

North East Derbyshire District Council

Cabinet

25 October 2017

Medium Term Financial Plan - Budget Monitoring Report, Quarter 2 – July to September 2017

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 (HRA), 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 the combined Directorate meeting to be held during October 2017. The scope of this report is therefore to report the current financial position following the 2017/18 quarter two monitoring exercise.

General Fund Revenue Account

- 1.2 The General Fund Revenue Account summary is shown in **Appendix 1**. The original budget for 2017/18 showed a savings target of £0.363m. By the end of quarter 2 savings of £0.315m have been achieved against this target leaving £0.048 still to achieve. As savings are identified and secured they are moved into the relevant cost centres within the main General Fund Directorates. Bearing in mind that significant establishment cost savings have been made in previous outturns, Officers have reviewed the establishment costs at the end of quarter 2 and savings of £0.093m have been removed from budgets.
- 1.3 The budget monitoring undertaken in the second quarter is monitored against the Current Budget. 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 over spend at the end of the first quarter of £0.060m. There is an under spend of £0.206m due to increased income on Investment Properties and interest bringing the net underspend to £0.146m. 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.

1.4 Within the Directorates there is the following to report:

- The Growth Directorate shows a favourable variance of £0.165m. This relates mainly to:
 1. Income higher than forecast, predominantly planning fees (£0.203m) - favourable
 2. Under spends against the quarter 2 budget profile (£0.021m) - favourable
 3. Over spends against the quarter 2 budget profile due to less income received or new pressures (£0.059) – adverse.

- The Operations Directorate shows an adverse variance of £0.046m. This relates mainly to:
 1. Underspends on premises costs in relation to Mill Lane and Midway Business Centre (£0.014m) - favourable
 2. Over spends against the quarter 2 budget profile due to new pressures (£0.072m) – adverse.
 3. Income being slightly better than forecast against the profile (£0.012m) - favourable.

- The Transformation Directorate has an adverse variance of £0.155m. This mainly relates to:
 1. Income being lower than forecast (£0.128m) - adverse. The leisure centre budgets are being reviewed in detail as part of the revised budget process. Future projections look positive with the best months for income generation still to come.
 2. Over spends against quarter 2 budget due to new pressures (£0.027m) – adverse.

1.5 Officers have begun working with Budget Managers to compile a revised budget for 2017/18. This will amend the current budgets to capture additional 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 shortfall. The revised budget position will be presented to Cabinet in November.

Housing Revenue Account (HRA)

1.6 The Housing Revenue Account summary for the second quarter of 2017/18 is set out in **Appendix 2** to this report. At the end of quarter 2 the HRA is showing a net surplus of £0.592m.

Income

1.7 The quarter 2 income figures show a small favourable variance of £0.052m. The dwelling rents are slightly lower than forecast. This is a minor variance (0.25%) and

the position will be reviewed during the revised budget process and if necessary, amended at that stage.

Expenditure

- 1.8 Expenditure within most of the operating areas of the HRA shows under spends in the second quarter. There are therefore no budget pressures to report at this stage of the year. It is currently anticipated that expenditure will be in line with approved budgets at the year end. Interest payable is lower than forecast as there hasn't been the need for external borrowing to date. This will be re-profiled and reported back to Cabinet as part of the revised budgets.

HRA – Overall Summary

- 1.9 In light of the above and the expenditure patterns to date, there are no significant issues to report regarding the overall position for the HRA at the end of the second quarter.

Capital Programme

Capital Expenditure

- 1.10 The capital programme summary for the second quarter of 2017/18 is provided in **Appendix 3** to this report.
- 1.11 The capital programme profiled budget for quarter 2 is £9.300m and the actual spend and known commitments total £5.657m, which is £3.643m behind the planned spend position. The main areas to highlight are listed below:
1. HRA capital works are behind profile due to the scheduling of works. This is expected to be back on schedule over the coming months (£0.899m).
 2. The new build scheme at North Wingfield is now underway so spend will increase during the remainder of the financial year (£1.358m).
 3. The stock purchase scheme is being progressed with the deposits for the first units paid in September (£1.289m)
 4. The replacement vehicle programme spend is slightly behind profile but is expected to be utilised during this financial year (£0.042m).
- 1.12 Whilst there are no significant areas of concern regarding capital expenditure at the end of the second quarter, it is noted that the delivery of the approved capital programme is behind the profiled position as at quarter 2. Officers will continue to closely monitor the delivery of the Programme.

Capital Resources

- 1.13 HRA – The Council has sufficient capital resources in place to finance the HRA actual expenditure and commitments at the end of the second quarter.
General Fund – The financing of the General Fund part of the capital programme is in line with the approved financing arrangements.

Treasury Management

- 1.14 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 balances 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.
- 1.15 The Council approved the 2017/18 Treasury Management Strategy at its meeting in February 2017. **Appendix 4** identifies the Treasury Management activity undertaken during the second quarter of 2017/18 and demonstrates that this is in line with the plans agreed as part of the strategy.

Work is continuing to maximise interest yield from investments without any increase to risk and within the confines of the approved treasury management strategy. As part of this exercise, investments are now being placed with local authorities and in covered bonds and certificates of deposit with approved building societies. These investments have only very recently been placed so the benefits will begin to be realised during the course of the coming 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.

3 Consultation and Equality Impact

- 3.1 There are no equalities issues arising directly out of this report.

4 Alternative Options and Reasons for Rejection

- 4.1 The Budget Monitoring report for 2017/18 details progress against previously approved budgets. Accordingly there are no alternative options to consider.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 Financial implications are covered throughout this report.
- 5.1.2 The issue of Financial Risks is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register. While officers are of the view that these risks are being appropriately managed it needs to be recognised that there may be pressures on all of the Council's main budgets as these have been or are being reduced to minimum levels. These will need to be managed carefully during the course of this financial year if we are to protect the existing levels of financial balances.

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 issues 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 (a net favourable variance of £0.146m against the profiled budget) and the key issues highlighted within this report:

6.2 That Cabinet notes the position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the first quarter (Appendices 2, 3 and 4).

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	Yes
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	Providing Excellent customer focussed services. Continually improving our organisation

8 Document Information

Appendix No	Title
1	General Fund Summary
2	HRA Summary
3	Capital Programme
4	Treasury Management Update
<p>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)</p>	
Report Author	Contact Number
Assistant Director – Finance, Revenues and Benefits	7658

AGIN 8 (CAB 1025) MTFP, Qtr 2/AJD

Appendix 1

GENERAL FUND SUMMARY 2017/18 Quarter 2

	1	2	3	4	5
	Original Budget 2017/18 £	Current Budget 2017/18 £	Profiled Qtr 2 Budget £	Actuals with Accruals £	Variance £
Growth	3,382,582	3,271,343	928,788	763,789	(164,999)
Transformation	2,225,195	2,245,488	1,242,552	1,397,998	155,446
Operations	6,046,880	6,247,475	3,494,898	3,540,718	45,820
Bad Debt Provisions	40,000	40,000	20,000	20,000	0
Recharges to Capital and HRA	(527,500)	(527,500)	(527,500)	(527,500)	0
Savings Target	(362,779)	(47,781)	(23,890)	0	23,890
Net Cost of Services	10,804,378	11,229,025	5,134,848	5,195,005	60,157
Investment Properties	(375,290)	(383,220)	(130,824)	(208,471)	(77,648)
Interest	17,069	17,069	8,537	(119,666)	(128,203)
Debt Repayment Minimum Revenue Provision	256,000	256,000	128,000	128,000	0
Parish Precepts	2,965,717	2,965,717	2,965,717	2,965,717	0
Parish Council Tax Support Grant	211,144	211,144	211,144	211,144	0
Transfer to General Fund Balances	0	0	0	0	0
Transfer To Earmarked Reserves	23,000	63,000	63,000	63,000	0
Transfer From Earmarked Reserves	(856,281)	(1,312,998)	(1,312,998)	(1,312,998)	0
Total Spending Requirement	13,045,737	13,045,737	7,067,425	6,921,731	-145,693
Business Rate Retention	(3,150,000)	(3,150,000)	(1,575,000)	(1,575,000)	0
Business Rate Pooling	(150,000)	(150,000)	(75,000)	(75,000)	0
Revenue Support Grant	(706,487)	(706,487)	(353,386)	(353,386)	0
Use of New Homes Bonus	(1,090,832)	(1,090,832)	(545,634)	(551,601)	(5,967)
Collection Fund (Surplus)/Deficit - NNDR	639,406	639,406	0	0	0
Collection Fund (Surplus)/Deficit - Council Tax	(106,204)	(106,204)	0	0	0
NEDDC Council Tax Requirement	(5,515,903)	(5,515,903)	(2,757,952)	(2,757,952)	0
Parish Council Council Tax Requirement	(2,965,717)	(2,965,717)	(2,965,717)	(2,965,717)	0
Council Tax Requirement	(13,045,737)	(13,045,737)	(8,272,689)	(8,278,656)	(5,967)

-151,660

Appendix 2

HOUSING REVENUE ACCOUNT: SUMMARY 2017/18 - Quarter 2

	Current Budget 2017/18 £	Profiled Qtr 2 Budget £	Actuals with Accruals £	Variance £
INCOME				
Dwelling Rents	(31,644,302)	(17,140,664)	(17,097,639)	43,025
Non-Dwelling Rents	(369,910)	(185,031)	(218,144)	(33,113)
Charges for Services and Facilities	(456,220)	(228,194)	(322,470)	(94,276)
Contributions Towards Expenditure	(320,000)	(135,054)	(102,389)	32,665
INCOME TOTAL	(32,790,432)	(17,688,943)	(17,740,642)	(51,699)
EXPENDITURE				
Repairs & Maintenance	5,218,699	2,637,898	2,556,045	(81,853)
Supervision and Management	7,125,716	3,564,295	3,464,334	(99,961)
Rents, Rates & Taxes	130,000	5,026	12,666	7,640
Capital Charges - Depreciation	7,050,000	3,526,410	3,526,410	0
Provision for Bad Debts	250,000	0	0	0
Debt Management Expenses	11,500	0	0	0
EXPENDITURE TOTAL	19,785,915	9,733,629	9,559,455	(174,174)
NET COST OF SERVICES	(13,004,517)	(7,955,314)	(8,181,187)	(225,873)
Corporate & Democratic Core	185,450	0	0	0
NET COST OF HRA SERVICES	(12,819,067)	(7,955,314)	(8,181,187)	(225,873)
Interest Payable	5,379,008	2,690,580	2,313,958	(376,622)
Interest Receivable	(27,054)	(13,532)	(2,620)	10,912
Revenue Contribution to Capital	3,117,113	0	0	0
MRP	4,300,000	2,150,860	2,150,000	(860)
Transfer to Insurance Reserve	50,000	0	0	0
(Surplus)/Deficit on HRA Services	0	(3,127,406)	(3,719,849)	(592,443)

Appendix 3

CAPITAL PROGRAMME 2017/18 - Quarter 2

Project/Scheme	Current Programme 2017/18 £000	Profiled Budget Quarter 2 £000	Actual and Commitments Quarter 2 £000	Variance at Quarter 2 £000
Housing Investment				
HRA Capital Works	10,733	5,367	4,468	(899)
North Wingfield New Build	3,349	1,674	316	(1,358)
Stock Purchase Programme	3,200	1,600	311	(1,289)
Private Sector Spending	645	323	323	0
Total Housing Investment	17,927	8,964	5,418	(3,546)
Other Capital Projects				
Asset Refurbishment - General	132	53	24	(29)
Asset Refurbishment - Pioneer House Generator	30	30	30	0
Eckington/Dronfield Leisure Centre Refurbishment	79	23	23	0
Lottery Funded Schemes	11	5	0	(5)
Replacement Vehicles	218	109	67	(42)
Contaminated Land	42	21	0	(21)
ICT Schemes	146	90	90	0
Roller Shutter Door replacements	20	5	5	0
Total Other Capital Projects	678	336	239	(97)
Total Capital Expenditure	18,605	9,300	5,657	(3,643)
Housing Investment Funding				
Major Repairs Allowance	(10,733)	(5,367)	(4,468)	899
External Grant	(730)	(365)	0	365
HRA Capital Investment Reserve	(740)	(370)	0	370
Usable Capital Receipts	(960)	(480)	(311)	169
Prudential Borrowing	(4,119)	(2,059)	(316)	1,743
	(17,282)	(8,641)	(5,095)	3,546
<u>Private Sector Spending</u>				
Disabled Facilities Grant	(625)	(313)	(313)	0
Usable Capital Receipts	(20)	(10)	(10)	0
Total Housing Investment Funding	(17,927)	(8,964)	(5,418)	3,546

Other Capital Projects Funding				
External Grant	(53)	(26)	0	26
Prudential Borrowing	(218)	(109)	(67)	42
RCCO - GF	(127)	(61)	(61)	0
Useable Capital Receipts	(280)	(140)	(111)	29
Other Capital Project Funding	(678)	(336)	(239)	97
Total Capital Financing				
	(18,605)	(9,300)	(5,657)	3,643

Treasury Management Activity April – September 2017/18

PWLB Borrowing

The Council's total outstanding PWLB debt amounted to £155.451m at 1 April 2017. During the first two quarters of 2017/18 £1.151m has been repaid to the PWLB so the balance at 30 September 2017 is £154.300m. 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 2017 £'000	Maturity Profile 30 September 2017 £'000
Term		
12 Months	1,302	151
1 - 2 years	3,303	3,303
2 - 5 years	3,813	3,813
5 - 10 years	21,429	21,429
10 - 15 years	20,467	20,467
Over 15 years	105,137	105,137
Total PWLB Debt	155,451	154,300

PWLB Interest

The interest cost to the Council of the PWLB debt for 2017/18 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 £'000
Less Accrued Interest re 2016/17	(50)
18/09/17	40
22/09/17	108
25/09/17	50
28/09/17	2,136
Plus Accrued Interest re 2017/18	477
Total Paid	2,761

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 September 2017 the Council had no temporary borrowing.

Temporary Investments

The tables below detail the short term investments made during the first two quarters 2017/18:

Bank Name	B/Fwd 01/04/17 £'000	Invested £'000	Returned £'000	C/Fwd 30/09/17 £'000
Natwest	0	2,000	(2,000)	0
Santander	0	14,000	(12,500)	1,500
Federated	5,000	0	(0)	5,000
Standard Life	5,000	4,000	(4,000)	5,000
Coventry Building Society	0	1,250	(0)	1,250
Nationwide Building Society	0	1,000	(0)	1,000
West Dunbartonshire Council	0	4,000	(0)	4,000
Total	10,000	26,250	(18,500)	17,750

From the table above it can be seen that the balance invested by the Council at 30 September 2017 is £17.750m. Work is currently being undertaken to maximise interest yield from investments without any real increase to risk and within the confines of the approved treasury management strategy. The table above shows an investment placed with West Dunbartonshire Council, a covered bond with Coventry Building Society and certificates of deposit with Coventry and Nationwide Building Societies. These investments have only very recently been placed so the benefits will begin to be realised during the course of the coming year.

Interest earned from the above temporary investments during the first two quarters 2017/18 amounted to £22,496 and is detailed in the table below:-

Bank Name	Interest Receivable £
Nat West Bank	(25)
Santander	(1,071)
Federated	(4,398)
Standard Life	(4,052)
Coventry Building Society	(7,301)
Nationwide Building Society	(1,062)
West Dunbartonshire Council	(4,587)
Total	(22,496)

Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Councils bank which is Lloyds. The maximum amount invested with Lloyds in the first two quarters of the financial year was £4.779m. There has been no breach of the £5m limit set in the Treasury Management Strategy. The interest earned from daily balances to 30 September 2017 is £1,663.

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 2017/18 £'000	Set Limits 2017/18 £'000
Authorised Limit (total Council external borrowing limit)	162,764	175,555
Operational Boundary	154,300	170,555