

**North East Derbyshire District Council**

**Cabinet**

**23 November 2016**

**Budget Monitoring Report, Quarter 2 – April to September 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 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 adopted the integrated approach to budget monitoring utilised in previous years for the second quarter with Performance, Risk and Finance being considered together at Directorate meetings held during October 2016. The scope of this report is therefore to report the current financial position following the 2016/17 quarter two monitoring exercise. It should be noted that there is a separate report elsewhere on this agenda recommending a revised budget for 2016/17 which is based upon a separate but related piece of work.

**General Fund Revenue Account**

- 1.2 The General Fund Revenue Account summary as linked in paragraph 8 as **Appendix 1**. The appendix identifies that the original savings target for the financial year 2016/17 was £0.395m (column 1). Of that target some £0.142m has already been identified and agreed as a result of the Quarter 1 monitoring exercise, leaving a remaining target of £0.253m as the Current Budget shortfall (column 2).
- 1.3 The budget monitoring undertaken in the second quarter is against the Current Budget and is detailed 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 £0.276m against the Total Spending Requirement.
- 1.4 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 will be in a position to balance its budget by the year end.

- 1.5 Officers have been working with Budget Managers in recent weeks 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 and to secure further savings to help address the identified shortfall in future years. Where possible the budget in future years will be amended to reflect these savings in order to reduce the projected budget gap faced by the Council. The revised budget position will be presented to this Cabinet under separate report at this meeting. That revised budget indicates that it should be possible to both achieve the savings required to meet the 2016/17 savings target, whilst making a contribution to the Invest to Save reserve of £0.392m.

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

- 1.6 The Housing Revenue Account in respect of the second quarter of 2016/17 as linked in paragraph 8 is set out in **Appendix 2** to this report.
- 1.7 Due to a better than anticipated position on voids, the dwelling rents income is higher than budget. This budget is being fully reviewed during the revised budget process and if appropriate, will be amended as part of the revised budget process.
- 1.8 Supervision and management costs are £0.033m below budget at quarter two and repairs and maintenance costs are £0.031m below budget. There are no major variances of note to report within these budgets. Interest receivable is higher than budget at this stage when comparing actual loans pool and internal borrowing movements against the forecast. On the basis of the work undertaken as part of the Revised Budget process it is anticipated that the surplus on the HRA in 2016/17 will increase by £0.412m from the budgeted position of £0.074m to one of £0.486m. This forecast improvement has been secured as a result of a combination of improved rental income and reduced expenditure. These savings will be available to deliver improved services to tenants in future years.

### **Capital Investment Programme**

#### **Capital Expenditure**

- 1.9 The second quarter monitoring position in respect of the Capital Programme is provided in **Appendix 3** and linked in paragraph 8 to this report. In total the approved Capital Programme for 2016/17 is £16.221m.
- 1.10 The Capital Programme profiled budget for quarter two is £5.854m and actual spend and known commitments total £4.963m, giving a favourable variance of £0.891m. The main area of under spend at this stage in the financial year relates to the HRA capital works budget managed by Rykneld Homes but this is anticipated to be addressed over the coming months with delivery of planned works to be on target by the end of the financial year.

## **Capital Resources**

- 1.11 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. 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**

- 1.12 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.
- 1.13 The Council approved the 2016/17 Treasury Management Strategy at its meeting in February 2016. **Appendix 4**, as linked in paragraph 8, identifies the Treasury Management activity undertaken during the second quarter of 2016/17, which is in line with the parameters set out in the approved Treasury Management Strategy.

## **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. In overall terms, the budget monitoring supports the view that the Council will be able to operate within the context of approved budgets and will secure its financial savings target by the year end.

## **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 £0.142m of its £0.395m savings target to date. The monitoring position shows a net under spend position in the first quarter of £0.275m and officers are of the view that the full level of financial savings required in respect of 2016/17 will be secured. This view is supported by the work undertaken in respect of the Revised Budgets.

## 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. Again, the work on the Revised Budgets indicates that the position should be better at the end of the financial year than has been anticipated in the current budgets.

## 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 second quarter.

## Treasury Management

There are no significant areas of concern to report regarding Treasury Management activities in the second 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 second quarter as detailed in Appendix 1 and requests Officers continue with the 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 the 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 Organisational Development</b> – Continually improving our organisation

## 8 Document Information

Appendix No	Title
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)	
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