

North East Derbyshire District Council

Cabinet

2 September 2015

Budget Monitoring Report, Quarter 1 – April – June 2015

Report No: PRK/10/15-16/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 on the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury management activity.

1 Report Details

1.1 Officers have continued the integrated approach to budget monitoring in the first quarter with Performance, Risk and Finance being considered together at Directorate meetings held during July 2015. The scope of this report is therefore to report the current financial position following the 2015/16 quarter one monitoring exercise.

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 2015/16 was £0.500m (column 1).
- 1.3 Savings arising from the Transformation Programme and various carry forwards agreed at Cabinet in July have been reflected in the current budget. These changes are summarised by Directorate in the Current Budget column (column 2) of the appendix. The Current Budget now shows that the position for the savings target for 2015/16 has been reduced to one of £0.268m. It should be noted that the Current Budget does not yet include any of the budget savings that can be taken from the 2014/15 Financial Outturn position.
- 1.4 The budget monitoring undertaken in the first quarter is monitored against the Current Budget and is reported in Appendix 1. 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 first quarter of £0.175m with an additional underspend of £0.020m due to increased income on Investment Properties and a further £0.015m on Interest Charges.
- 1.5 The individual directorate 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 first 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.

- 1.6 If the position and trend on Investment Property income was to continue throughout the year then budgets could be amended to reflect this. Officers are of the view to review this position in more detail during quarter two and to make any adjustments to budgets at that point.
- 1.7 Interest budgets are calculated by looking at four main factors. These include interest rates, the amount and point in time that any external borrowing is undertaken and the level of internal borrowing that can be done. All these factors were very favourable during 2014/15 which meant that the level of external borrowing actually undertaken during the year was significantly lower than anticipated. In turn, this has a knock on effect on the projected outturn position for 2015/16 and future years. A complete review of the interest budgets during this quarter has identified a significant saving for the quarter of £0.015m. It is also projected that this saving can be maintained, contributing to a £0.060m saving for the year.
- 1.8 Unidentified savings required have been reduced from £0.500m to £0.268m at the end of the first quarter. These savings have been achieved through a combination of service restructures, reduction in borrowing costs and NNDR growth.

Housing Revenue Account (HRA)

- 1.9 The Housing Revenue Account in respect of the first quarter of 2015/16 is set out in **Appendix 2** to this report.
- 1.10 Due to a better than anticipated position on voids, the dwelling rents budget is performing better than expected. It is not recommended at this point to make any amendments to this budget, but if the situation continues into quarter two, then budgets can be amended at that stage.
- 1.11 As with the General Fund, the HRA has also benefitted from favourable interest charges. Due to the level of interest charges in the HRA, it is anticipated that the interest saving of £0.050m identified in the first quarter can be projected forward for the year resulting in a saving to the HRA of £0.200m.
- 1.12 There are no other significant income or expenditure variances within the HRA to report at the end of the first quarter.

Capital Investment Programme Capital Expenditure

- 1.13 The first quarter monitoring position in respect of the Capital Programme is provided in **Appendix 3** to this report. The programme has been updated with the capital budgets carried forward from 2014/15. In total the approved capital programme for 2015/16 now stands at £24.809m.
- 1.14 In headline terms the capital programme profiled budget for quarter 1 is £6.572m and actual spend and known commitments total £5.420m, which is £1.152m 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 first quarter.

Capital Resources

- 1.15 The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the first 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

- 1.16 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 strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.17 The Council approved the 2015/16 Treasury Management Strategy at its meeting in March 2015. **Appendix 4** identifies the Treasury Management activity undertaken during the first quarter of 2015/16.

2 Conclusions and Reasons for Recommendation

- 2.1 The report summarises the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury management activity.

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

The monitoring position shows a net under spend position in the first quarter of £0.210m and officers are of the view that further work will secure the full level of financial savings required in respect of 2015/16.

The favourable position on interest charges during the first quarter of £0.015m will result in an annual saving of £0.060m for the General Fund.

HRA

The level of voids within the HRA is lower than anticipated which may result in a saving on this budget if the situation continues.

The favourable position on interest charges during the first quarter of £0.050m will result in an annual saving of £0.200m for the HRA.

There are no other significant income or expenditure variances within the HRA to report at the end of the first quarter.

Capital Expenditure

There are no significant areas of concern to report regarding the Capital Programme in the first quarter of 2015/16.

Capital Income

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

Treasury Management

There are no significant areas of concern to report regarding Treasury Management activities in the first quarter of 2015/16.

5.2 Legal Implications including Data Protection

5.2.1 There are no legal issues arising directly from this report.

5.3 Human Resources Implications

5.3.1 There are no human resource implications arising directly out of this report.

6 Recommendations

6.1 That Cabinet notes the monitoring position of the General Fund at the end of the first quarter as detailed on Appendix 1 and requests Officers to continue with work designed to deliver the targeted level of savings in respect of 2015/16.

6.2 That Cabinet notes the favourable position with regard to interest charges on the General Fund and approves that the interest budgets are amended accordingly.

6.3 That Cabinet notes the satisfactory position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the first quarter.

6.4 That Cabinet notes the favourable position with regard to interest charges on the HRA and approves that the interest budgets are amended accordingly.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	General Fund
2	HRA – Monitoring
3	Capital
4	Treasury Management
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Financial Ledger	
Report Author	Contact Number
Assistant Director – Finance, Revenues & Benefits	7658

AGIN 7 (CAB 0902) Budget Monitoring Qtr 1/AJD

Appendix 1

GENERAL FUND ACCOUNT : SUMMARY 2015/16 - Quarter 1

	1	2	3	4	5
	Original Budget 2015/16 £	Current Budget 2015/16 £	Profiled Qtr 1 Budget £	Actuals with Accruals £	Variance £
Growth	3,202,087	3,283,661	987,640	904,376	(83,264)
Transformation	2,475,881	2,495,077	794,364	766,503	(27,861)
Operations	6,135,525	6,136,330	1,603,910	1,473,230	(130,680)
Bad Debt Provisions	40,000	40,000	10,000	10,000	0
Recharges to Capital and HRA	(527,500)	(527,500)	(131,875)	(131,875)	0
2015/16 Savings Target	(500,443)	(267,842)	(66,961)	0	66,961
Net Cost of Services	10,825,550	11,159,726	3,197,079	3,022,234	-174,845
Investment Properties	(347,253)	(347,253)	(86,813)	(107,001)	(20,188)
Interest Charges	134,425	134,425	33,606	18,728	(14,878)
Debt Repayment Minimum Revenue Provision	256,000	256,000	64,000	64,000	0
Parish Precepts	2,831,984	2,831,984	707,996	707,996	0
Parish Council Tax Support Grant	312,805	312,805	78,201	78,201	0
Transfer To Earmarked Reserves	45,000	45,000	11,250	11,250	0
Transfer From Earmarked Reserves	(13,000)	(247,176)	(61,794)	(61,794)	0
Total Spending Requirement	14,045,511	14,145,511	3,943,525	3,733,614	-209,911
Business Rate Retention	(3,202,735)	(3,302,735)	(825,684)	(825,684)	0
Revenue Support Grant	(1,970,753)	(1,970,753)	(492,688)	(492,688)	0
Council Tax Freeze Grant	(58,240)	(58,240)	(14,560)	(14,560)	0
Use of New Homes Bonus	(690,058)	(690,058)	(172,515)	(172,515)	0
Collection Fund (Surplus)/Deficit	(166,499)	(166,499)	(41,625)	(41,625)	0
Parish Council Council Tax Requirement	(2,831,984)	(2,831,984)	(707,996)	(707,996)	0
NEDDC Council Tax Requirement	(5,125,242)	(5,125,242)	(1,281,311)	(1,281,311)	0
Council Tax Requirement	(14,045,511)	(14,145,511)	(3,536,378)	(3,536,378)	0

Appendix 2

HOUSING REVENUE ACCOUNT: SUMMARY 2015/16 - Quarter 1

	Current Budget 2015/16 £	Profiled Qtr 1 Budget £	Actuals with Accruals £	Variance £
INCOME				
Dwelling Rents	(32,063,600)	(8,683,892)	(8,744,064)	(60,172)
Non-Dwelling Rents	(360,725)	(97,696)	(98,496)	(800)
Charges for Services and Facilities	(508,650)	(127,163)	(120,461)	6,702
Contributions Towards Expenditure	(570,000)	(142,500)	(134,835)	7,665
INCOME TOTAL	(33,502,975)	(9,051,251)	(9,097,856)	(46,605)
EXPENDITURE				
Repairs & Maintenance	4,875,615	1,218,904	1,214,947	(3,957)
Supervision and Management	7,372,920	1,843,230	1,841,709	(1,521)
Rents, Rates & Taxes	130,000	32,500	35,000	2,500
Capital Charges - Depreciation	8,909,000	2,227,250	2,229,000	1,750
Provision for Bad Debts	300,000	75,000	75,000	0
Debt Management Expenses	11,500	2,875	2,850	(25)
EXPENDITURE TOTAL	21,599,035	5,399,759	5,398,506	(1,253)
NET COST OF SERVICES	(11,903,940)	(3,651,492)	(3,699,350)	(47,858)
Corporate & Democratic Core	185,450	46,363	46,400	37
NET COST OF HRA SERVICES	(11,718,490)	(3,605,129)	(3,652,950)	(47,821)
Interest Payable	5,622,575	1,405,644	1,355,644	(50,000)
Interest Receivable	(33,310)	(8,328)	(8,328)	0
Revenue Contribution to Capital	0	0	0	0
MRP	4,300,000	1,075,000	1,075,000	0
Transfer to Insurance Reserve	50,000	12,500	12,510	10
Capital/New Build Reserve	1,770,000	442,500	443,000	500
(Surplus)/Deficit on HRA Services	(9,225)	(677,813)	(775,124)	(97,311)

Appendix 3

CAPITAL PROGRAMME 2015/16 - Quarter 1

	1	2	3	4	5
Project/Scheme	Approved Programme 2015/16 £000	Approved changes to Programme £000	Profiled Budget Quarter 1 £000	Actual and Commitments Quarter 1 £000	Variance at Quarter 1 £000
Housing Investment					
Decent Homes Scheme	12,608	0	3,152	2,044	(1,108)
TARRAN's Scheme	2,532	0	890	890	0
HRA Dev Schemes - External Wall Insulation	5,318	0	0	0	0
HRA Dev Schemes - Purchase of Tupton Houses	210	0	0	0	0
HRA Dev Schemes - Keats Ways Grassmoor	374	0	335	335	0
Private Sector Spending	393	0	234	190	(44)
Total Housing Investment	21,435	0	4,611	3,459	(1,152)
Other Capital Projects					
ICT Schemes	198	0	17	17	0
Lottery Funded Schemes	15	0	1	1	0
DSC Pool Refurbishment	37	0	3	3	0
Asset Refurbishment - General	150	0	0	0	0
Asset Refurbishment - Coney Green BIC	11	0	11	11	0
Asset Refurbishment - Eckington Depot	22	0	7	7	0
Demolition of Holmewood Depot	50	0	0	0	0
Refurbishment of Mill Lane	279	0	213	213	0
Mill Lane Land Remediation	275	0	1	1	0
Replacement Vehicles	2,194	0	1,707	1,707	0

Sharley Park Refurbishment	101	0	1	1	0
Contaminated Land	42	0	0	0	0
Total Other Capital Projects	3,374	0	1,961	1,961	0
Total Capital Expenditure	24,809	0	6,572	5,420	(1,152)
Capital Resources	2015/16	Approved changes to Programme	Profiled Resources Quarter 1	Resources Used Quarter 1	Variance at Quarter 1
	£000	£000	£000	£000	£000
Housing Investment Funding					
Major Repairs Allowance	(15,158)	0	(3,275)	(2,167)	1,108
External Grant	(1,209)	0	0	0	0
HRA Capital Investment Reserve	(2,832)	0	(335)	(335)	0
Prudential Borrowing	(1,843)	0	(767)	(767)	0
	(21,042)	0	(4,377)	(3,269)	1,108
<u>Private Sector Spending</u>					
Disabled Facilities Grant	(373)	0	(229)	(185)	44
Usable Capital Receipts	(20)	0	(5)	(5)	0
Total Housing Investment Funding	(21,435)	0	(4,611)	(3,459)	1,152
Other Capital Projects Funding					
Useable Capital Receipts	(784)	0	(22)	(22)	0
Prudential Borrowing	(2,473)	0	(1,921)	(1,921)	0
RCCO - GF	(60)	0	(17)	(17)	0
External Grant	(57)	0	(1)	(1)	0
Other Capital Project Funding	(3,374)	0	(1,961)	(1,961)	0
Total Capital Financing	(24,809)	0	(6,572)	(5,420)	1,152

Treasury Management Activity 2015/16 – Quarter 1

PWLB Borrowing

The Council's total outstanding PWLB debt amounted to £159,056,535.11 at 1 April 2015. During the first quarter of 2015/16 an amount of £2,002,361.08 was repaid leaving a balance at 30 June 2015 of £157,054,174.03. 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: -

PWLB BORROWING	Maturity Profile 31 March 2015	Maturity Profile 30 June 2015
Term	£	£
12 Months	2,303,759.85	301,398.77
1 - 2 years	1,301,675.28	1,301,675.28
2 - 5 years	5,909,727.07	5,909,727.07
5 - 10 years	12,841,120.67	12,841,120.67
10 - 15 years	23,377,417.41	23,377,417.41
Over 15 years	113,322,834.83	113,322,834.83
Total PWLB Debt	159,056,535.11	157,054,174.03

PWLB Interest

The interest cost to the Council of the PWLB debt for 2015/16 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.

Date	Amount Paid to PWLB £
Less Accrued Interest re 2014/15	(78,276.24)
17/04/15	29,998.69
Plus Accrued Interest re 2015/16	1,454,896.01
Total Paid	1,406,618.46

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 £0.00. At the 30 June 2015 the Council had no temporary borrowing.

Temporary Investments

The tables below detail the short term investments made at various times during the financial year 2015/16: -

Bank Name	B/Fwd 01/04/15 £,000	Amount Invested 2015/16 £,000	Amount Returned 2015/16 £,000	Balance Invested 30/6/15 £,000
Natwest	18	300	(0)	318
Bank of Scotland	0	0	(0)	0
Santander	20	1,000	(1,000)	20
Ignis	0	10,003	(5,003)	5,000
Total	38	11,303	(6,003)	5,338

From the table above it can be seen that the balance invested by the Council at 30 June 2015 is £5.338m. Interest earned from temporary investments (included in the amount invested column in the above table) during 2015/16 amounted to £3,196.79 and is detailed in the table below.

Below is a table showing the interest received during 2015/16:-

Bank Name	Amount Received £
Nat West Bank	(18.32)
Bank of Scotland	(0.00)
Santander	(140.82)
IGNIS	(3,037.65)
Total	(3,196.79)

Overnight Investments

During quarter 1 the Council ceased its contract with the Co-Operative Bank. All Co-Operative Bank accounts have been closed on 30/6/2015.

The balance of the daily surplus funds can be placed as overnight investments with the Councils bank which is the Lloyds Bank. The maximum amount invested with the Lloyds Bank in the financial year was £4.914m. There has been no breach of the £5m limit set in the Treasury Management Strategy. The interest earned from daily balances to 30 June 2015 is £3,001.46.

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.

	Actual 2015/16	Set Limits 2015/16
Authorised Limit (total Council external borrowing limit)	175,696,851	184,847,000
Operational Boundary	157,147,342	179,847,000