

Bolsover District Council

Executive

5th SEPTEMBER 2016

Budget Monitoring Report, Quarter 1 – April to June 2016

Report of the Executive Director of Operations

This report is public

Purpose of the Report

- To update the Executive on the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account (HRA), Capital Programme and Treasury Management activity.

1 Report Details

Background information

- 1.1 Officers have continued the integrated approach to budget monitoring in 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 original budget for 2016/17 showed a funding gap of £0.057m. The current budget now shows that this is £0.013m surplus after the Council tax increase and other small savings are included. As savings are identified and secured they are moved into the relevant cost centres within the main General Fund Directorates. It should be noted that officers have been working on a review of the financial outturn for 2015/16. Initial workings suggest potential savings of £0.063m for 2016/17 and £0.049m for 2017/18 and 2018/19 are achievable. Officers are also in the process of reviewing the opportunities to reduce the salary budgets where savings arose in the first quarter.
- 1.3 Within the Directorates there is the following to report:
- The Growth Directorate shows a favourable variance of £0.125m. This relates mainly to:
 1. Under spends due to invoices not yet being received and therefore not paid, for such as joint officer posts or external contributions at the end of the quarter (£0.198m) – favourable.

2. Income received in advance of any expenditure (£0.181m) – favourable.
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.140m) – adverse.
 4. Expenditure has been spent but the grant hadn't been received as it is claimed in arrears (£0.079m) – adverse.
 5. Over spends against quarter 1 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.035) – adverse.
- The Operations Directorate shows an adverse variance of £0.239m. This relates mainly to:
 1. Under spends due to invoices not yet being received and therefore not paid, for such as joint officer posts or external contributions at the end of the quarter (£0.177m) – favourable.
 2. Income received in advance of any expenditure (£0.311m) – favourable.
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.489m) – adverse.
 4. Over spends against quarter 1 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.238) – adverse.
 - The Transformation Directorate has an adverse variance of £0.194m. Again, this relates mainly to:
 1. Under spends due to invoices not yet being received and therefore not paid, for such as joint officer posts or external contributions at the end of the quarter (£0.121m) – favourable.
 2. Income received in advance of any expenditure (£0.059m) – favourable.
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.334m) – adverse.
 4. Over spends against quarter 1 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.040) – adverse.
- 1.4 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 the expenditure recorded against these sums. The amount budgeted to be spent in 2016/17 is £1.245m. Of this £0.127m must be spent by December this year or the funding may be lost. At the most recent S106 meeting on 5th July, it was reported £0.005m of this 'at risk' amount had been spent in quarter 1 and that plans are in place to spend the remaining £0.122m, before the deadline. Officers are working to ensure that all of this spending is undertaken in line with the S106 legal requirements.
- 1.5 The overall position at the end of quarter 1 shows that there is an adverse variance of £0.300m. This is mainly due to £0.963m invoices or commitments being paid or placed on the E-purchasing system for the full year. This compares to only £0.614m in 2015/16. This is an indication that the system is being used correctly as

orders are being placed as soon as the Council is committed to the expenditure. There are no real budget pressures identified in quarter 1. Budget monitoring during quarter 1 has not identified any significant budget pressures, and on the basis of the monitoring undertaken, officers are of the view that expenditure and income will be in line with the budget position at the year end.

Housing Revenue Account (HRA)

- 1.6 The Housing Revenue Account summary for the first quarter of 2016/17 is set out in **Appendix 2** to this report. At the end of quarter 1 the HRA is showing a net deficit of £0.020m.

Income

- 1.7 The quarter 1 income figures show an adverse variance of £0.378m. This is mainly due to the timing of the rent free weeks falling into the first quarter. The annual budget is profiled to receive 12 weeks in the first quarter when actually only 11 weeks were billed.

Expenditure

- 1.8 Expenditure within all of the operating areas of the HRA shows under spends in the first 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.

HRA – Overall Summary

- 1.9 In light of the above and the expenditure patterns to date – as detailed in Appendix 2 – there are no significant issues to report regarding the overall position for the HRA at the end of the first quarter. Again, it is anticipated that the Council will outturn in line with the approved budget.

Capital Investment Programme

Capital Expenditure

- 1.10 The capital programme summary for the first quarter of 2016/17 is provided in **Appendix 3** to this report. The programme has been updated with the capital budgets – previously approved by Executive - carried forward from 2015/16.
- 1.11 In headline terms the capital programme profiled budget for quarter 1 is £4.997m and the actual spend and known commitments total £4.305m, which is £0.692m behind the planned spend position. The main areas to highlight are listed below:
1. Go Active @ The Arc– The higher spend on this project will be in quarter 2 and quarter 3 of this year with completion due in December.
 2. Vehicles and Plant – for both the GF and the HRA the replacement vehicles look over spent for the quarter in many areas. This is to allow for the lead time between order and delivery for when the vehicles are required later in the year. This reflects the fact that orders were placed in the early part of the year for much of the approved programme.
 3. HRA Public Sector Housing– This is the monies for HRA Major Repair's projects which have yet to be allocated to the individual schemes. Work is being undertaken within Housing to re-profile the schemes to meet the current need.

4. HRA property new build (excluding Rogers Ave) – Two of these schemes are planned to begin in quarter 2, with the others following later in the year.

1.12 Whilst there are no significant financial issues to report regarding capital expenditure at the end of the first quarter it must be noted that the delivery of the approved capital programme is behind the profiled position as at quarter 1. Officers will continue to closely monitor the delivery of the Programme, but are of the view that the outturn position will be in line with the approved 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 first 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 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 and demonstrates that this is in line with the plans agreed as part of the strategy.

1.16 The Treasury Management update report taken to Council on the 13th July identifies the potential impact upon the Treasury Strategy arising as a result of the vote to leave the European Union. While interest rates received from investments continue to be lower than anticipated and it is more difficult to place investments on the financial markets, officers are of the view that we will be able to continue to operate within the parameters agreed in the Treasury Management Strategy.

2 Conclusions and Reasons for Recommendation

2.1 While the monitoring process has identified a range of variances at this stage in the financial year, on the basis of the available evidence, officers are of the view that the outturn position at the end of the year will be in line with approved budgets.

Financial issues and implications are covered in the relevant sections throughout this report. In summary these are:

General Fund

The monitoring position shows a net favourable variance position in the first quarter of £0.300m.

HRA

The HRA is showing a net over spend/ under achievement of income in the first quarter of £0.020m.

Capital Expenditure

There are no areas of concern to report regarding the capital programme in the first 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.

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 2016/17 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

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 first quarter as detailed on Appendix 1 (A net adverse variance of £0.300m against the profiled budget) and the key issues highlighted within this report:

- 6.2 That Executive approves budget reductions in line with the outturn review for 2015/16.
- 6.3 That Executive 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 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
District Wards Affected	
Links to Corporate Plan priorities or Policy Framework	

8 Document Information

Appendix No	Title
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)	
Attached as appendices 1- 4	
Report Author	Contact Number
Chief Accountant	2458
Executive Director - Operations	2431

Report Reference –