

Cherwell District Council
Budget Planning Committee

11 March 2014

| |
|--|
| Quarter 3 Financial Performance |
|--|

Report of Interim Head of Finance and Procurement

This report is public

Purpose of report

This report is being presented to Executive on 3 March 2014.

This report summarises the Council's Revenue and Capital performance for the first nine months of the financial year 2013-14 and projections for the full 2013-14 period.

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 recommendations made to Executive on 3 March 2014:

- To note the projected revenue and capital position at December 2013.
- To note the quarter 3 (Q3) performance against the 2013-14 investment strategy and the financial returns from the two funds.
- To note the contents and the progress against the Corporate Procurement Action Plan (detailed in Appendix 1) and the procurement savings achieved at December 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 Q3.

- 2.2 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.
- 2.3 The CIPFA Code of Practice on Treasury Management which this Council has adopted requires a regular budget monitoring report. This full report has been reviewed by the Accounts, Audit and Risk Committee on the 22 January 2014.

3.0 Report Details

Projected Revenue Outturn

- 3.1 At quarter three the Council is projecting an underspend of £14,000 at the year end. This balance includes demand-led service pressures (detailed by Directorate below). These demand pressures have been addressed in preparing the 2014-15 revenue budgets.

| DIRECTORATE | TOTAL | | |
|--|-------------------------|-----------------------------|-------------------------------|
| | ANNUAL BUDGET £000's | PROJECTED OUTTURN £000's | VARIANCE TO ANNUAL PROJECTION |
| Community & Environment | 9,084 | 9,306 | 222 |
| Resources | 3,117 | 3,156 | 39 |
| Development | 3,405 | 3,440 | 35 |
| Chief Executive | 259 | 259 | 0 |
| Centrally controlled items & Funding | (15,865) | (16,175) | (310) |
| (SURPLUS)/DEFICIT SERVICES | 0 | (14) | (14) |
| 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 @ December 2013 | | | (14) |

- 3.2 Community and Environment shows a projected overspend of £222,000.

This primarily relates to waste and recycling where the proposed contract changes with the recycling contractor have resulted in £118,000 less income. This was 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 £50,000 mainly due to a reduction in tonnages. Car parking income in Community Services is projected to be £67,000 less than budgeted income.

- 3.3 Resources shows a projected overspend of £39,000.

This primarily relates to telecommunications across the council being overspent by £73,000 but is partly offset by additional land charge income of (£17,000) and

(£17,000) savings in Finance & Procurement mainly from renegotiated bank charges.

3.4 Development shows a projected overspend of £35,000.

Due to the current economic climate and the increasing numbers of voids in Castle Quay, there has been a shortfall in income in quarter which, if the trend continues, will result in a year end under recovery of £210,000. This is partly offset by a projected surplus of planning income in Development Control of (£175,000).

3.5 Centrally controlled items and Funding shows a projected (£310,000) underspend.

This is primarily due to unanticipated income in the form of Section 31 grant for Small Business Rate Relief (£313,000) which has been received by the council.

Capital projection 2013-14

3.6 The estimated capital variance at year end is £5.77m of which £5.76m is being requested to be carried forward to 2014-15 after a thorough review of the capital profiling of projects for quarter 3. The variance after the re-profiling is £10,000 which is 0.05% of the total budget and within tolerances.

| December 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 Resources | 4,037 | 2,230 | (1,807) |
| Development | 418 | 452 | 34 |
| | 13,489 | 9,493 | (3,996) |
| Capital Total | 17,944 | 12,175 | (5,769) |
| Identified slippage | | | 5,759 |
| Variance after slippage | | | (10) |

3.7 The capital budget can be analysed as follows:

| | |
|--|---------------|
| Capital Budget 2013/14 | £000's |
| Approved Capital programme for 2013/14 | 7,135 |
| Prior years approved schemes (primarily Cherwell Community Led Programme) | 2,353 |
| Slippage from 2012/13 Programme | 8,457 |
| | 17,944 |

Treasury Management Performance Q3 2013-14

- 3.8 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.
- 3.9 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 Capita's suggested creditworthiness approach, including sovereign credit rating and Credit Default Swap (CDS) overlay information provided by Capita (this applies in particular to nationalised and semi nationalised UK banks).
- 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 December 2013 was £60.6m. 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 forecast to be £550,000. The balance above the £150,000 budget 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 31st December 2013 was:

| Fund | Average funds invested up to 31 December 2013 | Interest Budget at 31 December 2013 | Actual Interest at 31 December 2013 | Variance | Rate of return % |
|---------------|---|-------------------------------------|-------------------------------------|------------------|------------------|
| Fund Managers | £11,840,069 | £43,125 | £(4,813) | £(47,938) | -0.04% |
| In House | £60,663,123 | £369,775 | £415,731 | £45,956 | 0.93% |
| Total | £72,503,192 | £412,900 | £ 410,918 | £ (1,982) | |

- 3.12 At this point in the year we are currently projecting to be on target. The variance shown above for in-house investments has arisen through the timing of interest received.
- 3.13 Members asked officers to review the situation and propose a course of action. Therefore, having taken advice from the treasury advisors Capita and reviewing both the current and projected performance of the external fund managers a decision has been made to recall these funds. This will result in savings in Fund Management Fees of approximately £18,000 / annum.

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 December 2013 detailed under Appendix 2.
- 3.15 The procurement team have delivered cashable savings to date of £53,726 against an annual target of £75,000. Cash collection tender has been successfully delivered with positive feedback received from collaborating councils.

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: Martin Henry, Director of Resources,
martin.henry@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

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 December 2013-14 |
| Background Papers | |
| | |
| Report Author | Tim Madden, Interim Head of Finance & Procurement Joanne Kaye, Interim Strategic Finance Accountant |
| Contact Information | 01295 221634 01295 221545 |