

Bolsover District Council

Executive

28th November 2016

Budget Monitoring Report, Quarter 2 – April to September 2016

Report of the Assistant Director – Finance, Revenues & Benefits

This report is public

Purpose of the Report

- To update Executive 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

- 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 2016. The scope of this report is therefore to report the current financial position following the 2016/17 quarter two monitoring exercise. It should be noted that there is a separate report elsewhere on this agenda recommending a revised budget for 2016/17 which is based upon a separate but related piece of work.

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 £0.255m surplus after the Council Tax increase and other savings are included. As savings are identified and secured they are moved into the relevant cost centres within the main General Fund Directorates. Officers completed working on the financial outturn review of 2015/16 in quarter 2 and savings of £0.063m for 16/17 and £0.049m for 2017/18 and 2018/19 were achieved. Officers have also reviewed the opportunities to reduce the salary budgets where savings arose in the first six months. An amount of £0.101m has been removed from budgets for vacancies in quarter 1 and 2 which is included in the £0.312m savings shown on appendix 1.
- 1.3 The individual directorate monitoring meetings have not identified any significant budget issues to report at this stage with the summary showing that the Council is spending below its profiled budget at the end of the second quarter. 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 under spend 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.

- 1.4 Section 106 – In order to improve the monitoring and control of Section 106 monies received by the Council, both the funding together with the associated expenditure due to be utilised in a financial year are now incorporated within the General Fund directorate budgets. The amount budgeted to be spent in 2016/17 is £1.250m. There are no deadlines for expenditure to be spent during 2016/17. The next deadline is September 2018 for £0.123m. Officers are working to ensure that all of this spending is undertaken in line with the agreed timescales and in accordance with the S106 legal requirements.
- 1.5 The overall position at the end of quarter 2 shows that there is a favourable variance of £0.823m. On the basis of the savings achieved to date, Officers are of the view that the Council will be in a position to balance its budget by the year end. 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.
- 1.6 Officers have been working with Budget Managers in recent weeks to compile a Revised Budget for 2016/17. This will amend the current budgets to capture the identified budget savings and reduce spending where it is anticipated that there will be a minimal impact upon service delivery. As in previous years, this process will take account of all known potential savings in order to balance the budget for the year and to secure further savings to help address the identified shortfall in future years. Where possible the budget in future years will be amended to reflect these savings in order to reduce the projected budget gap faced by the Council. The revised budget position will be presented under a separate report at this meeting. That revised budget indicates that it should be possible to both achieve the savings required to meet the 2016/17 savings target, whilst making a contribution to the Transformation Reserve of £0.424m.

Housing Revenue Account

- 1.7 The Housing Revenue Account summary for the first six months of 2016/17 is set out in **Appendix 2** to this report. At the end of quarter 2 the HRA is showing a net surplus of £0.702m.
- 1.8 The quarter 2 income figures show a favourable variance of £0.131m. This is mainly due to the income from Derbyshire County Council for Supporting People not being included in the original budget. At the time the budget was set - given the uncertainties around this income - a prudent assumption was made that no income would be received.
- 1.9 Expenditure within the HRA shows a favourable variance of £0.565m 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, however, given the performance to date a favourable variance may well be achieved.

- 1.10 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 first six months.

Capital Investment Programme

Capital Expenditure

- 1.11 The capital programme summary for the first six months of 2016/17 is provided in **Appendix 3** to this report.
- 1.12 In headline terms, the capital programme profiled budget for quarter 2 is £10.771m and the actual spend and known commitments total £6.784m, which is £3.987m behind the planned spend position. The main areas to highlight are listed below:
- The Tangent Phase 2 – this work has not yet started and the budget will be re-profiled for the estimated outturn.
 - Clowne Leisure Facility – the under spend is due to the fact that the higher value spend is expected towards the end of the project.
 - HRA Public Sector Housing – this represents the amount which had not yet been allocated to individual schemes. This has been re-profiled for the estimated outturn.
 - New Bolsover HLF scheme – at the time of setting the original budget the start date of the scheme was unknown. The budget will be re-profiled as part of the estimated outturn to reflect the November 2016 start date.
- 1.13 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

- 1.14 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. As in previous years, officers will continue to work to generate capital receipts in order to assist in secure the funding for the capital programme in future financial years.

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 strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.16 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 six months of 2016/17 and demonstrates that this is in line with the plans agreed as part of the strategy.

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. In overall terms, the budget monitoring supports the view that the Council will be able to operate within the context of approved budgets and will secure its financial savings target by the year end.

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 it is not necessary to consider alternative options.

5 Implications

5.1 Finance and Risk Implications

Financial

- 5.1.1 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 second quarter of £0.823m. 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. This view is supported by the work undertaken in respect of the Revised Budgets.

HRA

The HRA is showing a net under spend in the second quarter of £0.696m and it is anticipated will be in at least a break even position at the year end. Again, the work on the Revised Budgets indicates that the position should be better at the end of the financial year than has been anticipated in the current budgets.

Capital Expenditure

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

Treasury Management

There are no significant areas of concern to report regarding Treasury Management activities in the second quarter of 2016/17.

Risk

- 5.1.2 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 continue with the work designed to deliver the targeted level of savings in respect of 2016/17.
- 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.

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
1	General Fund Summary
2	HRA
2	Capital Programme
4	Treasury Management
<p>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)</p>	
Report Author	Contact Number
Chief Accountant	2458
Assistant Director – Finance, Revenues & Benefits	2214

Report Reference –