

Cherwell District Council

Executive

2 December 2013

Quarter 2 Finance and Procurement Report

Report of Director of Resources

This report is public

Purpose of report

This report summarises the Council's Revenue and Capital performance for the first six months of the financial year 2013-14 and projections for the full 2013-14 period. These are measured by the budget monitoring function and reported via the Performance Management Framework (PMF) informing the 2013-14 budget process currently underway.

To receive information on treasury management performance and compliance with treasury management policy during 2013-14 as required by the Treasury Management Code of Practice.

1.0 Recommendations

The meeting is recommended:

- 1.1 To note the projected revenue and capital position at September 2013.
- 1.2 To note the quarter 2 (Q2) performance against the 2013-14 investment strategy and the financial returns from the two funds.
- 1.3 To note the contents and the progress against the Corporate Procurement Action Plan (detailed in Appendix 1) and the procurement savings achieved at September 2013 (detailed in Appendix 2).

2.0 Introduction

- 2.1 In line with good practice budget monitoring is undertaken on a monthly basis within the Council. The revenue and capital position is reported monthly to the Joint Management Team and formally to the Executive on a quarterly basis. This report includes the position at Q2.

- 2.2 The revenue and capital expenditure in Q2 has been subject to a detailed review by Officers and reported monthly to management as part of the corporate dashboard.
- 2.3 The CIPFA Code of Practice on Treasury Management which this Council has adopted requires a regular budget monitoring report. This full report will be taken to Accounts Audit and Risk Committee on the 4 December 2013.

3.0 Report Details

Projected Revenue Outturn

- 3.1 At quarter two, the Council is projecting a £330,000 overspend for the year end position. This is mainly due to demand led service pressures (detailed by Directorate below). These pressures can be managed in year by making use of a combination of the risk reserve, and if needed, the Council's general fund reserves. The impact therefore is that the Council is projecting to be on target at the year end. However, these demand pressures will have implications in preparing the 2014-15 revenue budget.

DIRECTORATE	TOTAL		
	ANNUAL BUDGET £000's	PROJECTED OUTTURN £000's	VARIANCE TO ANNUAL PROJECTION
Community & Environment	8,015	8,202	187
Resources	2,660	2,660	0
Development	3,833	3,976	143
Chief Executive	794	794	0
Services Executive Matters	(1,567)	(1,567)	0
(SURPLUS)/DEFICIT SERVICES	13,735	14,065	330
Utilisation of reserves			(330)
Investment Income above amount built into revenue budget:			(400)
Transfer to reserves - MTFS principle of not relying on investment income			400
Net Revenue Projection 2013/14 @ September 2013			NIL

- 3.2 Community and Environment shows a projected overspend of £187,000.

This primarily relates to waste and recycling where the proposed contract changes with the recycling contractor have resulted in £129,000 less income. This is covered by a separate report to Executive on the Recycling Processing Contract. In addition there is also a reduction in refuse and recycling sales and credits of £55,000 mainly due to a reduction in tonnages.

- 3.3 Resources is projected to be on budget at Q2.

3.4 Development shows a projected overspend of £143,000.

Due to the current economic climate and the increasing numbers of voids in Castle Quay, there has been a shortfall in income in quarter 2 which, if the trend continues, will result in a year end under recovery of £200,000. This is partly offset by a projected surplus of planning income in Development Control.

Capital projection 2013-14

3.5 Total capital spend to September 2013 including commitments, is showing significant credit value due to a few large accruals from 2012/13 for which the invoices have not yet been received. These are being chased and expected to be called upon in Q3. The estimated variance at year end is £1.8 m of which £1.7m is being requested to be carried forward to 2014-15 after a thorough review of the capital profiling of projects for quarter 2. The variance after the re-profiling is £95,000 which is 0.5% of the total budget and within tolerances.

September 2013 PROJECTIONS	Full-Year Budget 2013/14 £000's	Projected Out-turn 2013/14 £000's	Projection Variance 2013/14 £000's
DIRECTORATES			
Community & Environment	4,059	2,224	(1,835)
Resources	418	418	0
Development	13,464	13,478	14
Capital Total	17,941	16,120	(1,821)
Identified slippage			1,726
Variance after slippage			(95)

3.6 The capital budget can be analysed as follows:

Capital Budget 2013/14	£000's
Approved Capital programme for 2013/14	7,131
Prior years approved schemes (primarily Cherwell Community Led Programme)	2,353
Slippage from 2012/13 Programme	8,457
	17,941

Treasury Management Performance Q2 2013-14

3.7 The Treasury Management Strategy for 2013-14, which includes the Annual Investment Strategy, was approved by the Council on 25 February 2013. It sets out

the Council's investment priorities as being: Security of Capital; Liquidity; and Yield.

- 3.8 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. However, the Council also seeks out value available in significantly higher rates in periods up to 12 months with highly credit rated financial institutions. The Council uses 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).
- 3.9 During the quarter ended 30th September, Sector highlighted: -
- Indicators suggested that the economic recovery accelerated;
 - Household spending growth remained robust;
 - Inflation fell back towards the 2% target;
 - The Bank of England introduced forward guidance.
 - 10-year gilt yields rose to 3% at their peak and the FTSE 100 fell slightly to 6460;
 - The Federal Reserve decided to maintain the monthly rate of its asset purchases
- 3.10 Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes up to September 2013 was £68.8m. 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.
- 3.11 It is worth noting that the revenue budget for 2013-14 has been prepared utilising only £150,000 of investment income. However, total Investment income within 2013-14 is budgeted as £550,000. The balance of £400,000 will be used to replenish reserves after transferring interest received in respect of Eco Town funds to the Eco Town reserve.

Investment performance for quarter ended 30 September 2013 was:

Fund	Amount at 30 Sept 2013	Interest Budget	Actual Interest	Variance	Rate of return %
Investec	£11,840,069	£28,750	£2,095	(£26,655)	0.02%
In House	£57,005,123	£246,517	£314,224	£67,707	1.05%
Total	£68,845,192	£275,267	£316,319	£41,052	

- 3.12 At this point in the year the Council is currently projecting to be on target. The variance shown above has arisen through the timing of interest received. Although there is currently a negative balance against budget on the funds managed by

Investec, this has arisen through the month end valuation showing an unrealised loss to date.

- 3.13 Investec state that, moving forward, the gross redemption yield between now and maturity will accrue at an annual yield. While it shows a loss today, over the life of the bond it will average out to produce a positive return per year.

Procurement Action Plan and Record of Savings 2013-14

- 3.14 Progress against the Council's procurement action plan is detailed under Appendix 1 with a record of savings achieved to September 2013 detailed under Appendix 2.
- 3.15 The procurement team have delivered cashable savings to date of £40,049 against an annual target of £75,000. Non-cashable savings of £42,476 have also been achieved. Work with Stratford-on-Avon is underway with tender exercises in progress for cash collection.

4.0 Conclusion and Reasons for Recommendations

- 4.1 It is recommended that:
- the contents of this report are noted.
 - the variance on the revenue projections from service demand pressures can be met within existing resources.
 - the variance on capital projections are within the Council's stated tolerances of 5%.

5.0 Consultation

Cllr Ken Atack – Lead member
for Financial Management

Cllr Atack is content with the report and
supportive of the recommendations contained
within it.

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.
- 6.2 Option 1: This report illustrates the Council's performance against the 2013-14 Financial Targets for Revenue, Capital, Treasury and Procurement Monitoring. As this is a monitoring report, no further options have been considered. However, members may wish to request that officers provide additional information.

7.0 Implications

Financial and Resource Implications

- 7.1 These are contained in the body of the report. There are no direct costs or other direct financial implications arising from this report.

Comments checked by: Nicola Jackson, Corporate Finance Manager
01295 221731 nicola.jackson@cherwellandsouthnorthants.gov.uk

Legal Implications

- 7.2 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
0300 0030107 kevin.lane@cherwellsouthnorthants.gov.uk

Risk management

- 7.3 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.

Comments checked by: Claire Taylor, Corporate Performance Manager
0300 0030113 claire.taylor@cherwellandsouthnorthants.gov.uk

Equality and Diversity

- 7.4 Impact assessments were carried out in advance of setting the 2013-14 budget.

Comments checked by: Claire Taylor, Corporate Performance Manager
0300 0030113 claire.taylor@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Key Decision **No**

Financial Threshold Met: **No**

Community Impact Threshold Met: **No**

Wards Affected

All

Links to Corporate Plan and Policy Framework

All

Lead Councillor

Councillor Ken Atack – Lead Member for Financial Management

Document Information

Appendix No	Title
1	Corporate Procurement Action Plan 2013-14
2	Procurement Savings Achieved April to September 2013-14
Background Papers	
None	
Report Author	Tim Madden, Interim Head of Finance & Procurement Nicola Jackson, Corporate Finance Manager
Contact Information	01295 221634 01295 221731