

Committee:	Executive	Agenda Item No.:	7
Date:	30 th September 2013	Status	Open
Subject:	Budget Monitoring Report, Quarter 1 – April to June 2013		
Report by:	Assistant Director – Accountancy and IT.		
Other Officers Involved	Chief Accountant, Principal Accountant.		
Director Relevant Portfolio Holder	Director of Corporate Resources Councillor E. Watts, Leader of the Council.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

All.

VALUE FOR MONEY

This report is intended to demonstrate that the Council has in place an appropriate framework for managing the budget. Robust budget management is an essential foundation for securing Value for Money.

1 Purpose of Report

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

2 Background Information

- 2.1 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 2013. The scope of this report is therefore to report the current financial position following the 2013/14 quarter one monitoring exercise as part of the wider exercise which has considered Finance, Performance and Risk.

3 Issues for Consideration

General Fund Revenue Account

3.1. The General Fund Revenue Account summary is shown as **Appendix 1**. The original budget for 2013/14 included a savings target of £0.884m. The current budget now shows that this target is reduced to £0.347m which means that the Council has secured budget savings of £0.537m in the first quarter of the year. The budget savings which have been secured of £0.537m are distributed to the appropriate services where they are now part of the service budgets. With regard to the £0.347m where further work is ongoing that remains separately identified as part of the Savings Programme. It should be noted that the approved budget reductions arising from the under spend recorded in 2012/13 (£0.168m) have now been fed into the budget as well as the updated retained NNDR figure (£0.155m). Officers have also reduced the salary budgets where savings in the first quarter have been identified (£0.037m). All these measures have helped to secure the required level of savings. The MTFP report of 2 September 2013 provided a detailed update against each of the savings programme items.

3.2. Within the main Directorates there is a mixed picture to report.

- The Chief Executives Directorate shows a favourable variance of £0.017m. This relates mainly to some additional grant income received for Individual Electoral Registration (£0.006m) and under spends in the training budget (£0.015m). There are a number of other small variances throughout the Directorate. There are no budget pressures to report.
- The Corporate Resources Directorate shows a favourable variance of £0.028m. These favourable variances are spread over a number of cost centres throughout the Directorate. There are no budget pressures to report.
- The Development Directorate has a favourable variance at quarter 1 of £0.018m. This figure is a net position and reflects the following:
 1. Planning Fee income is above the profiled budget by £0.085m.
 2. Pleasley Vale facilities maintenance expenditure is £0.024m below the profiled budget.
 3. Sherwood Lodge – net cost £0.010m above the profiled budget (general running costs are above the estimated position – reflecting that the sale of the asset was anticipated to be completed earlier in the financial year). Any further delays to the sale will increase the operating cost to the Council.
 4. The Tangent Business Hub – expenditure is £0.047m above the profiled budget. The Council's current NNDR liability for the year on the Tangent is £0.093m which is £0.057m above the budgeted amount for the year. The actual rental income for quarter one is £0.003m some £0.019m below the forecast sum for the first quarter. These increased costs reflect the low number of tenants occupying the building at the end of the first quarter. Officers are seeking a rating revaluation and additional tenants have been secured since the first quarter. The position will continue to be closely monitored. In addition there is some mitigation in the current year as a proportion of the net running costs is grant funded however this grant funding expires in

December and the Council will have to meet the full running costs from that point onward.

5. Other variances within the Directorate are not significant nor considered a budget pressure to the Council.

- The Health and Wellbeing Directorate shows an adverse variance of £0.030m. The Environmental Health service shows as an over spend of £0.020m at the end of the first quarter. Officers are working to address a small number of identified issues and are anticipating that a balanced position will be secured by the year end. There are a few areas within the leisure budgets where income is behind the profiled budget and officers are carefully monitoring this position. At this stage officers within leisure do not anticipate that these areas will develop into budget pressures for the Council.
- The Neighbourhoods Directorate shows a favourable variance of £0.004m which is spread over a number of cost centres. There are no budget pressures to report.

3.3 Interest rates are remaining very low which is impacting on the level of interest earned on invested balances. On the basis of current interest rates Members should note there is an anticipated reduction of actual investment income received against the budgeted income position. Officers are continuing to monitor the position and will update Members regarding these potential cost pressures as part of the next quarters monitoring report.

3.4 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 and the expenditure against these sums is recorded as part of the monitoring of service expenditure. The sums due for utilisation in 2013/14 amount to £0.800m and expenditure at the first quarter is £0.240m.

General Fund Summary

3.5 The overall position at the end of quarter 1 shows that there is a small overall adverse variance of £0.014m which at this stage of the year is very positive and indicates that the Council is in a good position to deliver the necessary savings in order to balance its budget for 2013/14. A limited number of budget pressures have been identified and officers will continue to monitor and address the position on these during the next quarter.

Housing Revenue Account (HRA)

3.6. The Housing Revenue Account in respect of the first quarter of 2013/14 is set out in **Appendix 2** to this report.

Income

3.7. The quarter 1 income figures do not show any significant variances. Officers are aware that the supporting people income received is better than estimated

(£0.030m qtr 1). The overall HRA income position shows a favourable variance of £0.018m above the budgeted position for quarter 1.

Expenditure

- 3.8. Expenditure within each 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 on the HRA. It is likely that the under spends will continue during the year until the Stock Condition survey is completed giving detailed property by property information. The Survey is expected to commence in September and will be completed by December 2013. Officers will then be in a position to determine any back log repairs and maintenance issues and plan the long term work schedules for the total stock over the 30 year period of the HRA Business Plan. The only monitoring item to note is in respect of Mobile Working Software support costs where an increased cost of £30k is now anticipated. Consideration will also need to be given to the replacement of the handsets currently being used (cost being investigated). These are, however, relatively small variations and it is anticipated that these costs will be managed within the overall approved budget for the HRA.
- 3.9. Interest costs are anticipated to be lower than the original budget as the HRA borrowing is below the budgeted level at this stage of the year while interest rates remain at a very low level. .
- 3.10 In the 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.

Capital Investment Programme

Capital Expenditure

- 3.11. The first quarter monitoring position in respect of the Capital Programme is provided in **Appendix 3** to this report. The original programme was approved at £9.439m. The capital programme shown in Appendix 3 has only been updated with some of the slippage and carry forwards from 2012/13; this is where contractual obligations have required a budget allocation.
- 3.12 In headline terms the capital programme profiled budget for quarter 1 is £1.384m and the actual spend and known commitments total £0.881m, which is £0.503m behind the planned spend position. The main areas to highlight are listed below:
- Clowne Campus – this scheme is now coming to the end and officers anticipate significant savings against the approved budget.
 - Sherwood Lodge disposal – a delay in forecast disposal date.
 - Disabled Facilities Grants – the actual spend against the approved grants is currently below profile.
 - Fuel Poverty Fund – the scheme was completed at a lower level of expenditure than the grant approval.
 - Vehicle Replacement – the replacement vehicles are on order in many areas and expenditure is anticipated to take place during the second and third quarter of the financial year.

- HRA – New Houghton – no expenditure has been incurred on this scheme during the first quarter.
- 3.13. The capital programme has been profiled for a low level of expenditure during the first quarter. However, the actual expenditure on schemes in the first quarter is £0.503m below that profile with a number of the budgets carried forward from 2012/13 not yet included within the Approved Programme at this stage. 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 forecast position as at quarter 1. Officers will continue to monitor the position and to the extent to which expenditure cannot be brought back into line with the Programme then it will be necessary to revise the Approved Programme accordingly.

Capital Resources

- 3.14. 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. The lower spend position does mean that lower prudential borrowing has been undertaken than forecast for the first quarter of the financial year. During the first quarter the Council received the outstanding capital receipt in respect of the sale of land at Shirebrook.

Treasury Management

- 3.15. 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 Treasury Management strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 3.16. The Council approved the 2013/14 Treasury Management Strategy at its meeting in March 2013. **Appendix 4** details the Treasury Management activity undertaken during the first quarter of 2013/14.

4 Legal Aspects

- 5.1 There are no legal issues arising directly from this report.

5 Risk Management

- 5.1 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 are will be pressures on all of the Council's main budgets as these have been or are being reduced to minimum levels, and that these will need to be managed carefully during the course of this financial year if we are to secure a balanced budget and protect the existing levels of financial balances.

6 Policy and Performance

- 6.1 This report is intended to monitor progress in achieving the objectives set out within the Medium Term Financial Plan, this in turn being linked to the full range of the Council's Corporate Strategies. The achievement of the targets set out in the Medium Term Financial Plan is therefore crucial for achieving against a range of key policy issues.

7 Financial Implications

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

General Fund

The savings target is now reduced from £0.884m to £0.347m at the end of the first quarter.

The monitoring position shows a small net adverse variance position in the first quarter of £0.014m. There are a number of budget pressures being highlighted which are being carefully monitored and may increase the costs to the Council later in the financial year. In overall terms, however, Officers are of the view that the Council is well placed to secure the full level of General Fund savings of £0.884m by the year end.

HRA

The HRA is showing a net under spend of £0.338m in the first quarter and is expected to outturn in line with the approved budget.

Capital Expenditure

There are no significant areas of concern to report regarding the Capital Programme in the first quarter of 2013/14. The main issue relates to the delivery of the approved programme in the financial year given that a relatively low level of expenditure has been achieved in the first quarter of the year.

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 2013/14.

8 Equalities Issues / Human Resources Implications / Environmental Considerations

8.1 There are no equalities, human resource or environmental implications arising directly out of this report.

9 Crime and Disorder/ Community Safety Implications

9.1 There are no crime and disorder or community safety implications arising directly out of this report.

10. Recommendations

10.1 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 £0.014m against the profiled budget) and the key issues highlighted within this report.

10.2. That Executive notes the position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the first quarter.

10.3. That Executive requests officers to continue to actively manage all budgets to ensure that savings targets are achieved by the year end and that the Council operates within Approved Budgets in respect of the General Fund, the Housing Revenue Account and the Capital Programme.

11 Reasons for Recommendations

11.1 To inform Executive of the position on the Council's budgets at the end of the first quarter of the 2013/14 financial year.

Background Papers

Location

Held in Accountancy

Room