

Executive

2012/13 Quarter 3 Finance Report

4 March 2013

Report of Head of Finance and Procurement

PURPOSE OF REPORT

This report summarises the Council's Revenue, Capital, Procurement action plan and Treasury performance for the first 9 months of the financial year 2012/13 and projections for the full 2012/13 period.

These are measured by the budget monitoring function and reported via the Performance Management Framework (PMF) informing the 2013/14 budget process.

This report is public

Recommendations

The Executive is recommended:

- (1) To note the projected revenue and capital position at December 2012.
- (2) To note the Q3 performance against the 2012/13 investment strategy.
- (3) To note the contents and the progress against the Corporate Procurement Action Plan (detailed in Appendix 1) and the Procurement savings achieved at December 2012 (detailed in Appendix 2).

Executive Summary

Introduction

- 1.1 In line with good practice budget monitoring is undertaken on a monthly basis within the Council. The revenue, capital, treasury and procurement position is reported monthly to the Joint Management Team and formally to the Executive on a quarterly basis. This report includes the position at Q3 – December 2012.
- 1.2 The revenue and capital expenditure in Q3 has been subject to a detailed review by Officers and reported monthly to management as part of the corporate dashboard.

- 1.3 The treasury performance has been reviewed regularly and reported to the Accounts, Audit and Risk Committee who undertake the governance and monitoring role.
- 1.4 We continue to consult with our treasury advisors Sector on a regular basis regarding counterparties, understanding risk and diversification of the portfolio.
- 1.5 The procurement action plan is reviewed monthly and exceptions are reported to the Procurement Steering Group.
- 1.6 The LGRR project team continues to meet regularly and analyse any new intelligence or respond to consultations so that we can evaluate the implications for the Council, its residents and its finances.

Conclusion

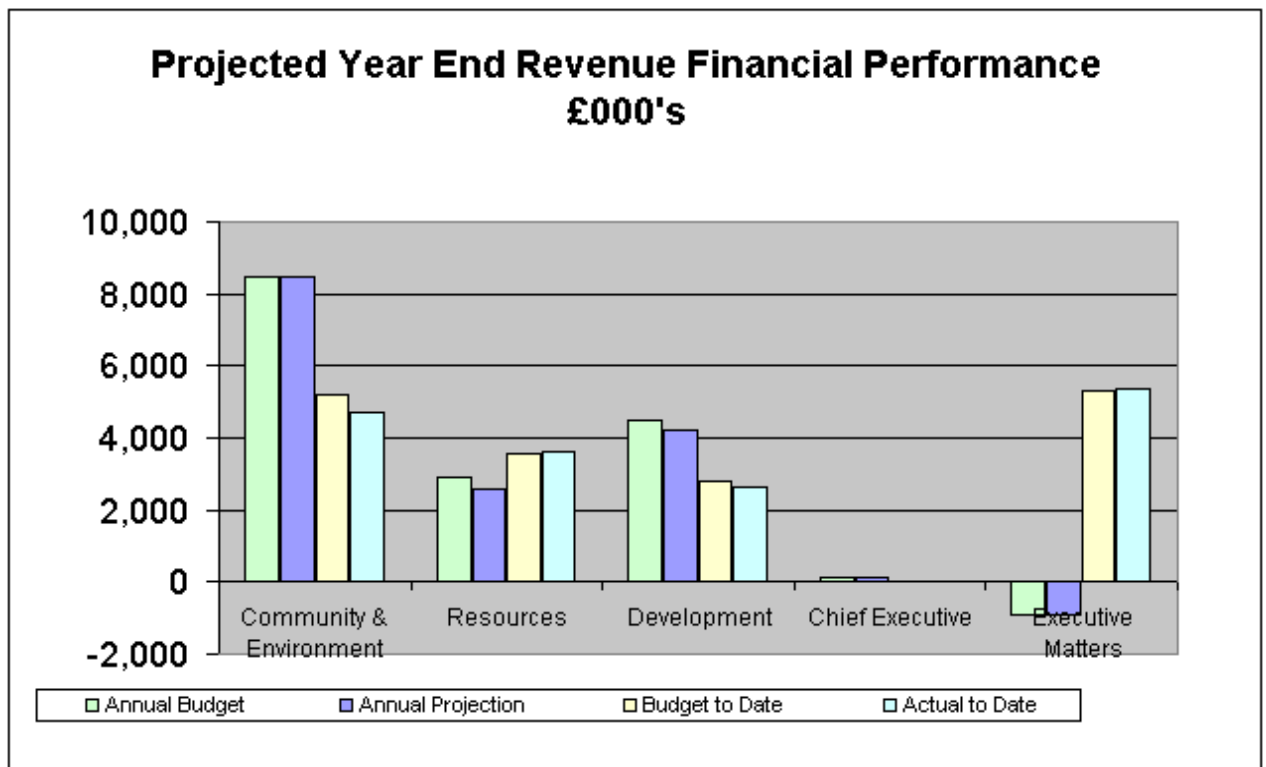
- 1.7 Due to the downturn in the economy, impact of the credit crunch on Council services and the volatility of the financial markets, the Council is keeping a watching brief on any challenges that they may need to face which may result in a redirection of budgets.
- 1.8 The variances on the revenue and capital projections are within the Council's stated tolerances of +2% / -5%.
- 1.9 The Council has a General Fund Revenue reserve to meet any budgetary surplus or deficit.
- 1.10 At the end of quarter 3, interest received was 27% more than budgeted and shows a positive result across both funds. This was mainly due to higher than planned balances when creating the budget (as we had a higher level of capital programme slippage from 2011/12), obtaining better than projected rates from our investments, and the change in allocation of funds.
- 1.11 Performance against treasury strategy and procurement action plan is on track.
- 1.12 The Chancellor's Autumn Statement was delivered on 5 December 2012 and the settlement was received on 19 December. The LGRR project team has processed this intelligence and implications for the 2013/14 budget which was reported to the January 2013 Executive.

Background Information

Revenue Projected Outturn 2012/13

- 2.1 We are currently projecting to be on track to budget at the year end.

DEC 2012 PROJECTIONS	Full-Year Budget	Projected Out-turn	Projection Variance
	2012/13	2012/13	2012/13
	£000's	£000's	£000's
DIRECTORATES			
Community & Environment	8,496	8,372	(124)
Resources	3,059	2,802	(257)
Development	4,469	4,333	(136)
Net Expenditure Services	16,024	15,507	(517)
Executive Matters			
Increase in Investment Income		(240)	(240)
Transfer to Reserves		757	757
Net Position	16,024	16,024	0
Net Revenue Projected (under) / overspend 2012/13 @ December 2012			0



2.2 Community and Environment shows a projected underspend of £124k.

The previously reported underspend (primarily relating to Environmental Services and the new dry recyclables contract) has been partly offset by overspends such as agency costs, reductions in recycling credits and the Christmas free parking period in Community Services.

2.3 Resources shows a projected underspend of £257k.

This primarily relates to Service Assurance with a projected underspend due to Housing Benefit and Council Tax Benefit expenditure and subsidy. There is also a projected underspend on Discretionary Rate Relief.

In addition there are underspends relating to a reduced external audit contract and consultancy fees.

2.4 Development shows a projected underspend of £136k.

This primarily relates to areas within Development Control where Advice has a saving on consultancy, Appeals are showing an underspend due to low spend on professional fees and income is exceeding the current budget, this has been adjusted in the 2013/14 budget.

2.5 Executive Matters

We are projecting additional investment income of £240,000 for the reasons detailed later in the report in Para 3.4.

This together with the net £517,000 underspend in services projects a transfer into general fund reserves of £757,000. This has been considered in forming the 2013/14 budget.

Capital Projection 2012/13

2.5 Total capital spend to December 2012, including commitments, amounts to £2.295m. This represents 12% of the total annual budget and 16% of the periodic budget.

DEC 12 PROJECTIONS	Full-Year Budget	Projected Out-turn	Projection Variance
	2012/13	2012/13	2012/13
	£000's	£000's	£000's
DIRECTORATES			
Community & Environment Total	3,370	1,274	(2,096)
Resources Total	399	399	0
Development Total	15,403	8,144	(7,259)
Capital Total	19,172	9,817	(9,355)
Analysed:-			
Identified Slippage – Com & Env			1,912
Identified Slippage - Development			7,114
Variance After Slippage			(329)

The Capital Budget for 2012/13 can be analysed as follows:-

Capital Budget 2012/13	£000's
Approved Capital programme for 2012/13 (including Supplementary)	9,455
Slippage from 2011/12 Programme	9,717
	19,172

2.6 The projected 2012/13 spend for capital schemes as at December 2012 is currently £9.8m , the slippage predicted is shown below:

Description	ANNUAL BUDGET £000	Slippage Required £000	Comments
Biomass Heating for Bicester Leisure Centre	385	365	Timing
Replacement Cabling Infrastructure for CCTV and Of	48	48	Timing
Football Development Plan in Banbury	20	20	Timing
South West Bicester Sports Village	1,366	1,136	Timing
Urban Centres Improvements	15	15	Timing
Implementing Vehicle Parks Proposals	20	20	Timing
Sports Centre Modernisation Programme	249	249	Retention
Energy Efficiency Projects	80	30	Timing
Mini MRF [Materials Recovery Facility]	29	29	Timing
Community and Environment Total	2,212	1,912	
Cherwell Community Led Programme	2,076	1,700	Timing
Bicester Cattle Market Car Park Phase 2	90	90	Timing
Bicester Pedestrianisation	250	250	Timing
Future Regeneration Schemes Preliminary Prof Fees	52	25	Timing
Old Bodicote House	225	179	Timing
Bicester Town Centre Redevelopment	9,980	4,500	Timing
Photovoltaic at Bodicote House & Banbury Museum	350	220	Timing
Disabled Facilities Grants	964	100	Timing
Discretionary Grants for Domestic Properties	325	50	Low demand
Development Total	14,312	7,114	

Treasury Management Performance Q3 2012/13

Update on Cherwell's Treasury Performance

- 3.1 The Treasury Management Strategy for 2013/14, which includes the Annual Investment Strategy was taken to Council for approval on 25 February 2013. It sets out the Council's investment priorities as being: Security of Capital; Liquidity; and Yield
- 3.2 The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the

current economic climate it is considered appropriate to keep investments short term to cover short term cash flow needs but also to seek out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions, using Sector's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Sector: this applies in particular to nationalised and semi nationalised UK banks.

- 3.3 Given the turmoil in peripheral Europe, our investments list does not have direct exposure to any sovereign debt of Portugal, Ireland Greece, Spain or Italy and that includes their national banks,. However, indirectly the banks on our lending list, in all probability do have exposure in some shape or form to either or both. Our lending criterion is very stringent and only the very largest banks are considered through negotiable securities, providing us with the greatest liquidity and flexibility.
- 3.4 Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes was £82.7m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme and ECO Bicester.

Investment performance at 31 December 2012 was:

Fund	Amount at 31 December 2012	Interest Budget	Actual Interest	Variance	Rate of return %
TUK	0	90,538	105,913	15,375	1.95%
Investec	11,742,224	64,687	110,731	46,044	1.17%
In House	70,456,931	488,626	599,541	110,916	1.34%
Total	82,446,881	643,851	816,264	172,412	1.37%

- 3.5 At the end of quarter 3, interest received was 27% more than budgeted and shows a positive result across all funds. This was mainly due to higher than planned balances when creating the budget as we had a higher level of capital programme slippage from 2011/12, obtaining better than projected rates from our investments, and the change in allocation of funds between Investec , TUK and in-house.
- 3.6 As a result we have reviewed our interest projection for the year and we are currently projecting we will receive additional investment income of £240k after the deduction of interest in respect of Eco town funds which will be returned to the Eco Town funding amount. The amount in respect of the Eco Town funds is anticipated to be approximately £150k which will be transferred to the project funds.

Procurement Action Plan and Record of Savings 2012/13

- 4.1 Progress against the Council's procurement action plan is detailed under Appendix 1 with a record of savings achieved to January 2013 detailed under Appendix 2.

- 4.2 The Joint Procurement Team has been in place since July 2012 and has been working on a joint forward plan to provide savings targets and support a range of programmes across the Councils including the Build! Affordable Home Programme, the South West Bicester Sports Village project, the Canalside Regeneration Options Appraisal, the Bicester Civic Centre build project, Fleet Management software, Corporate Bookings Software and a number of HR related exercises related to the Joint Management Team.
- 4.3 The procurement target for securing ongoing cashable savings in 2012/13 is £150,000 and to date total savings achieved amount to £106,424. Non-cashable savings of £48,285 and capital savings of £269,000 have also been secured.
- 4.4 A significant number of projects have been capital or programme based, such as the property condition surveys, the fleet management software and the Build! Affordable Homes Programme, which has seen substantial savings against budget to date – e.g. an estimated £235,000 saving against the South West Bicester new build project.
- 4.5 Further to the first meeting of the Officer Procurement Working Group with Stratford-on-Avon Council a work plan was submitted to the three way Joint Arrangements Steering Group in February. The work plan was agreed and is to be followed up on from March with a forward plan across all three Councils identifying projects suitable for joint procurement exercises over the short and longer term. Work groups will be scheduled for each opportunity to establish savings targets and agree project timetables.

Key Issues for Consideration/Reasons for Decision and Options

- 5.1 This report illustrates the Council's performance against the 2012/13 Financial Targets for Revenue, Capital, Treasury and Procurement Monitoring.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

- | | |
|-------------------|---|
| Option One | To review current performance levels and considers any actions arising. |
| Option Two | To approve or reject the recommendations above or request that Officers provide additional information. |

Consultations

The revenue and capital position has been subject to regular review by the Corporate Management Team.

The investment and procurement strategies have been subject to regular review with Members and the Joint Management Team.

Implications

- Financial:** Financial Effects – The financial effects are as outlined in the report.
Efficiency Savings – There are no efficiency savings arising directly from this report however the budget 2012/13 was based on a number of efficiencies. In addition we made a public promise of £800k savings which are being actively pursued as part of the 2013/14 budget setting process.
Comments checked by Beth Baines, Strategic Finance Accountant 01327 322223
- Legal:** There are no legal implications. Presentation of this report is in line with the CIPFA Code of Practice.
Comments checked by Kevin Lane, Head of Law and Governance, 01295 222045.
- Risk Management:** The position to date highlights the relevance of maintaining a minimum level of reserves and budget contingency to absorb the financial impact of changes during the year.
It is essential that the treasury annual report is considered by the Executive as it demonstrates that the risk of not complying with the Council's Treasury Management Strategy has been monitored in 2011/12.
Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.

Wards Affected

All

Corporate Plan Themes

An Accessible and Value for Money Council

Executive Portfolio

Councillor Ken Atack
Lead Member for Financial Management

Document Information

Appendix No	Title
Appendix 1	Record of progress Against Procurement action Plan 2012/13
Appendix 2	Procurement Savings Achieved April to Dec 2012
Background Papers	
None	
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