	3,226,646	3,151,462	(75,184)
Bad Debt Provisions	40,000	40,000	20,000	20,000	0
Recharges to Capital and HRA	(527,500)	(527,500)	(263,750)	(263,750)	0
Provision for pay award	117,667	117,667	58,834	0	(58,834)
2014/15 Savings Target	(370,561)	(386,631)	(193,316)	(70,561)	122,755
<b>Net Cost of Services</b>	<b>10,712,580</b>	<b>11,014,382</b>	<b>5,835,175</b>	<b>5,451,866</b>	<b>-383,309</b>
Investment Properties	(355,821)	(355,821)	(139,260)	(223,297)	(84,037)
Interest Charges	86,379	86,379	43,190	23,438	(19,752)
Debt Repayment Minimum Revenue Provision	256,000	256,000	128,000	128,000	0
Parish Precepts	2,780,237	2,780,237	1,390,119	1,390,119	0
Parish Council Tax Support Grant	347,561	347,561	173,781	173,781	0
Transfer To Earmarked Reserves	45,000	82,000	82,000	82,000	0
Transfer From Earmarked Reserves	0	(338,802)	(338,802)	(338,802)	0
Use of Balances - for Profiled Budget	0	0	-238,234	248,864	487,098
<b>Total Spending Requirement</b>	<b>13,871,936</b>	<b>13,871,936</b>	<b>6,935,968</b>	<b>6,935,968</b>	<b>0</b>
NNDR Growth	(76,000)	(76,000)	(38,000)	(38,000)	0
Business Rate Retention	(2,526,735)	(2,526,735)	(1,263,368)	(1,263,368)	0
Revenue Support Grant	(2,762,000)	(2,762,000)	(1,381,000)	(1,381,000)	0
Council Tax Freeze Grant	(50,495)	(50,495)	(25,248)	(25,248)	0
Use of New Homes Bonus	(584,725)	(584,725)	(292,363)	(292,363)	0
Collection Fund (Surplus)/Deficit	(31,500)	(31,500)	(15,750)	(15,750)	0
Parish Council Council Tax Requirement	(2,780,237)	(2,780,237)	(1,390,119)	(1,390,119)	0
NEDDC Council Tax Requirement	(5,060,244)	(5,060,244)	(2,530,122)	(2,530,122)	0
<b>Council Tax Requirement</b>	<b>(13,871,936)</b>	<b>(13,871,936)</b>	<b>(6,935,968)</b>	<b>(6,935,968)</b>	<b>0</b>
Checks	0	0	0	0	0

## Appendix 2

### HOUSING REVENUE ACCOUNT: SUMMARY 2014/15 - Quarter 2

	Current Budget 2014/15 £	Profiled Qtr 2 Budget £	Actuals with Accruals £	Variance £
<b>INCOME</b>				
Dwelling Rents	(32,076,015)	(17,604,591)	(17,515,150)	89,441
Non-Dwelling Rents	(379,500)	(205,563)	(193,778)	11,785
Charges for Services and Facilities	(296,000)	(177,417)	(144,029)	33,388
Contributions Towards Expenditure	(439,500)	(290,979)	(304,142)	(13,163)
<b>INCOME TOTAL</b>	<b>(33,191,015)</b>	<b>(18,278,550)</b>	<b>(18,157,099)</b>	<b>121,451</b>
<b>EXPENDITURE</b>				
Repairs & Maintenance	4,766,450	2,383,225	2,364,719	(18,506)
Supervision and Management	7,156,995	3,578,498	3,506,115	(72,383)
Rents, Rates & Taxes	40,000	20,000	17,152	(2,848)
Capital Charges - Depreciation	8,370,000	4,185,000	4,185,000	0
Provision for Bad Debts	300,000	150,000	150,000	0
Debt Management Expenses	11,500	5,750	5,750	0
<b>EXPENDITURE TOTAL</b>	<b>20,644,945</b>	<b>10,322,473</b>	<b>10,228,736</b>	<b>(93,737)</b>
<b>NET COST OF SERVICES</b>	<b>(12,546,070)</b>	<b>(7,956,077)</b>	<b>(7,928,363)</b>	<b>27,714</b>
Corporate & Democratic Core	185,450	92,725	92,725	0
<b>NET COST OF HRA SERVICES</b>	<b>(12,360,620)</b>	<b>(7,863,352)</b>	<b>(7,835,638)</b>	<b>27,714</b>
Interest Payable	5,628,350	2,814,175	2,814,175	0
Interest Receivable	(125,190)	(62,595)	(62,595)	0
Revenue Contribution to Capital	0	0	0	0
MRP	4,300,000	2,150,000	2,150,000	0
Transfer to Insurance Reserve	50,000	25,000	25,000	0
Capital/New Build Reserve	2,500,000	1,250,000	1,250,000	0
<b>(Surplus)/Deficit on HRA Services</b>	<b>(7,460)</b>	<b>(1,686,772)</b>	<b>(1,659,058)</b>	<b>27,714</b>

## Appendix 3

### CAPITAL PROGRAMME 2014/15 - Quarter 2

	1	2	3	4	5
Project/Scheme	Approved Programme 2014/15 £000	Approved changes to Programme £000	Profiled Budget Quarter 2 £000	Actual and Commitments Quarter 2 £000	Variance at Quarter 2 £000
<b>Housing Investment</b>					
<u>Decent Homes Funded</u>					
Decent Homes Programme	17,700	0	8,850	8,382	(468)
TARRAN's Scheme	6,413	0	3,207	2,584	(623)
HRA Development Schemes	2,500	0	0	0	0
Private Sector Spending	300	0	150	69	(81)
<b>Total Housing Investment</b>	<b>26,913</b>	<b>0</b>	<b>12,207</b>	<b>11,035</b>	<b>(1,172)</b>
<b>Other Capital Projects</b>					
ICT Schemes	196	0	56	56	0
Lottery Funded Schemes	19	0	4	4	0
Asset Refurbishment - General	36	0	0	0	0
Asset Refurbishment - Council House Lift	14	0	14	14	0
Asset Refurbishment - Eckington Pool Boiler	30	25	30	31	1
Asset Refurbishment - Coney Green BIC	167	0	73	73	0
Asset Refurbishment - Eckington Depot	30	0	0	0	0
Demolition of Holmewood Depot	50	0	0	0	0
Refurbishment of CPL	599	0	26	26	0
CPL Land Remediation	625	0	231	231	0
Replacement Vehicles	1,874	0	1,438	1,438	0
Sharley Park Refurbishment	168	(25)	5	5	0
Contaminated Land	17	0	6	6	0
<b>Total Other Capital Projects</b>	<b>3,825</b>	<b>0</b>	<b>1,883</b>	<b>1,884</b>	<b>1</b>
<b>Total Capital Expenditure</b>	<b>30,738</b>	<b>0</b>	<b>14,090</b>	<b>12,919</b>	<b>(1,171)</b>



Capital Resources	2014/15 £000	Approved changes to Programme £000	Profiled Resources Quarter 2 £000	Resources Used Quarter 2 £000	Variance at Quarter 2 £000
<b>Housing Investment Funding</b>					
<u>Decent Homes Funding</u>					
Major Repairs Allowance	(1,500)	0	0	0	0
Decent Homes Grant	(16,200)	0	(8,850)	(8,382)	468
HRA Capital Investment Reserve	(2,500)	0	0	0	0
Prudential Borrowing	(6,413)	0	(3,207)	(2,584)	623
	(26,613)	0	(12,057)	(10,966)	1,091
Disabled Facilities Grant	(271)	0	(150)	(69)	81
Usable Capital Receipts	(29)	0	0	0	0
<b>Total Housing Investment Funding</b>	<b>(26,913)</b>	<b>0</b>	<b>(12,207)</b>	<b>(11,035)</b>	<b>1,172</b>
<b>Other Capital Projects Funding</b>					
Useable Capital Receipts	(501)	0	(178)	(178)	0
Prudential Borrowing	(3,098)	0	(1,695)	(1,696)	(1)
RCCO - GF	(190)	0	0	0	0
External Grant	(36)	0	(10)	(10)	0
<b>Other Capital Project Funding</b>	<b>(3,825)</b>	<b>0</b>	<b>(1,883)</b>	<b>(1,884)</b>	<b>(1)</b>
<b>Total Capital Financing</b>	<b>(30,738)</b>	<b>0</b>	<b>(14,090)</b>	<b>(12,919)</b>	<b>1,171</b>
Checks	0	0	0	0	0

**Treasury Management Activity 2014/15 – Quarter 2****PWLB Borrowing**

The Council's total outstanding PWLB debt amounted to £162,381,406.90 at 1 April 2014. During the two quarters of 2014/15 an amount of £173,508.57 was repaid leaving a balance at 30 September 2014 of £162,207,898.33. During the current financial year no new loans have been taken out with the PWLB. The profile of the outstanding debt is analysed as follows: -

<b>PWLB BORROWING</b>	<b>Maturity Profile 31 March 2014 £</b>	<b>Maturity Profile 30 September 2014 £</b>
<b>Term</b>		
12 Months	3,324,871.79	3,151,363.22
1 - 2 years	2,303,759.85	2,303,759.85
2 - 5 years	5,907,122.61	5,907,122.61
5 - 10 years	8,036,695.08	8,036,695.08
10 - 15 years	25,392,964.27	25,392,964.27
Over 15 years	117,415,993.30	117,415,993.30
<b>Total PWLB Debt</b>	<b>162,381,406.90</b>	<b>162,207,898.33</b>

**PWLB Interest**

The interest cost to the Council of the PWLB debt for 2014/15 is shown in the table below. The cost is split between the HRA and General Fund based on the level of debt outstanding within the CFR.

<b>Date</b>	<b>Amount Paid to PWLB £</b>
Less Accrued Interest re 2013/14	(101,834.68)
07/04/14	23,400.00
17/04/14	30,903.45
18/09/14	39,700.00
22/09/14	108,000.00
23/09/14	66,657.80
29/09/14	2,606,416.57
Plus Accrued Interest re 2014/15	205,733.63
<b>Total Paid</b>	<b>2,912,318.97</b>

**Temporary Borrowing**

Cash flow monitoring and management serves to identify the need for short term borrowing to cover delays in the receipt of income during the course of the year. During the current year to date short term borrowing from the Council's own bank incurred interest charges of £42.94. At the 30 September 2014 the Council had no temporary borrowing.

**Temporary Investments**

The tables below detail the short term investments made at various times during the financial year 2014/15:-

<b>Bank Name</b>	<b>B/Fwd 01/04/14 £,000</b>	<b>Amount Invested 2014/15 £,000</b>	<b>Amount Returned 2014/15 £,000</b>	<b>Balance Invested 30/09/14 £,000</b>
Natwest	1	10,959	(6,000)	4,960
Bank of Scotland	616	25,902	(25,967)	551
Santander	15	15,204	(13,100)	2,119
Ignis	0	2,400	(2,400)	0
<b>Total</b>	<b>632</b>	<b>54,465</b>	<b>(47,467)</b>	<b>7,630</b>

From the table above it can be seen that the balance invested by the Council at 30 September 2014 is £7.63m. Interest earned from temporary investments (included in the amount invested column in the above table) during 2014/15 amounted to £14,369.32 and is detailed in the table below.

Below is a table showing the interest received during 2014/15:-

<b>Bank Name</b>	<b>Amount Received £</b>
Nat West Bank	(8,540.36)
Bank of Scotland	(2,744.93)
Santander	(2,864.86)
IGNIS	(219.17)
<b>Total</b>	<b>(14,369.32)</b>

### Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Council's bank which is the Co-operative Bank. The maximum amount invested with the Co-operative Bank in the financial year was £0.000m. There has been no breach of the £3m limit set in the Treasury Management Strategy.

### Compliance with Treasury Limits

During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

	<b>Actual 2014/15</b>	<b>Set Limits 2014/15</b>
Authorised Limit (total Council external borrowing limit)	174,197,042	185,543,000
Operational Boundary	162,479,492	180,543,000