

North East Derbyshire District Council

Cabinet

28 October 2015

Budget Monitoring Quarter 2 – July to September 2015

Report No: PRK/12/15-16/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 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 Officers have continued the integrated approach to budget monitoring in the second quarter with Performance, Risk and Finance being considered together at Directorate meetings held during October 2015. The scope of this report is therefore to report the current financial position following the 2015/16 quarter two 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, various carry forwards agreed at Cabinet in July and changes in relation to the Council's interest budgets agreed following the first quarter's monitoring exercise 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 now stands at £0.110m.
- 1.4 The budget monitoring undertaken in the second 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 second quarter of £0.082m with an additional underspend of £0.019m due to increased income on Investment Properties and interest.

- 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 second quarter. On the basis of the savings achieved to date, Officers are of the view that the Council should be in a position to balance its budget by the year end.
- 1.6 Officers have been working with Budget Managers to compile a revised budget for 2015/16. This will amend the current budgets to capture the identified budget savings and reduce spending where it is anticipated that there will be a minimal impact upon service delivery. 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. The revised budget position will be brought back to Cabinet in November.

Housing Revenue Account (HRA)

- 1.7 The Housing Revenue Account in respect of the second quarter of 2015/16 is set out in **Appendix 2** to this report.
- 1.8 Due to a better than anticipated position on voids, the dwelling rents budget is performing better than expected. It is not recommended to make any amendments to this budget at this stage as they will be reviewed during the revised budget process and if necessary, amended at that stage.
- 1.9 There are no other significant income or expenditure variances within the HRA to report at the end of the second quarter.

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 2015/16 now stands at £24.809m.
- 1.11 In headline terms the capital programme profiled budget for quarter 2 is £12.754m and actual spend and known commitments total £11.493m, which is £1.261m 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 strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.14 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 second quarter of 2015/16.

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.

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

To date, the council has achieved £0.390m of its £0.500m savings target. The monitoring position shows a net under spend position in the second quarter of £0.101m and officers are of the view that further work will secure the full level of financial savings required in respect of 2015/16.

HRA

The level of voids within the HRA is lower than anticipated which may result in a saving on this budget if this position can be maintained.

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

Capital Expenditure

There are no significant areas of concern to report regarding the Capital Programme in the second 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 second quarter.

Treasury Management

There are no significant areas of concern to report regarding Treasury Management activities in the second 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 second 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 satisfactory position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the second quarter.

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	Customer Focussed Services –

or Policy Framework	Providing Excellent customer focussed services. Strategic Organisational Development – Continually improving our organisation
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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)	
Report Author	Contact Number
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Appendix 1

GENERAL FUND ACCOUNT : SUMMARY 2015/16 - Quarter 2

	1	2	3	4	5
	Original Budget 2015/16 £	Current Budget 2015/16 £	Profiled Qtr 2 Budget £	Actuals with Accruals £	Variance £
Growth	3,202,087	3,283,497	1,757,122	1,736,609	(20,513)
Transformation	2,475,881	2,537,386	1,407,647	1,445,240	37,593
Operations	6,135,525	6,045,359	2,969,869	2,815,832	(154,037)
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
2015/16 Savings Target	(500,443)	(109,580)	(54,790)	0	54,790
Net Cost of Services	10,825,550	11,269,162	5,836,098	5,753,931	-82,167
Investment Properties	(347,253)	(347,253)	(153,836)	(171,605)	(17,769)
Interest Charges	134,425	74,425	37,213	36,400	(813)
Debt Repayment Minimum Revenue Provision	256,000	256,000	128,000	128,000	0
Parish Precepts	2,831,984	2,831,984	1,415,992	1,415,992	0
Parish Council Tax Support Grant	312,805	312,805	156,403	156,403	0
Transfer To Earmarked Reserves	45,000	45,000	22,500	22,500	0
Transfer From Earmarked Reserves	(13,000)	(296,612)	(148,306)	(148,306)	0
Total Spending Requirement	14,045,511	14,145,511	7,294,063	7,193,314	-100,749
Business Rate Retention	(3,202,735)	(3,302,735)	(1,651,368)	(1,651,368)	0
Revenue Support Grant	(1,970,753)	(1,970,753)	(985,377)	(985,377)	0
Council Tax Freeze Grant	(58,240)	(58,240)	(29,120)	(29,120)	0
Use of New Homes Bonus	(690,058)	(690,058)	(345,029)	(345,029)	0
Collection Fund (Surplus)/Deficit	(166,499)	(166,499)	(83,250)	(83,250)	0
Parish Council Council Tax Requirement	(2,831,984)	(2,831,984)	(1,415,992)	(1,415,992)	0
NEDDC Council Tax Requirement	(5,125,242)	(5,125,242)	(2,562,621)	(2,562,621)	0
Council Tax Requirement	(14,045,511)	(14,145,511)	(7,072,756)	(7,072,756)	0

AGIN 7(a) (CAB 1028) Budget Monitoring Q2/Appendix 1/AJD

Appendix 2

HOUSING REVENUE ACCOUNT: SUMMARY 2015/16 - Quarter 2

	Current Budget 2015/16 £	Profiled Qtr 2 Budget £	Actuals with Accruals £	Variance £
INCOME				
Dwelling Rents	(32,063,600)	(17,367,783)	(17,527,510)	(159,727)
Non-Dwelling Rents	(360,725)	(195,393)	(201,759)	(6,366)
Charges for Services and Facilities	(508,650)	(254,325)	(261,218)	(6,893)
Contributions Towards Expenditure	(570,000)	(285,000)	(257,710)	27,290
INCOME TOTAL	(33,502,975)	(18,102,501)	(18,248,197)	(145,696)
EXPENDITURE				
Repairs & Maintenance	6,415,024	3,207,512	3,240,099	32,587
Supervision and Management	5,833,511	2,916,756	2,893,678	(23,078)
Rents, Rates & Taxes	130,000	65,000	65,000	0
Capital Charges - Depreciation	8,909,000	4,454,500	4,450,000	(4,500)
Provision for Bad Debts	300,000	150,000	150,000	0
Debt Management Expenses	11,500	5,750	5,750	0
EXPENDITURE TOTAL	21,599,035	10,799,518	10,804,527	5,009
NET COST OF SERVICES	(11,903,940)	(7,302,983)	(7,443,670)	(140,687)
Corporate & Democratic Core	185,450	92,725	92,725	0
NET COST OF HRA SERVICES	(11,718,490)	(7,210,258)	(7,350,945)	(140,687)
Interest Payable	5,463,896	2,731,948	2,731,948	0
Interest Receivable	(70,603)	(35,302)	(35,302)	0
Revenue Contribution to Capital				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	1,770,000	885,000	885,000	0
(Surplus)/Deficit on HRA Services	(205,197)	(1,453,612)	(1,594,299)	(140,687)

CAPITAL PROGRAMME 2015/16 - Quarter

2

	1	2	3	4	5
Project/Scheme	Approved Programme 2015/16 £000	Approved changes to Programme £000	Profiled Budget Quarter 2 £000	Actual and Commitments Quarter 2 £000	Variance at Quarter 2 £000
Housing Investment					
Decent Homes Scheme	12,608	(84)	6,262	5,033	(1,229)
TARRAN's Scheme	2,532	0	1,344	1,344	0
HRA Dev Schemes - External Wall Insulation	5,318	0	1,916	1,916	0
HRA Dev Schemes - Purchase of Tupton Houses	210	0	458	458	0
HRA Dev Schemes - Keats Ways Grassmoor	374	84	42	42	0
Private Sector Spending	393	0	370	326	(44)
Total Housing Investment	21,435	0	10,392	9,119	(1,273)
Other Capital Projects					
ICT Schemes	198	0	23	23	0
Lottery Funded Schemes	15	0	1	1	0
DSC Pool Refurbishment	37	0	37	39	2
Asset Refurbishment - General	150	0	0	0	0
Asset Refurbishment - Coney Green BIC	11	0	11	10	(1)
Asset Refurbishment - Eckington Depot	22	0	21	21	0
Demolition of Holmewood Depot	50	0	0	0	0
Refurbishment of Mill Lane	279	0	279	225	(54)
Mill Lane Land Remediation	275	0	275	340	65
Replacement Vehicles	2,194	0	1,707	1,707	0
Sharley Park Refurbishment	101	0	3	3	0
Contaminated Land	42	0	5	5	0
Total Other Capital Projects	3,374	0	2,362	2,374	12
Total Capital Expenditure	24,809	0	12,754	11,493	(1,261)

Capital Resources	2015/16 £000	Approved changes to Programme £000	Profiled Resources Quarter 2 £000	Resources Used Quarter 2 £000	Variance at Quarter 2 £000
Housing Investment Funding					
Major Repairs Allowance	(15,158)	0	(8,762)	(7,533)	1,229
External Grant	(1,209)	0	(189)	(189)	0
HRA Capital Investment Reserve	(2,832)	0	(416)	(416)	0
Prudential Borrowing	(1,843)	0	(655)	(655)	0
	(21,042)	0	(10,022)	(8,793)	1,229
Private Sector Spending					
Disabled Facilities Grant	(373)	0	(360)	(316)	44
Usable Capital Receipts	(20)	0	(10)	(10)	0
Total Housing Investment Funding	(21,435)	0	(10,392)	(9,119)	1,273
Other Capital Projects Funding					
Useable Capital Receipts	(509)	0	(65)	(131)	(66)
Prudential Borrowing	(2,473)	0	(1,986)	(1,932)	54
Invest to Save	(275)	0	(275)	(275)	0
RCCO - GF	(60)	0	(30)	(30)	0
External Grant	(57)	0	(6)	(6)	0
Other Capital Project Funding	(3,374)	0	(2,362)	(2,374)	(12)
Total Capital Financing	(24,809)	0	(12,754)	(11,493)	1,261

AGIN 7(a) (CAB 1028) Budget Monitoring Q2/Appendix 3/AJD

Treasury Management Activity 2015/16 – Quarter 2

PWLB Borrowing

The Council's total outstanding PWLB debt amounted to £159,056,535.11 at 1 April 2015. During the second quarter of 2015/16 an amount of £2,152,983.17 was repaid leaving a balance at 30 September 2015 of £156,903,551.94. 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	Maturity Profile
Term	31 March 2015	30 September
	£	2015
		£
12 Months	2,303,759.85	150,776.68
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	156,903,551.94

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
18/09/15	39,700.00
22/09/15	108,000.00
23/09/15	61,010.41
28/09/15	2,135,502.20
29/09/15	470,379.56
Plus Accrued Interest re 2015/16	48,180.13
Total Paid	2,814,494.75

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 September 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 30/9/15 £,000
Natwest	18	6,001	(6,000)	19
Bank of Scotland	0	0	(0)	0
Santander	20	4,000	(4,000)	20
Ignis	0	10,008	(5,008)	5,000
Total	38	20,009	(15,008)	5,039

From the table above it can be seen that the balance invested by the Council at 30 September 2015 is £5.039m. Interest earned from temporary investments (included in the amount invested column in the above table) during 2015/16 amounted to £10,287.42 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	(1,490.74)
Bank of Scotland	(0.00)
Santander	(260.03)
Standard Life	(8,536.65)
Total	(10,287.42)

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 Council's bank which is the Lloyds Bank. The maximum amount invested with the Lloyds Bank in the first two quarters of the financial year was £4.991m. There has been no breach of the £5m limit set in the Treasury Management Strategy. The interest credited on balances in the period is £4,847.20.

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)	173,830,055	184,847,000
Operational Boundary	156,967,500	179,847,000