

Bolsover District Council

Executive

2nd November 2015

Budget Monitoring Report, Half year – April to September 2015

Report of the Executive Director of Operations

This report is public

Purpose of the Report

- 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 (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 second quarter with Performance, Risk and Finance being considered together at Directorate meetings held during October 2015. The scope of this report is therefore to report the current financial position following the 2015/16 quarter two monitoring exercise.

General Fund Revenue Account

- 1.2 The General Fund Revenue Account summary is shown as **Appendix 1**. The original budget for 2015/16 identified an efficiency measures target of £0.350m. The current budget now shows that this target is reduced to £0.208m. The Council has therefore secured savings of £0.142m towards this target in the first six months of the year. As the 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 are working on the financial outturn review of 2014/15 as part of the half year review process. A list of potential reductions is currently being compiled which will be brought to a future meeting of Executive for consideration and approval. Officers have also reviewed the opportunities to reduce the salary budgets where savings arose in the first six months. An amount of £0.070m has been removed from budgets for vacancies in quarter 1 which is included in the £0.142m savings shown above.

- 1.3 Within the Directorates there is the following to report:

- The Growth Directorate shows a favourable variance of £0.652m. 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 (£0.504m) – favourable.
 2. Income received in advance of any expenditure (£0.018m) – favourable.
 3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.033m) – adverse.
 4. Expenditure was spent but the grant hadn't been received as it is claimed in arrears (£0.130m) – adverse.
 5. Under spends against quarter 2 budget due to more income received (£0.279m)– favourable.
- The Operations Directorate shows a favourable variance of £0.405m. 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 (£0.843m) – favourable.
 2. Income received in advance of any expenditure (£0.054m) – favourable.
 3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.177m) – adverse.
 4. Expenditure was spent but the grant hadn't been received as it is claimed in arrears (£0.009m) – adverse.
 5. Over spends against quarter 2 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.311) – adverse.
 - The Transformation Directorate has a favourable variance of £0.036m. 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 (£0.201m) – favourable.
 2. Income received in advance of any expenditure (£0.016m) – favourable.
 3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.066m) – adverse.
 4. Expenditure was spent but the grant hadn't been received as it is claimed in arrears (£0) – adverse.
 5. Over spends against quarter 2 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.104) – 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 2015/16 is £0.917m. Of this £0.132m must be spent by certain dates in September, October and November this year or the funding may be lost. At the most recent S106 meeting on 13th October, it was reported £0.003m of this 'at risk' amount had been spent in quarter 1, with £0.070m in quarter 2. Officers are working to ensure that all of this spending

is undertaken in line with the agreed timescales and with the S106 legal requirements. While the majority of the expenditure will be incurred within the contractual timescale there is an amount of £60k where it now seems likely that S106 funding will be lost. This S106 funding was part of a wider funding package for the project in question and it is planned to bring a detailed report concerning this project to a future meeting of Executive. The project concerned relates to a proposed upgrade of an asset held by a partner organisation and as such the project was only subject to the influence- but not the direct control – of Council officers.

- 1.5 The overall position at the end of quarter 2 shows that there is a favourable variance of £1.400m which 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 2015/16. The monitoring process involving both the accountancy team and budget officers has not identified any budget pressures that are likely to arise during the current financial year. While most of the favourable variance is linked to the timing of payments etc and is therefore of a temporary nature, the extent of the underspend does suggest that there will be 'one-off' savings achieved at the year end. Officers will continue to monitor the position during the next quarter.

Housing Revenue Account (HRA)

- 1.6 The Housing Revenue Account summary for the first six months of 2015/16 is set out in **Appendix 2** to this report. At the end of quarter 2 the HRA is showing a net surplus of £0.363m.

Income

- 1.7 The quarter 2 income figures show an adverse variance of £0.179m. This is mainly due to the timing of the rent free weeks falling into the first six months. The annual budget is profiled to receive 26 weeks in the first six months when actually only 24 weeks were billed.

Expenditure

- 1.8 Expenditure within the HRA shows a favourable variance of £0.542m in the second quarter. 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

- 1.9 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 six months. While there are no identified budget pressures in respect of the current financial year it should be noted that both the planned changes to the rent setting formula announced by the Government, together with changes to the Supporting People funding regime - which are currently being negotiated - will have an adverse impact upon the HRA with effect from next financial year.

Capital Investment Programme

Capital Expenditure

- 1.10 The capital programme summary for the first six months of 2015/16 is provided in **Appendix 3** to this report.

- 1.11 In headline terms the capital programme profiled budget for quarter 2 is £6.572m and the actual spend and known commitments total £2.441m, which is £4.131m behind the planned spend position. The main areas to highlight are listed below:
1. Bolsover Mini Hub – it is anticipated that this will commence during the latter part of the year.
 2. Vehicles and Plant – for both the GF and the HRA, 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.
 3. HRA major schemes including doors, heating and re-roofing – contracts were put out to tender in April which meant a delay in expenditure. It is expected that spend will catch up in quarter 2/3.
 4. HRA property purchase/new build – these schemes have commenced in quarter 2 with expenditure planned to accelerate during the latter part of the current financial year.
- 1.12 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 profiled position as at quarter 2. Officers will continue to closely monitor the delivery of the 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 second 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 2015/16 Treasury Management Strategy at its meeting in February 2015. **Appendix 4** identifies the Treasury Management activity undertaken during the first six months of 2015/16 and demonstrates that this is in line with the plans agreed as part of the strategy.

2 Conclusions and Reasons for Recommendation

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

General Fund

The efficiency / savings target has been reduced to one £0.208m at the end of the second quarter.

The monitoring position shows a net favourable variance position in the second quarter of £1.400m. While much of this is due to the timing of payments it does indicate that the Council should secure a 'one off' financial saving at the year end.

HRA

The HRA is showing a net under spend in the second quarter of £0.363m and it is anticipated will be in at least a break even position at the year end.

Capital Expenditure

There are no significant areas of concern to report regarding the capital programme in the second quarter of 2015/16.

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 2015/16.

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 2015/16 is primarily a factual report which details progress against previously approved budgets. Accordingly it is not necessary to consider alternative options.

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 second quarter as detailed on Appendix 1 (A net favourable variance of £1.400m against the profiled budget) and the key issues highlighted within this report:

- Savings identified and secured in the first six months amount to £0.142m.
- The updated savings target for the General Fund Revenue Account at the end of the second quarter stands at £0.208m.
- On the basis that current progress is maintained it is anticipated that the Council should secure its efficiency measures target in full in respect of the current financial year.

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).

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	None directly
Links to Corporate Plan priorities or Policy Framework	Effective management of budgets is a key performance management tool for securing all of the Council's priorities.

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