

## **Bolsover District Council**

### **Executive Committee**

**1<sup>st</sup> December 2014**

## **Budget Monitoring Report, Half Year – April to September 2014**

### **Report of the Executive Director of Operations**

This report is public

#### **Purpose of the Report**

- To update the Executive Committee concerning 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.
- To approve the Revised Budgets in respect of 2014/15 to enable officers to secure projected savings in order to help ensure that agreed savings targets within the current MTFP are secured.

#### **1 Report Details**

##### **Background information**

- 1.1 The Council has an integrated approach to budget monitoring with Performance, Risk and Finance being considered together at Directorate meetings held during October 2014. The scope of this report is therefore to summarise the current financial position following the 2014/15 quarter two monitoring exercise. In addition a separate process has developed Revised Budgets for 2014/15 which are intended to ensure that identified savings are incorporated within operational budgets at the earliest opportunity in order to optimise the level of financial savings that can be secured.

##### **General Fund Revenue Account – Budget Monitoring**

- 1.2 The General Fund Revenue Account summary is shown as **Appendix 1**. The original budget for 2014/15 identified a savings target of £0.447m. The current budget now shows that this target is reduced to £0.091m which means that the Council has secured budget savings of £0.356m in the first six months of the year. As the savings have been identified and secured they are moved into the relevant cost centres within the main General Fund Directorates. Work undertaken on the financial outturn review of 2013/14 identified savings which have now been removed from budgets. These amounts were £0.045m from 14/15, £0.036m from 15/16 and £0.031m from 16/17.
- 1.3 Within the Directorates the budget monitoring exercise identified the following issues to report:

- The Growth Directorate shows a favourable variance of £0.086m. This relates mainly to:
  1. Income received in advance of any expenditure (£0.151m) – favourable.
  2. Annual invoices were paid in quarter 1 and 2 which makes the profiled budget look overspent (£0.031m) – adverse.
  3. Expenditure was spent but the grant hadn't been received as it is claimed in arrears (£0.152m) – adverse.
  4. Under spends due to invoices not yet being due or postings not actioned until year end (£0.119m) – favourable.
  
- The Operations Directorate shows a favourable variance of £0.111m. This relates mainly to:
  1. Income received in advance of any expenditure (£0.101m) – favourable.
  2. Annual invoices were paid in quarter 1 and 2 which makes the profiled budget look overspent (£0.040m) – adverse.
  3. Expenditure was spent but the grant hadn't been received as it is claimed in arrears (£0.106m) – adverse.
  4. Under spends due to invoices not yet being due or postings not actioned until year end (£0.285m) – favourable.
  5. Over spends against half year's budget due to new pressures, reduction in income for half year or where expenditure is seasonal and not profiled over four quarters (£0.129m) – adverse.
  
- The Transformation Directorate has an adverse variance of £0.066m. Again, this relates mainly to:
  1. Income received in advance of any expenditure (£0.039m) – favourable.
  2. Expenditure was spent but the grant hadn't been received as it is claimed in arrears (£0.094m) – adverse.
  3. Under spends due to invoices not yet being due or postings not actioned until year end (£0.072m) – favourable.
  4. Over spends against half year's budget due to new pressures, reduction in income for half year or where expenditure is seasonal and not profiled over 4 quarters (£0.083m) – adverse.

1.4 In addition to undertaking the budget monitoring exercise the finance team has been working with Budget Managers to compile a Revised Budget for 2014/15. This will be used to amend the current budgets to capture the budget savings and reduced spending where it is anticipated that there will be a minimal impact upon services. The outcome of this work is shown as the Revised Budget 2014/15 which constitutes the final column on Appendix 1. On the basis of the figures that have been incorporated into the Revised Budget the Council is in a position to cover the full savings target and to generate further savings surplus of some £886k. The main factors underlying this projected improved position in respect of 2014/15 are as follows:

## Summary of Identified Savings :

Saving	£000's
Improvement in Non Domestic Rates Income	378
Reduction in Non Employee Costs	281
Reduction in Debt Charges	151
Reduction in Salary Costs	116
Vacancy Management	64
Joint Working / Shared Services	77
13/14 Outturn Review	45
Property Rationalisation	22
Miscellaneous Savings	200
<b>TOTAL SAVINGS</b>	<b>1,334</b>

While Officers are of the view that the proposed Revised Budget as set out within this report is achievable it does need to be recognised that all costs have been minimised in order to secure the maximum level of savings. It needs, however, to be recognised that should an unexpected budget issue arise then it would be difficult to accommodate significant cost increases within the current budget framework. By reducing budgets at this stage we do, however, minimise the risk that spare resources will be used by budget managers to fund activity that is not essential to the delivery of agreed service plans. Officers will continue to monitor the position and the allocation of the savings secured will be considered as part of the Council's Medium Term Financial Plan covering the years 2015/16 and beyond. Full details of the proposed Revised Budgets are set out in Appendix 2 to this report.

- 1.5. 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. This work will be incorporated into the financial projections included within the MTFP as part of next years budget process which will be reported to Members for approval in the February of 2015.
- 1.6 Section 106 – In order to improve the monitoring and control of Section 106 monies received by the Council, the sums due to be utilised in a financial year are now recorded within the General Fund directorate budgets with expenditure recorded against these sums. The net amount budgeted to be spent in 2014/15 is £0.449m. Of this £0.065m must be spent by certain dates before 31<sup>st</sup> January or the funding may be lost. At the most recent S106 meeting on 17<sup>th</sup> October it was reported £0.047m of this 'at risk' amount had been spent in quarters 1 and 2 and that only £0.018m remains to be spent by 31<sup>st</sup> January. Officers are working to ensure that this spending is undertaken in line with the S106 legal requirements.

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

- 1.7 The Housing Revenue Account summary for the first half year of 2014/15 is set out in **Appendix 3** to this report. At the end of quarter 2 the HRA is showing a small net surplus of £0.077m.

### **Income**

- 1.8 The quarter 2 income figures show an adverse variance of £0.095m. Given that this amounts to a variance of less than 1% of the profiled income budget it is not

considered to be a significant variance, although officers will continue to monitor the position.

### **Expenditure**

- 1.9 Expenditure within all but one of the operating areas of the HRA shows under spends in the second quarter. This supports the view that there are 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.

### **HRA – Overall Summary**

- 1.10 In light of the income and expenditure patterns to date – as detailed in Appendix 3 – there are no significant issues to report regarding the overall position for the HRA at the end of the second quarter. It is currently anticipated that the outturn position will be in line with the Approved Budget at the year end.
- 1.11 In parallel with the work that has been undertaken in respect of the General Fund Officers have developed a Revised Budget in respect of the HRA which is shown in the final column of Appendix 3. This shows a net operating surplus which is in line with that approved in the Original Budget for 2014/15.

### **Capital Investment Programme**

#### **Capital Expenditure**

- 1.11 The capital programme summary for the first half year of 2014/15 is provided in **Appendix 4** to this report. The programme has been updated with the capital budgets – previously approved by Executive - carried forward from 2013/14.
- 1.12 In headline terms the capital programme profiled budget for quarter 2 is £5.666m and the actual spend and known commitments total £3.322m, which is £2.344m behind the planned spend position. The main areas to highlight are listed below:
1. AMP – An amount of £481,765 has been approved subject to Executive approving the detailed plans arising from the General Fund Stock Condition survey. Officers are in the process of undertaking the work necessary to develop a detailed programme for consideration by Executive. In the meantime it should, however, be noted that it may be necessary to undertake some smaller projects for Health and Safety purposes or to protect service delivery. The cost of such smaller projects will not exceed £50,000 and any expenditure undertaken will be reported back to Executive as appropriate.
  2. Bolsover Mini Hub – it is anticipated that this will commence during the latter part of the year.
  3. Vehicles and Plant – a number of the replacement vehicles are on order with budgeted expenditure anticipated to take place during the third and fourth quarter of the financial year.
  4. HRA Re Roofing – Officers are in the process of completing a detailed delivery programme for this element of work.
- 1.13 Whilst there are no significant financial issues to report regarding capital expenditure at the end of the first half year it must be 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**

- 1.14 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.

### **Reprofiling of Capital Programme**

- 1.15 Officers have also given consideration to the anticipated outturn position in respect of the Capital Programme. The proposed Revised Programme is set out in the final column of Appendix 4. While there are some significant variations in respect of individual schemes it should be noted that in overall terms where schemes are increased or reduced in respect of 2014/15 that a corresponding adjustment will be made in respect of the future years of the Approved Capital Programme.

### **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 balances and the management of its long term debt. All transactions are conducted in accordance with the Council's approved Treasury Management Strategy and the CIPFA Code of Practice. Good treasury management is a key element in the sound financial management of the Council's resources.
- 1.16 The Council approved the 2014/15 Treasury Management Strategy at its meeting in March 2014. **Appendix 5** identifies the Treasury Management activity undertaken during the first half year of 2014/15.
- 1.17 Executive will be aware that it made a decision at the October meeting of this Committee accepted a tender from Lloyds Bank to provide banking services to the Council. Work is currently progressing to ensure an effective transition from our current provider the Co-op Bank to Lloyds. All parties are currently working towards a transfer date around the end of the current calendar 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. While a range of minor variations have been identified these are not considered to be significant and on the basis of the information currently available will be managed as part of the revised budget and year end close down process. While the Council continues to face some challenging savings targets on the basis of the information available from the financial ledger and discussions with service managers officers do not anticipate any major budgetary issues arising in the current financial year.

## **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 2014/15 is primarily a factual report which details progress against previously approved budgets. Accordingly there are no alternative options to consider.

#### **5 Implications**

##### **5.1 Finance and Risk Implications**

Financial issues and implications are covered in the relevant sections throughout this report.

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**

There are no legal issues arising directly from this report.

##### **5.3 Human Resources Implications**

There are no human resource issues arising directly out of this report

#### **6 Recommendations**

- 6.1 That Executive 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 2014/15 and future financial years.
- 6.2 That Executive notes the position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the second quarter (Appendices 2, 3 and 4).
- 6.3 That Executive approves the Revised Budgets in respect of the General Fund, the HRA and the Capital Programme which will be used to manage budgets and secure agreed savings in the current financial year prior to consideration of the Medium Term Financial Plan by Members in the February of 2015.

**7 Decision Information**

<b>Is the decision a Key Decision?</b> (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
<b>District Wards Affected</b>	N/A
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

**8 Document Information**

<b>Appendix No</b>	<b>Title</b>
Appendix 1	General Fund Summary as at 30 <sup>th</sup> September 2014.
Appendix 2	General Fund Detailed Budgets
Appendix 3	Housing Revenue Account as at 30 <sup>th</sup> September 2014.
Appendix 4	Capital Programme as at 30 <sup>th</sup> September 2014.
Appendix 5	Treasury Management Update as at 30 <sup>th</sup> September 2014.
<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>Attached as appendices 1- 5</b>	
<b>Report Author</b>	<b>Contact Number</b>
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