

**North East Derbyshire District Council**

**Cabinet**

**31 October 2018**

**Medium Term Financial Plan - Budget Monitoring Report  
Quarter 2 – April - September 2018**

**Report of Councillor P R Kerry, Portfolio Holder for Finance**

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 first quarter with Performance, Risk and Finance which will be considered at performance meetings to be held during November 2018. The scope of this report is therefore to report the current financial position following the 2018/19 quarter two monitoring exercise.

**General Fund Revenue Account**

- 1.2 The General Fund summary is shown at **Appendix 1**.
- 1.3 The budget monitoring undertaken at the end of 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 under spend at the end of the second quarter of £0.153m. This is mainly due to underspends against employee costs budgets and lower than forecast utility costs at this point. Additional income from letting surplus office space at Mill Lane is also contributing to the current underspend.
- 1.4 The quarterly monitoring has identified that the savings originally expected from the second phase of the renegotiated waste recycling contract will not be achieved at this stage due to circumstances beyond the Council's control. This will result in growth to the budget and is being addressed as part of the revised estimate process. The summary shows that the Council is spending below its profiled budget at the end of the first quarter, £0.186m after taking account of interest and investment properties.
- 1.5 Officers have begun working with budget managers to compile the revised budget for 2018/19. 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. Where possible the budget in future years will be amended to reflect savings identified to assist with projected budget shortfalls. The revised budget position will be presented to Cabinet in November.

- 1.6 The original savings target for 2018/19 was £0.434m. Savings identified to date and other changes to the budget are summarised by directorate in the current budget. The savings target has now been met for 2018/19 as shown in the following table:

	2018/19 Budget	2018/19 Q2 Update	2019/20 Budget	2020/21 Budget	2021/22 Budget
	£000	£000	£000	£000	£000
<b>Budget Shortfall - MTFP</b>	<b>545</b>	<b>545</b>	<b>1,390</b>	<b>1,723</b>	<b>2,046</b>
Council Tax Increase 2018/19	(111)	(111)	(111)	(111)	(111)
<i>Options Identified:</i>					
NNDR Growth	(1,516)	(1,516)	0	0	0
Transformation, Income Generation/Cost Reduction/Business Redesign	0	(13)	(13)	(13)	(13)
Vacancy Management	0	(131)	0	0	0
Total Transformation Options	(1,627)	(1,771)	(124)	(124)	(124)
<b>Forecast General Fund (surplus)/Budget Shortfall</b>	<b>(1,082)</b>	<b>(1,226)</b>	<b>1,266</b>	<b>1,599</b>	<b>1,922</b>

- 1.7 The table illustrates that even though the savings target for 2018/19 has been met, there is still a need for ongoing savings. The shortfall in future years will be addressed through the transformation programme which will include a combination of income maximisation, business redesign and business cost reduction options.

### Housing Revenue Account (HRA)

- 1.8 The Housing Revenue Account in respect of the second quarter of 2018/19 is set out in **Appendix 2** to this report. The current position shows an under spend of £0.101m.
- 1.9 Dwelling rents are slightly lower than forecast. This is a minor variance (0.14%) and the position will be reviewed during the revised budget process and if necessary, amended at that stage. Non dwelling rents are higher than forecast due to continued lower voids in the second quarter. Income from charges to services is also higher than budget at this point (£0.098m) due to the receipt of higher than forecast Supporting People grant.
- 1.10 Expenditure is £0.010m below budget at quarter one; there are no major variances of note to report within this.

## **Capital Investment Programme**

### **Capital Expenditure**

- 1.11 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 2018/19 is £17.532m.
- 1.12 The capital programme profiled budget for quarter two is £7.077m and actual spend and known commitments total £6.857m, giving a favourable variance of £0.220m. This minor underspend relates to the housing investment programme and will rectify over the coming months.
- 1.13 On 9 May 2018, Cabinet approved an acquisitions and disposals policy to facilitate proactive management of the housing stock. This scheme is being managed by the Council's housing partner, Rykneld Homes. During the second quarter income from sales was forecast at £0.910m with £0.560m committed in purchases.

### **Capital Resources**

- 1.14 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**

- 1.15 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.
- 1.16 The Council approved the 2018/19 Treasury Management Strategy at its meeting in February 2018. **Appendix 4** identifies the Treasury Management activity undertaken during the second quarter of 2018/19.

## **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:

#### 5.1.2 General Fund

5.1.3 The council has achieved its savings target for 2018/19 and made a contribution to the Invest to Save Reserve of £1.226m, mainly the result of forecast income from the Business Rates retention pilot. The monitoring position shows a net under spend in the second quarter of £0.186m.

#### 5.1.4 HRA

The current position shows an under spend of £0.101m. The dwelling rents budget is slightly lower than forecast which will be reviewed during the revised budget process and if necessary, amended at that stage.

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

#### 5.1.5 Capital Expenditure

There are no significant areas of concern to report regarding the Capital Programme in the second quarter of 2018/19.

#### 5.1.6 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.

#### 5.1.7 Treasury Management

There are no significant areas of concern to report regarding Treasury Management activities in the second quarter of 2018/19.

### **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.

- 6.2 That Cabinet notes the monitoring position of the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the second quarter as detailed in Appendices 2-4.

## 7 Decision Information

<p><b>Is the decision a Key Decision?</b>  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></p>	No
<p><b>Is the decision subject to Call-In?</b>  (Only Key Decisions are subject to Call-In)</p>	No
<p><b>Has the relevant Portfolio Holder been informed</b></p>	Yes
<p><b>District Wards Affected</b></p>	All
<p><b>Links to Corporate Plan priorities or Policy Framework</b></p>	All

## 8 Document Information

Appendix No	Title
Appendix 1	General Fund Summary – quarter 2
Appendix 2	Housing Revenue Account Summary – quarter 2
Appendix 3	Capital Programme Summary – quarter 2
Appendix 4	Treasury Management Update – quarter 2
<p><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)</p>	
None	
Report Author	Contact Number
Dawn Clarke – Head of Finance and Resources	01246 217658

## GENERAL FUND SUMMARY 2018/19 Quarter 2

## APPENDIX 1

	1	2	3	4	5
	Original Budget 2018/19 £	Current Budget 2018/19 £	Profiled Qtr 2 Budget £	Actuals with Accruals £	Variance £
Place	2,750,446	2,764,920	1,409,452	1,307,377	(102,075)
People	9,007,422	8,879,632	4,425,088	4,374,245	(50,843)
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
Savings Target	(433,574)	0	0	0	0
<b>Net Cost of Services</b>	<b>10,836,794</b>	<b>11,157,052</b>	<b>5,590,790</b>	<b>5,437,872</b>	<b>(152,918)</b>
Investment Properties	(421,304)	(424,854)	(212,427)	(231,362)	(18,935)
Interest	33,712	33,712	8,428	(5,825)	(14,253)
Debt Repayment Minimum Revenue Provision	256,000	256,000	128,000	128,000	0
Parish Precepts	3,052,791	3,052,791	3,052,791	3,052,791	0
Parish Council Tax Support Grant	140,763	140,763	140,763	140,763	0
Transfer to General Fund Balances	0	0	0	0	0
Transfer To Earmarked Reserves	98,381	1,479,546	1,479,546	1,479,546	0
Transfer From Earmarked Reserves	(297,256)	(479,603)	(479,603)	(479,603)	0
<b>Total Spending Requirement</b>	<b>13,699,881</b>	<b>15,215,407</b>	<b>9,708,288</b>	<b>9,522,182</b>	<b>(186,106)</b>
Business Rates	(3,850,000)	(5,365,526)	(2,478,026)	(2,478,026)	0
Revenue Support Grant	0	0	0	0	0
New Homes Bonus	(920,291)	(920,291)	(460,146)	(460,146)	0
Collection Fund (Surplus)/Deficit - NNDR	0	0	0	0	0
Collection Fund (Surplus)/Deficit - Council Tax	(162,817)	(162,817)	(81,409)	(81,409)	0
NEDDC Council Tax Requirement	(5,713,982)	(5,713,982)	(2,856,991)	(2,856,991)	0
Parish Council Council Tax Requirement	(3,052,791)	(3,052,791)	(1,526,396)	(1,526,396)	0
<b>Council Tax Requirement</b>	<b>(13,699,881)</b>	<b>(15,215,407)</b>	<b>(7,402,968)</b>	<b>(7,402,968)</b>	<b>0</b>

**HOUSING REVENUE ACCOUNT: SUMMARY 2018/19 - Quarter 2**
**APPENDIX 2**

	<b>Current Budget 2018/19 £</b>	<b>Profiled Qtr 2 Budget £</b>	<b>Actuals with Accruals £</b>	<b>Variance £</b>
<b>INCOME</b>				
Dwelling Rents	(31,117,664)	(16,885,409)	(16,860,398)	25,011
Non-Dwelling Rents	(375,002)	(211,360)	(228,625)	(17,265)
Charges for Services and Facilities	(148,500)	(76,970)	(87,018)	(10,048)
Contributions Towards Expenditure	(10,000)	(4,992)	(93,433)	(88,441)
<b>INCOME TOTAL</b>	<b>(31,651,166)</b>	<b>(17,178,732)</b>	<b>(17,269,475)</b>	<b>(90,743)</b>
<b>EXPENDITURE</b>				
Repairs & Maintenance	5,341,379	2,671,733	2,659,987	(11,746)
Supervision and Management	6,802,587	3,402,672	3,403,348	676
Rents, Rates & Taxes	120,860	65,882	66,989	1,107
Capital Charges - Depreciation	7,050,000	3,526,410	3,526,410	0
Provision for Bad Debts	250,000	125,000	125,000	0
Debt Management Expenses	11,500	6,229	6,229	0
<b>EXPENDITURE TOTAL</b>	<b>19,576,326</b>	<b>9,797,926</b>	<b>9,787,963</b>	<b>(9,963)</b>
<b>NET COST OF SERVICES</b>	<b>(12,074,840)</b>	<b>(7,380,806)</b>	<b>(7,481,512)</b>	<b>(100,706)</b>
Corporate & Democratic Core	55,000	27,500	27,500	0
<b>NET COST OF HRA SERVICES</b>	<b>(12,019,840)</b>	<b>(7,353,306)</b>	<b>(7,454,012)</b>	<b>(100,706)</b>
Interest Payable	5,334,902	2,668,516	2,668,516	0
Interest Receivable	(19,175)	(9,592)	(9,592)	0
Revenue Contribution to Capital	2,354,113	1,177,447	1,177,447	0
MRP	4,300,000	2,150,860	2,150,860	0
Transfer to Insurance Reserve	50,000	25,000	25,000	0
<b>(Surplus)/Deficit on HRA Services</b>	<b>0</b>	<b>(1,341,075)</b>	<b>(1,441,781)</b>	<b>(100,706)</b>

## CAPITAL PROGRAMME 2018/19 - Quarter 2

Project/Scheme	Current Program me 2018/19 £000	Profiled Budget Quarter 2 £000	Actual and Commit ments Quarter 2 £000	Variance at Quarter 2 £000
<b>Housing Investment</b>				
HRA Capital Works	9,486	4,743	4,523	(220)
Demolition of Houses in Renishaw	100	0	0	0
EWI Scheme - Grassmoor	395	0	0	0
Pine View Danesmoor	900	0	0	0
North Wingfield New Build	1,977	649	649	0
Stock Purchase Programme	1,482	872	872	0
Acquisitions and Disposals (RHL)	560	0	0	0
Private Sector Spending	689	370	370	0
<b>Total Housing Investment</b>	<b>15,589</b>	<b>6,634</b>	<b>6,414</b>	<b>(220)</b>
<b>Other Capital Projects</b>				
Asset Refurbishment - General	150	33	33	0
Eckington Swimming Pool Refurbishment	32	0	0	0
Roller Shutter Door Replacements	82	0	0	0
Leisure Centre Kit Replacement	106	104	104	0
Eckington Swimming Pool Roof	270	0	0	0
Lottery Funded Schemes	11	0	0	0
Replacement Vehicles	1,141	247	247	0
Contaminated Land	42	0	0	0
ICT Schemes	109	59	59	0
<b>Total Other Capital Projects</b>	<b>1,943</b>	<b>443</b>	<b>443</b>	<b>0</b>
<b>Total Capital Expenditure</b>	<b>17,532</b>	<b>7,077</b>	<b>6,857</b>	<b>(220)</b>

<b>Housing Investment Funding</b>				
Major Repairs Allowance	(9,536)	(4,743)	(4,523)	220
External Grant	(730)	0	0	0
HRA Capital Investment Reserve	(1,056)	(872)	(872)	0
Usable Capital Receipts	(1,036)	0	0	0
Prudential Borrowing	(2,542)	(649)	(649)	0
	(14,900)	(6,264)	(6,044)	220
<u>Private Sector Spending</u>				
Disabled Facilities Grant	(669)	(360)	(360)	0
Usable Capital Receipts	(20)	(10)	(10)	0
<b>Total Housing Investment Funding</b>	<b>(15,589)</b>	<b>(6,634)</b>	<b>(6,414)</b>	<b>220</b>
<b>Other Capital Projects Funding</b>				
External Grant	(43)	0	0	0
Prudential Borrowing	(1,411)	(247)	(247)	0
RCCO - GF	(153)	(42)	(42)	0
Useable Capital Receipts	(336)	(154)	(154)	0
<b>Other Capital Project Funding</b>	<b>(1,943)</b>	<b>(443)</b>	<b>(443)</b>	<b>0</b>
<b>Total Capital Financing</b>	<b>(17,532)</b>	<b>(7,077)</b>	<b>(6,857)</b>	<b>220</b>

**Treasury Management Activity April – September 2018/19****PWLB Borrowing**

The Council's total outstanding PWLB debt amounted to £154.149m at 1 April 2018. During the first two quarters of 2018/19 £3.151m has been repaid to the PWLB so the balance at 30 September 2018 is £150.998m. 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: -

<b>PWLB Borrowing</b>	<b>Maturity Profile 31 March 2018 £'000</b>	<b>Maturity Profile 30 September 2018 £'000</b>
<b>Term</b>		
12 Months	3,303	152
1 - 2 years	1,304	1,304
2 - 5 years	2,620	2,620
5 - 10 years	25,412	25,412
10 - 15 years	24,420	24,420
Over 15 years	97,090	97,090
<b>Total PWLB Debt</b>	<b>154,149</b>	<b>150,998</b>

**PWLB Interest**

The interest cost to the Council of the PWLB debt for 2018/19 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 £'000</b>
Accrued Interest re 2017/18	(50)
18/09/18	40
24/09/18	152
28/09/18	2,136
Accrued Interest re 2018/19	429
<b>Total Paid</b>	<b>2,707</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 September 2018 the Council had no temporary borrowing.

## Temporary Investments

The tables below detail the short term investments (principal only) made during the first two quarters of 2018/19: -

<b>Bank Name</b>	<b>B/Fwd 01/04/18 £'000</b>	<b>Invested £'000</b>	<b>Returned £'000</b>	<b>C/Fwd 30/09/18 £'000</b>
Santander	0	6,000	(1,000)	5,000
Standard Life	0	11,000	(6,000)	5,000
Federated Fund 3	2,500	3,000	(2,500)	3,000
Federated GBP 3	2,000	0	0	2,000
Svenska Handelsbanken	0	5,000	(5,000)	0
King & Shaxson	2,268	0	(2,268)	0
West Dunbartonshire Council	4,000	0	(4,000)	0
Lancashire County Council	2,000	0	0	2,000
Cheshire East Borough Council	1,000	0	0	1,000
<b>Total</b>	<b>13,768</b>	<b>25,000</b>	<b>(20,768)</b>	<b>18,000</b>

Work is continuing to maximise interest yield from investments without any real increase to risk and within the confines of the approved treasury management strategy. Interest earned from temporary investments during the first two quarters 2018/19 is detailed in the table below:-

<b>Bank Name</b>	<b>Interest Receivable £</b>
Santander	(1,561)
Federated	(14,654)
Standard Life	(8,581)
Coventry Building Society	(2,921)
Nationwide Building Society	(3,150)
Svenska Handelsbanken	(1,305)
West Dunbartonshire Council	(4,340)
Lancashire County Council	(8,362)
Cheshire East Borough Council	(4,011)
<b>Total</b>	<b>(48,885)</b>

## 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 quarter of the financial year was £4.958m. There has been no breach of the £5m limit set in the Treasury Management Strategy. The interest earned from daily balances to 30 September 2018 is £6,541.

## 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 2018/19 £'000	Set Limits 2018/19 £'000
Authorised Limit (total Council external borrowing limit)	186,379	201,861
Operational Boundary	150,998	196,861