

Committee:	Executive	Agenda Item No.:	11
Date:	9 December 2013	Status	Open
Subject:	Budget Monitoring Report, Quarter 2 – April to September 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 second 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 second quarter with Performance, Risk and Finance being considered together at Directorate meetings held during October 2013. The scope of this report is therefore to report the current financial position following the 2013/14 quarter two 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 £0.293m which means that the Council has secured budget savings of £0.591m in the first half of the financial year. The budget savings which have been secured are distributed to the appropriate services or income lines within the budgets. With regard to the savings targets it can be seen from the table below the original target, the savings achieved to the half year point and the outstanding position at 30 September 2013:-

Savings Programme 2013/14			
	Original Target £000	Savings achieved to quarter 2 £000	Balance outstanding £000
Vacancies savings	100	55	45
Leisure Savings Clowne	60	1	59
Street Scene	50	36	14
Director Secondment	100	0	100
Secondments and joint working NEDDC	100	97	3
Property Rationalisation (Clowne relocation)	100	0	100
Garage Fleet Review	25	25	0
Other Savings (inc Leisure & Income Generation)	80	17	63
Other Savings to be identified	269	360	(91)
Totals	884	591	293

- 3.2. It can be seen from Appendix 1 and the table above that this is a net position with some of the savings targets exceeding budgeted targets and some not achieving the savings anticipated in the first half year. Further work is ongoing on these items so they remain 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 half year have been identified. All these measures have helped to secure the required level of savings. The remaining savings target items do raise some concern as there appears less likelihood of achieving some of these savings within the current year. The Accountancy Section is currently finalising the Revised Budgets for the current year and the position on all the savings targets is being reviewed. The Revised Budget position will be available for the December Executive meeting which will also provide an indication of the roll forward budget position with regard to 2014/15 and future years.

3.3. Within the main Directorates the main points to note are:-

- The Chief Executives Directorate shows a small adverse variance of £0.005m. The main item within this directorate relates to the possibility that some of the CEPT revenue grant funding will not be drawn down to support employee costs. This action if agreed by the Council will increase the in year costs to the Council by £0.034m. Other favourable variances across a number of cost centres reduce the net position to the £0.005m.
- The Corporate Resources Directorate shows a favourable variance of £0.036m. 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 2 of £0.064m. This figure is a net position and reflects the following:
 1. Planning Fee income is above the profiled budget by £0.074m.
 2. Planning Policy expenditure is £0.024m below the budget profile.
 3. Pleasley Vale facilities maintenance expenditure is below the profiled budget but rental income has significantly increased to show a net favourable variance of £0.063m.
 4. Sherwood Lodge – net cost £0.032m 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. These costs will, however, be charged against Efficiency Grant and thus will not adversely impact upon the Council's revenue position.
 5. The Tangent Business Hub – expenditure is £0.035m above the profiled budget. The position on the Tangent is improving as more tenants have been secured which brings in rental income and reduces the empty rate liability. Officers are also awaiting the outcome of a rating revaluation which if successful will reduce the Council's liability but also make the units more attractive to prospective tenants. 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 are grant funded until December 2013. It should be noted that the Council will have to meet the full running costs from that point onward.
 6. Other variances within the Directorate are not significant nor considered a budget pressure at this stage of the financial year.
- The Health and Wellbeing Directorate shows an adverse variance of £0.005m. The Environmental Health service shows as an over spend of £0.024m at the end of the second 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 still a few areas within the leisure budgets where income is behind the profiled budget and officers are carefully monitoring this position. The main area to be aware of at this point in time is that Cresswell Leisure Centre income is £0.023m below the budgeted position. At this stage officers within leisure services do not anticipate that these areas will develop into budget pressures for the Council.

- The Neighbourhoods Directorate shows a favourable variance of £0.060m which is spread over a number of cost centres. There are no budget pressures to report.

3.3 Provision for Pay Award

The pay award for 2013/14 has now been paid and the costs are now shown within the relevant service areas of each Directorate. The separate budget provision for the pay award therefore shows as an under spend in the accounts. This budget allocation will be redistributed to all cost centres as part of the revised budget process.

- ### 3.3 Interest rates are remaining very low which is impacting on the level of interest earned on invested balances. This is also affected by the prudent accounting arrangements now being taken for the funds tied up in Icelandic Banks. On the basis of these items Members should note there is an anticipated reduction of actual investment income received against the budgeted income position.

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.

General Fund Summary

- ### 3.5 The overall position at the end of quarter 2 shows that there is a small overall favourable variance of £0.002m 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 update the position on these. The savings target items will be reviewed as part of the revised budget process and any significant issues with these will be reported as part of the Revised Budget report in December.

Housing Revenue Account (HRA)

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

Income

- ### 3.7. The quarter 2 income figures show a mix of variances which give a net position of £0.158m above the budgeted position for the half year. The main favourable variance relates to the supporting people income received which is better than estimated (£0.132m) and relates to the new contractual arrangements agreed with Derbyshire County Council.

Expenditure

- ### 3.8. Expenditure within each of the operating areas of the HRA continues to show under spends at the half year point. The overall expenditure position showing as

£0.227m below the profiled budget. 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 currently underway and is expected to 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.

- 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. A detailed recalculation of the interest costs is under taken as part of the revised budget process and further interest cost savings are anticipated.
- 3.10 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 second quarter.

Capital Investment Programme

Capital Expenditure

- 3.11. The second 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 been updated with the approved carry forwards from 2012/13 and now stands at £10.837m for the financial year 2013/14.
- 3.12 In headline terms the capital programme profiled budget for quarter 2 is £2.756m and the actual spend and known commitments total £1.895m, which is £0.861m behind the planned spend position. The main areas to highlight are listed below:
- Assets – no specific approval for the asset management plan work for 2013/14 has been requested.
 - Project Horizon – this scheme is now complete and officers anticipate significant savings against the approved budgets.
 - Sherwood Lodge disposal – a delay in forecast disposal date.
 - Private Sector Schemes
Disabled Facilities Grants – the actual spend against the approved grants is currently below profile. Other Private Sector Schemes show no activity during the first half year.
 - Fuel Poverty Fund – the scheme was completed at a lower level of expenditure than originally anticipated.
 - Vehicle Replacement – the replacement vehicles is anticipated to take place during the second half of the financial year. There may be some slippage of these purchases into 2014/15.
 - HRA – capital expenditure is below the profiled budgets in many areas at the half year point. This reflects the holding position being undertaken pending the results of the Stock Condition Survey work.

- 3.13. The capital programme has been profiled for a low level of expenditure during the first half year. However, the actual expenditure on schemes to 30 September 2013 is £0.861m below that profile. Whilst there are no significant financial issues to report regarding Capital Expenditure at the end of the second quarter it must be noted that the delivery of the approved capital programme is behind the forecast position as at quarter 2. 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 second 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 second 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 and the receipt in respect of the Sherwood Lodge site is anticipated to be received by January 2014.

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 half of 2013/14.

- 3.17 Co-Operative Bank

The Executive should note that the Council – in common with all other local authorities who use the Co-Operative bank - have received notification from the Bank that as part of its restructuring proposals it is withdrawing from local authority banking. The letter from the Co-operative Bank stated that it would honour existing contracts until their termination date – that of Bolsover District Council – runs until March 2017, although the letter sets out that the Co-operative Bank would not object to any local authorities terminating their contract at an earlier date. Officers are currently looking into the options that are open to the Council and it may well be worthwhile considering a move away from the Co-operative bank at the earliest opportunity. Once Officers have explored the available options then a report will be brought back to Members with recommendations. In the meantime, however, it should be noted that officers are looking at the options of opening a new bank account with a separate UK based bank to provide a backup reserve current account facility. This is essentially a business continuity issue which is being pursued. In the light of the fact that competing banks are prepared to offer back up

current accounts at reasonable terms it would seem appropriate that the Council moves to establish such a back up account at the earliest opportunity.

4 Legal Aspects

4.1 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 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.

5.2 There are increased risks identified with the position of the Council's bank and officers will continue to monitor the situation. There are some actions in place to reduce the Council's financial exposure and approval to explore contingency plans is sought from recommendations in this report. Longer term plans to transfer from the Co-Operative Bank will now be drafted and reported to Members.

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 £0.293m at the end of the second quarter.

The monitoring position shows a small net favourable variance position at the half way point in the financial year of £0.002m. There are a number of budget pressures being highlighted which are being carefully monitored. In overall terms, however, Officers are of the view that the Council is making good progress at the half year point to achieve the full level of General Fund savings of £0.884m by the year end.

HRA

The HRA is showing a net under spend of £0.415m in the second quarter and is now expected to outturn below the original budget. The revised budget process will most likely confirm the under spend position and officers will explore what opportunities the position presents.

Capital Expenditure

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

Treasury Management

There are no significant areas of concern to report regarding Treasury Management activities in the second quarter of 2013/14.

Co-Operative Bank

Officers undertaking the daily treasury management activity are seeking to minimise the overnight exposure of the Council by leaving minimal balances with the Co-Operative Bank overnight.

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 second quarter as detailed on Appendix 1 (a net favourable variance of £0.002m 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 second 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.
- 10.4 That Executive notes the content of the letter that has been received from the Co-operative Bank concerning their intention to withdraw from local authority banking and that officers are undertaking work to consider the most appropriate future option for the Council's banking arrangements. It should also be noted that the Council's finance team are working to establishing a backup reserve current account facility in order to support the Council's business continuity arrangements.
- 10.5 That Officers report back to Executive on the proposed arrangements of how and when the Council should prepare and undertake the transfer from the Co-Operative Bank.

11 Reasons for Recommendations

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

Background Papers

Location

Held in Accountancy