

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

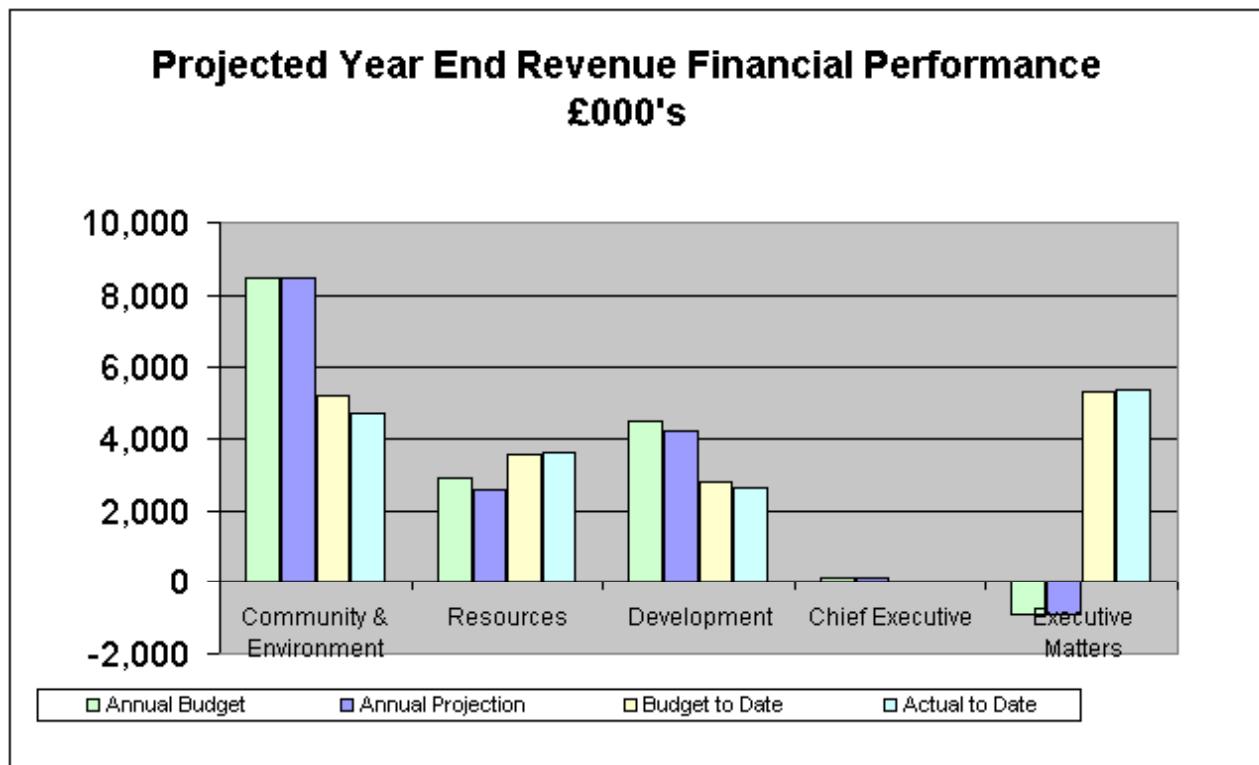
- 1.7 Due to the downturn in the economy, impact of the credit crunch on Council services and the volatility of the financial markets, the Council is keeping a watching brief on any challenges that they may need to face which may result in a redirection of budgets.
- 1.8 The variances on the revenue 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	Projection Variance	
		Projected Out-turn	2012/13
	2012/13	2012/13	2012/13
£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:	<p>Financial Effects – The financial effects are as outlined in the report.</p> <p>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.</p> <p>Comments checked by Beth Baines, Strategic Finance Accountant 01327 322223</p>
Legal:	<p>There are no legal implications. Presentation of this report is in line with the CIPFA Code of Practice.</p> <p>Comments checked by Kevin Lane, Head of Law and Governance, 01295 222045.</p>
Risk Management:	<p>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.</p> <p>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.</p> <p>Comments checked by Nicola Jackson, Corporate Finance Manager 01295 221731.</p>

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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8.1 Embed the use of the Joint Procurement Strategy objectives across the Council and ensure good governance and full compliance			
Action	Status	Progress	Narrative
<ul style="list-style-type: none"> • Rollout and reinforce the strategy and compliance with the Contract Procedure Rules across both Councils. • Enhance the scrutiny and policy development role of the Procurement Steering Group Strategy Group. 	Onward going	1-2-1 training sessions with officers on a project by project basis supplemented by attendance at team, divisional and directorate meetings and meetings with operational managers and supervisors.	
	Onward going	Recent focus on Community Right to Challenge and drawing up of schedule and criteria for challenges. The Joint Contract Procedure Rules provide a corporate approach to challenges.	
8.2 Sustainability			
Action	Status	Progress	Narrative
<ul style="list-style-type: none"> • Ensure sustainability is addressed with each procurement exercise by utilising the sustainability questions within the stakeholder questionnaires and encouraging sustainability to be included within evaluation criteria as well as the assessment/pre-qualification stages. • Encourage project officers to break down larger contracts to match SME and Social Enterprise capacity where appropriate. 	Onward going	Sustainability is being addressed with each exercise from purchase of Refuse Collection Vehicles to paper used in the multi-functional printers to the recently implemented buildings maintenance framework. Good progress is being made with the biomass boiler installation tender for Bicester Leisure Centre and a corporate biomass fuel supply contract is being put in place to provide a sustainable supply for the three biomass boilers installed across the district.	
	Onward going	A productive meeting with the Leader of the Council and the Federation of Small Businesses has led to a link to opportunities at the Council being posted on the FSB website. The property maintenance framework tender broke the requirements down into three lots with substantial local SME interest.	

Cherwell District Council 2012/13 PROJECTED REVENUE & CAPITAL OUTTURN AT 31st January 2013
 Appendix 3 - Record of Progress Against Joint Procurement Action Plan for 2012/13

8.3 Value for money and transparency		Action		Status		Progress Narrative	
<ul style="list-style-type: none"> Deliver significant cost and efficiency savings; Cherwell District Council - £150,000 target and South Northamptonshire £100,000 target. 		Behind target		<p>Cashable savings year-to-date of £106,424 against a Q3 target of £112,500. Non-cashable savings of £48,285 and capital savings of £9000.</p> <p>A significant number of projects have been capital or programme based, such as the Build! Affordable Homes 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 to do with JMT. All of these projects are being delivered below budget and are reducing the running costs of the Council – e.g. the Corporate Bookings Software will enable online booking facilities across a range of services 24/7.</p>			
8.4 Joint Working		Action		Status		Progress Narrative	
<ul style="list-style-type: none"> Deliver a joint working forward plan that reflects the procurement requirements of both Councils across 2012/13 		Onward going		<p>The joint forward plan is taking in all areas with a particular focus on Environmental Services (Vehicles & wheelie bins), ICT Phase 2 (including a hosted sales and booking system and maintenance agreements) and Facilities Management (including planned and reactive maintenance)</p>			
8.5 Transformation		Action		Status		Progress Narrative	
<ul style="list-style-type: none"> Provide procurement support to programme office as required, offering innovative solutions to deliver the transformation agenda. 		Onward going		<p>Substantial support being provided to the Build! Affordable Homes Programme, the SW Bicester Sports Village project, the Bicester Civic Centre build project, and the regeneration options appraisals for Spiceball and Canalside in Banbury.</p>			

Cherwell District Council 2012/13 PROJECTED REVENUE & CAPITAL OUTTURN AT 31st January 2013
 Appendix 3 - Record of Progress Against Joint Procurement Action Plan for 2012/13

8.6 Collaboration, Selling and Marketing		Status	Progress Narrative
Action			
<ul style="list-style-type: none"> Collaboration with Stratford 	Onward going	<p>Further to the first meeting of the Officer Procurement Working Group with Stratford-on-Avon 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 next three to five years. Work groups will be scheduled for each opportunity to establish savings targets and agree project timetables.</p>	<p>The internal audit contract has been actively promoted to Oxford City Council and Northampton Borough Council.</p> <p>The dry waste recycling services contracts have been actively promoted to Oxford City Council and the approach is currently being discussed with Stratford-on-Avon DC. Volume discounts will benefit both Cherwell District Council and SNC.</p>
<ul style="list-style-type: none"> Promote existing contracts open to other authorities which can be sold on in 2012/13: <ul style="list-style-type: none"> Report back quarterly on progress and any additional savings or discounts achieved for either Council 	Commenced with no outcome as yet.		
8.7 Develop the corporate contract management methodology and promote across all service areas			Progress Narrative
Action		Status	
<ul style="list-style-type: none"> Maintain a Council wide register of all contracts/agreements for all term contracts with a lifetime value of more than £10K. Rollout the Contracts Management Steering Group across both councils. 	<ul style="list-style-type: none"> Onward going Still to be progressed 	<p>A joint contracts register is now in place with information as to contracts at both councils publicised across both Oxfordshire and Northamptonshire.</p> <p>Contract management is being reviewed on a project by project basis with the steering group initiative put back to 2013/14.</p>	

Appendix 2 - Procurement Savings Achieved for April 2012 to January 2013.xls

Service Area	Contract Description	Contract Value	Cashable with budget reduction	Non-cashable	Capital
Various	P Cards		£48,285		
Environmental Services	Refuse Collection Vehicles	£290,000	£450	£9,000	
Environmental Services	Vehicle Spare Parts - No price increase.(saving of £1286) Savings full CPI & 2.5% prompt payment discount.(saving of £918)		£2,204		
Environmental Services	Public Toilets Cleaning. No price increase. Prices held at 2011-12 prices.(saving £3725) Plus 3.25% early payment discount.(£3459) (However Becca thinks this part may have already been taken into account when budgets were prepared at the end of last year)		£7,184		
Environmental Services	Pest Control. Price increase of 2.4%. Saving 3.5% - 2.4% = 1.1% = £351		£351		
Regeneration & Estates	Heating - no price increase. Saving 3.5% = £303 plus prompt payment		£477		
Regeneration & Estates	Cooling - Price increase 2.4%. Saving 3.5% - 2.4% = 1.1% = £69.28 plus prompt payment discount		£384		
Finance & Procurement	Internal Audit		£30,400		
Regeneration & Estates	Door & Shutter Maintenance - fixed price for 2nd yr		£65		
Regeneration & Estates	Water Hygiene - 1% increase		£265		
Regeneration & Estates	Lift Maintenance - fixed price for 2nd yr		£34		
Regeneration & Estates	Office Cleaning		£361		
Regeneration & Estates	Coffee Machines		£2,438		
Environmental Services	Public Toilet Maintenance		£158		
Regeneration & Estates	PAT Testing		£234		
Regeneration & Estates	Maintenance of UPS Systems, Generator, Inverter Battery Systems		£1,173		
Regeneration & Estates	Out of Hours Answering Service		£1,407		
Environmental Services	Traffic Management		£1,300		
Urban & Rural	Fairground Preparation		£3,038		
Licensing	Car Park Machine Maintenance		£240		
Regeneration & Estates	Car Park Barriers & Bus Station Gates		£138		
Finance	Paper for MFD's		£250		
Finance/Urban & Rural	Cash Collection		£1,573		
Regeneration & Estates	Reactive Maintenance		£9,000		
Communications	Cherwell Link Distribution		£5,000		
	Media Monitoring Software		£2,000		
	Corporate Consultation Programme		£20,000		
	Credit Checking Services		£500		
	Property Condition Surveys		£5,000		
	Build! SW Bicester Affordable Homes		£1,175	£235,000	
	Fleet Management Software		£1,600	£3,000	
	Non core stationery		£2,000		
	Hosted Sales and Booking Software		£3,000	£17,000	
	Canalside Regeneration Options Appraisal		£25	£5,000	
	Treasury Management Services		£1,000		
	Public Notices		£2,000		
	Total YTD		£106,424	£48,285	£269,000
Projects completed in 2011/12 with savings captured in 2012/13					
	Dry waste recycling - 2012/13		£432,000		
			£538,424		
Projects completed in 2012/13 with no cashable savings					
	Build! Design Framework	£200,000			
	Build! Consultancy Support	£18,000			
	Business Planning Facilitation (Horizon Scanning)	£3,000			
	Biomass Boiler Consultancy for Bicester Leisure Centre	£20,640.00			
	Banbury Museum's Extending the Reach Co-ordinator	£55,000.00			
	Housing Valuer	£14,437.50			
	JMT 360 Degree Appraisal Facilitation	£6,000.00			
	Joint CEX Appraisal Facilitation	£6,000.00			
	Options appraisal for harmonisation of Employee Terms and Conditions	£5,000.00			
	Occupational Health Provision	£11,000.00			
	Cycle to Work Scheme				
	Childcare Vouchers				
	Subscriptions Review	£15,000.00			
		£354,077.50			