

**North East Derbyshire District Council**

**Cabinet**

**31 August 2016**

**Budget Monitoring Report, Quarter 1 – April to June 2016**

**Report 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 adopted the integrated approach to budget monitoring utilised in previous years for the first quarter with Performance, Risk and Finance being considered together at Directorate meetings held during July 2016. The scope of this report is therefore to report the current financial position following the 2016/17 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 2016/17 was £0.395m (column 1).
- 1.3 Savings identified to date and other changes to the budget 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 2016/17 now stands at £0.165m.
- 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 £0.061m with an additional under spend of £0.025m 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 slightly below its profiled budget at the end of the first 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 will begin working with Budget Managers ahead of quarter two to compile a revised budget for 2016/17. 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. As in previous years, 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 too 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 first quarter of 2016/17 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 Supervision and management costs are £0.023m below budget at quarter one; there are no major variances of note to report within this. Interest payable and interest receivable are both higher than budget at this stage when comparing actual loans pool and internal borrowing movements against the forecast but this is expected to align with the annual forecast over the coming months.

### **Capital Investment Programme**

#### **Capital Expenditure**

- 1.10 The first quarter monitoring position in respect of the Capital Programme is provided in **Appendix 3** to this report. In total the approved capital programme for 2016/17 is £14.469m.
- 1.11 The capital programme profiled budget for quarter 1 is £3.68m and actual spend and known commitments total £2.199m, giving a favourable variance of £1.481m. The main area of under spend at this stage in the financial year relates to the Decent Homes schemes managed by Rykneld Homes but this is fully expected to reverse over the coming months with delivery of planned works on target for the year.

#### **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 first quarter. As in previous years, officers will continue to work to generate capital

receipts in order to assist in 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 2016/17 Treasury Management Strategy at its meeting in February 2016. **Appendix 4** identifies the Treasury Management activity undertaken during the first quarter of 2016/17.

## **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

To date, the council has achieved £0.102m of its £0.395m savings target. The monitoring position shows a net under spend position in the first quarter of £0.031m and officers are of the view that further work will secure the full level of financial savings required in respect of 2016/17.

#### 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 first quarter.

### Capital Expenditure

There are no significant areas of concern to report regarding the Capital Programme in the second quarter of 2016/17.

### 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 2016/17.

## **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 2016/17.

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**

<b>Is the decision a Key Decision?</b> (A Key Decision is an executive decision 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
<b>Is this decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	<b>Customer Focussed Services</b> – Providing Excellent customer focussed services. <b>Strategic</b> <b>Organisational Development</b> – Continually improving our organisation

**8 Document Information**

<b>Appendix No</b>	<b>Title</b>
1	General Fund
2	HRA – Monitoring
3	Capital
4	Treasury Management
<b>Background Papers</b> (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)	
<b>Report Author</b>	<b>Contact Number</b>
Assistant Director – Finance, Revenues & Benefits	7658

AGIN 8(a)(CAB 0831) Budget Monitoring Q1/AJD

# Appendix 1

## GENERAL FUND SUMMARY 2016/17 Quarter 1

	1	2	3	4	5
	Original Budget 2016/17 £	Current Budget 2015/16	Profiled Qtr 1 Budget	Actuals with Accruals	Variance
Growth	3,248,038	3,389,282	1,007,056	927,219	(79,837)
Transformation	2,435,222	2,454,958	831,077	849,568	18,491
Operations	6,001,695	5,912,727	1,631,565	1,590,294	(41,271)
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
Provision for pay award	0	0	0	0	0
Savings Target	(395,151)	(165,225)	(41,306)	0	41,306
<b>Net Cost of Services</b>	<b>10,802,304</b>	<b>11,104,242</b>	<b>3,570,267</b>	<b>3,508,956</b>	<b>-61,311</b>
Investment Properties	(375,163)	(370,083)	(92,520)	(109,425)	(16,905)
Interest	35,960	15,780	3,945	(4,044)	(7,989)
Debt Repayment Minimum Revenue Provision	256,000	256,000	64,000	64,000	0
Parish Precepts	2,831,984	2,893,566	723,392	723,392	0
Parish Council Tax Support Grant	281,525	281,525	140,763	140,763	0
Transfer to General Fund Balances	0	0	0	0	0
Transfer To Earmarked Reserves	61,402	0	0	0	0
Transfer From Earmarked Reserves	0	(123,783)	(73,286)	(73,286)	0
<b>Total Spending Requirement</b>	<b>13,894,012</b>	<b>14,057,247</b>	<b>4,336,561</b>	<b>4,250,356</b>	<b>-86,205</b>
Business Rate Retention	(3,082,470)	(3,082,470)	(770,620)	(770,620)	0
Business Rate Pooling	(150,000)	(150,000)	(37,500)	(37,500)	0
Revenue Support Grant	(1,294,946)	(1,294,946)	(323,994)	(323,994)	0
Use of New Homes Bonus	(1,214,317)	(1,214,317)	(303,822)	(303,822)	0
Collection Fund (Surplus)/Deficit	(106,991)	(106,991)	(26,769)	(26,769)	0
NEDDC Council Tax Requirement	(5,213,304)	(5,314,957)	(1,328,739)	(1,328,739)	0
Parish Council Council Tax Requirement	(2,831,984)	(2,893,566)	(723,392)	(723,392)	0
<b>Council Tax Requirement</b>	<b>(13,894,012)</b>	<b>(14,057,247)</b>	<b>(3,514,836)</b>	<b>(3,514,836)</b>	<b>0</b>

## Appendix 2

### HOUSING REVENUE ACCOUNT: SUMMARY 2016/17 - Quarter 01

	<b>Current Budget 2016/17 £</b>	<b>Profiled Qtr 1 Budget £</b>	<b>Actuals with Accruals £</b>	<b>Variance £</b>
<b>INCOME</b>				
Dwelling Rents	(31,900,577)	(8,639,740)	(8,687,650)	(47,910)
Non-Dwelling Rents	(367,170)	(97,546)	(116,010)	(18,464)
Charges for Services and Facilities	(516,010)	(134,729)	(123,384)	11,345
Contributions Towards Expenditure	(350,000)	(94,792)	(88,325)	6,467
<b>INCOME TOTAL</b>	<b>(33,133,757)</b>	<b>(8,966,807)</b>	<b>(9,015,369)</b>	<b>(48,562)</b>
<b>EXPENDITURE</b>				
Repairs & Maintenance	5,256,779	1,314,195	1,317,587	3,392
Supervision and Management	7,113,357	1,778,339	1,754,838	(23,501)
Rents, Rates & Taxes	150,000	37,500	37,784	284
Capital Charges - Depreciation	7,050,000	1,762,500	1,762,500	0
Provision for Bad Debts	250,000	62,500	50,000	(12,500)
Debt Management Expenses	11,500	2,875	2,875	0
<b>EXPENDITURE TOTAL</b>	<b>19,831,636</b>	<b>4,957,909</b>	<b>4,925,584</b>	<b>(32,325)</b>
<b>NET COST OF SERVICES</b>	<b>(13,302,121)</b>	<b>(4,008,898)</b>	<b>(4,089,785)</b>	<b>(80,887)</b>
Corporate & Democratic Core	185,450	46,363	46,400	37
<b>NET COST OF HRA SERVICES</b>	<b>(13,116,671)</b>	<b>(3,962,535)</b>	<b>(4,043,385)</b>	<b>(80,850)</b>
Interest Payable	5,481,000	1,370,250	1,433,553	63,303
Interest Receivable	(36,953)	(9,238)	(49,000)	(39,762)
Revenue Contribution to Capital	3,249,000	812,250	812,250	0
MRP	4,300,000	1,075,000	1,075,000	0
Transfer to Insurance Reserve	50,000	12,500	12,500	0
Capital/New Build Reserve				0
<b>(Surplus)/Deficit on HRA Services</b>	<b>(73,624)</b>	<b>(701,773)</b>	<b>(759,082)</b>	<b>(57,309)</b>

## Appendix 3

### CAPITAL PROGRAMME 2016/17 - Quarter 1

	1	2	3	4	5
Project/Scheme	Approved Programme 2016/17 £000	Approved changes to Programme £000	Profiled Budget Quarter 1 £000	Actual and Commitments Quarter 1 £000	Variance at Quarter 1 £000
<b>Housing Investment</b>					
Central Heating Project - DECC Funded	340	0	85	90	5
Decent Homes Scheme	10,164	0	2,541	1,695	(846)
External Wall Insulation	25	0	6	0	(6)
North Wingfield New Build	2,535	0	634	0	(634)
Private Sector Spending	393	0	268	268	0
<b>Total Housing Investment</b>	<b>13,457</b>	<b>0</b>	<b>3,534</b>	<b>2,053</b>	<b>(1,481)</b>
<b>Other Capital Projects</b>					
Asset Refurbishment - General	150	0	0	0	0
DSC Pool Refurbishment	8	0	6	6	0
Refurbishment of Mill Lane	40	0	6	6	0
Demolition of Holmewood Depot	56	0	0	0	0
Lottery Funded Schemes	13	0	0	0	0
Replacement Vehicles	471	0	132	132	0
Contaminated Land	42	0	0	0	0
ICT Schemes	131	0	2	2	0
Sharley Park Refurbishment	101	0	0	0	0
<b>Total Other Capital Projects</b>	<b>1,012</b>	<b>0</b>	<b>146</b>	<b>146</b>	<b>0</b>
<b>Total Capital Expenditure</b>	<b>14,469</b>	<b>0</b>	<b>3,680</b>	<b>2,199</b>	<b>(1,481)</b>

Capital Resources	2016/17 £000	Approved changes to Programme £000	Profiled Resources Quarter 1 £000	Resources Used Quarter 1 £000	Variance at Quarter 1 £000
<b>Housing Investment Funding</b>					
Major Repairs Allowance	(10,164)	0	(2,541)	(1,695)	846
External Grant	(691)	0	(173)	(90)	83
HRA Capital Investment Reserve	(1,025)	0	(256)	0	256
Prudential Borrowing	(1,184)	0	(296)	0	296
	(13,064)	0	(3,266)	(1,785)	1,481



<b>Private Sector Spending</b>					
Disabled Facilities Grant	(373)	0	(263)	(263)	0
Usable Capital Receipts	(20)	0	(5)	(5)	0
<b>Total Housing Investment Funding</b>	<b>(13,457)</b>	<b>0</b>	<b>(3,534)</b>	<b>(2,053)</b>	<b>1,481</b>
<b>Other Capital Projects Funding</b>					
External Grant	(55)	0	0	0	0
Prudential Borrowing	(511)	0	(138)	(138)	0
RCCO - GF	(100)	0	(29)	(29)	0
Useable Capital Receipts	(346)	0	21	21	0
<b>Other Capital Project Funding</b>	<b>(1,012)</b>	<b>0</b>	<b>(146)</b>	<b>(146)</b>	<b>0</b>
<b>Total Capital Financing</b>	<b>(14,469)</b>	<b>0</b>	<b>(3,680)</b>	<b>(2,199)</b>	<b>1,481</b>

## Appendix 4

### Treasury Management Activity 2016/17 – Quarter 1

#### **PWLB Borrowing**

The Council's total outstanding PWLB debt amounted to £156,752,775.26 at 1 April 2016. During the first quarter of 2016/17 no amounts were repaid so the balance at 30 June 2016 stayed at £156,752,775.26. During the current financial year no new loans have been taken out with the PWLB to date. The profile of the outstanding debt is analysed as follows: -

<b>PWLB BORROWING</b>	<b>Maturity Profile 31 March 2016</b>	<b>Maturity Profile 30 June 2016</b>
<b>Term</b>	<b>£</b>	<b>£</b>
12 Months	1,301,675.28	1,301,675.28
1 - 2 years	1,302,360.03	1,302,360.03
2 - 5 years	4,911,036.77	4,911,036.77
5 - 10 years	21,537,868.94	21,537,868.94
10 - 15 years	18,470,163.69	18,470,163.69
Over 15 years	109,229,670.55	109,229,670.55
<b>Total PWLB Debt</b>	<b>156,752,775.26</b>	<b>156,752,775.26</b>

#### **PWLB Interest**

The interest cost to the Council of the PWLB debt for 2016/17 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>
	<b>£</b>
Less Accrued Interest re 2015/16	(50,891.81)
Plus Accrued Interest re 2016/17	1,447,833.25
<b>Total Paid</b>	<b>1,396,941.44</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 hasn't incurred any interest charges. At the 30 June 2016 the Council had no temporary borrowing.

### Temporary Investments

The tables below detail the short term investments made at various times during the financial year 2016/17: -

<b>Bank Name</b>	<b>B/Fwd</b>	<b>Amount</b>	<b>Amount</b>	<b>Balance</b>
	<b>01/04/16</b>	<b>Invested</b>	<b>Returned</b>	<b>Invested</b>
		<b>2016/17</b>	<b>2016/17</b>	<b>30/6/16</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Natwest	19	0	(0)	19
Bank of Scotland	0	0	(0)	0
Santander	21	0	(0)	21
Federated	3,500	6,004	(4,504)	5,000
Standard Life	0	2,000	(0)	2,000
<b>Total</b>	<b>3,540</b>	<b>8,004</b>	<b>(4,504)</b>	<b>7,040</b>

From the table above it can be seen that the balance invested by the Council at 30 June 2016 is £7.040m. Interest earned from temporary investments (included in the amount invested column in the above table) during 2016/17 amounted to £4,166.93 and is detailed in the table below.

Below is a table showing the interest received during 2016/17:-

<b>Bank Name</b>	<b>Amount Received</b> <b>£</b>
Nat West Bank	(12.03)
Bank of Scotland	(0.08)
Santander	(20.50)
Federated	(3,720.99)
Standard Life	(413.33)
<b>Total</b>	<b>(4,166.93)</b>

### **Overnight Investments**

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 financial year was £4.586m. There has been no breach of the £5m limit set in the Treasury Management Strategy. The interest earned from daily balances to 30 June 2016 is £1,368.41.

### **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</b> <b>2016/17</b>	<b>Set Limits</b> <b>2016/17</b>
<b>Authorised Limit (total Council external borrowing limit)</b>	<b>169,765,708</b>	<b>179,633,000</b>
<b>Operational Boundary</b>	<b>156,752,775</b>	<b>174,633,000</b>