

# Cherwell District Council

## Executive

6 October 2014

### Quarter 1 2014/15 Financial Performance

## Report of Director of Resources

This report is public

### Purpose of report

This report summarises the Council's Revenue and Capital position, treasury management and procurement performance for the first three months of the financial year 2014-15 and projections for the full 2014-15 period.

To receive information on treasury management performance and compliance with treasury management policy during 2014-15 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 June 2014.
- 1.2 To note the quarter 1 (Q1) performance against the 2014-15 investment strategy and the financial returns from the funds.
- 1.3 To note the contents and the progress against the Corporate Procurement Action Plan (detailed in Appendix 1).

### 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 Budget Planning Committee on a quarterly basis. This report includes the position at Q1 which will be reported to Executive in October.
- 2.2 The revenue and capital expenditure in Q1 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 17 September 2014.

### 3.0 Report Details

#### Projected Revenue Outturn

- 3.1 At quarter one the Council is projecting an overspend of £41,000 at the year end.

DIRECTORATE	TOTAL		
	ANNUAL BUDGET £000's	PROJECTED OUTTURN £000's	VARIANCE TO ANNUAL PROJECTION
Bicester Regeneration Projects	132	132	0
Community & Environment	9,352	9,307	(45)
Resources	2,847	2,758	(89)
Development	3,377	3,377	0
Chief Executive	185	185	0
Centrally controlled items	(1,502)	(1,327)	175
<b>Net Revenue Projection 2014/15 @ June 2014</b>	<b>14,391</b>	<b>14,432</b>	<b>41</b>

- 3.2 Community and Environment shows a projected underspend of (£45,000).

This primarily relates to Environmental Services where the Phase 2 shared service has resulted in (£92,000) savings for CDC. The percentage allocations of shared managers are currently estimates and are to be reviewed at Q2 to reflect the actual activity based on the first half of the year. In addition, fuel costs across the services are reduced by (£23,000) due to lower than budgeted cost per litre. The savings are then offset by a £42,000 overspend, predominantly as a result of the sickness and vacancies within Waste and Recycling which require backfilling with Agency Staff. Car parking income is forecasted to be £70,000 down but is currently being offset by other savings in the service.

- 3.3 Resources shows a projected underspend of (£89,000).

Savings of (£99,000) in Transformation, primarily relating to staff vacancies, and (£59,000) in Law and Governance from the over-recovery of legal fees and personal search fees are offset by an overspend of £69,000 in Finance & Procurement as a result of lower than expected subsidy levels in relation to rent allowances.

- 3.4 Development is projected to be on target.

At this stage it is too early to make any assumptions with regards to Castle Quay. This will be updated in the Q2 report. In addition we should shortly be receiving the audited actual 2014-15 Permitted Deductions reconciliation, for which an accrual of £70,000 was made which was based on estimated permitted deductions for the year.

3.5 Centrally controlled items shows a projected £175,000 overspend

Procurement savings of £75,000 have yet to be identified. Once these have been identified the budgets will be adjusted to reflect the savings in this area. £100,000 savings from shared working are expected to be realised in the services (e.g. Environmental Services, ICT and legal) and budget adjustments will be completed once these are confirmed. It is expected, therefore, that this will not be a pressure at year end.

The Council is anticipating significant additional income streams in relation to business rates and will report these at a future meeting.

**Capital projection 2014-15**

3.7 The estimated capital variance at year end is £1.5m underspend. This relates predominantly to South West Bicester Sports Village scheme. The scheme is being requested to be carried forward to 2015-16 after a thorough review of the capital profiling of projects for quarter 1. The variance after the re-profiling is £15,000 which is 0.1% of the total budget and within tolerances.

<b>June 2014 PROJECTIONS</b>	<b>Full-Year Budget 2014/15</b>	<b>Projected Out-turn 2014/15</b>	<b>Projection Variance 2014/15</b>
	£000's	£000's	£000's
<b>DIRECTORATES</b>			
Community & Environment Resources	4,112	2,552	(1,560)
Development	839	851	12
	11,382	11,385	3
<b>Capital Total</b>	<b>16,333</b>	<b>14,788</b>	<b>(1,545)</b>
<b>Identified slippage</b>			<b>1,560</b>
<b>Variance after slippage</b>			<b>(15)</b>

3.8 The capital budget can be analysed as follows:

<b>Capital Budget 2014/15</b>	£000's
Approved Capital programme for 2014/15	3,397
Prior years approved schemes (primarily Cherwell Community Led Programme)	4,962
Slippage from 2013/14 Programme	7,974
	<b>16,333</b>

3.9 Budget Planning Committee reviewed the individual capital schemes at its meeting on 9 September 2014.

## Procurement Action Plan and Record of Savings 2014-15

- 3.10 Progress against the Council's procurement action plan is detailed under Appendix 1.
- 3.11 The procurement team have not secured any cashable savings during Quarter 1 14-15 against an annual target of £75,000 but continue to seek cashable savings at every opportunity. The team has provided valuable input into numerous capital projects including Build!, Bicester Community Building, Financial Management System and South West Bicester Sports Village.

## Treasury Management Performance Q1 2014-15

- 3.12 The Treasury Management Strategy for 2014-15, which includes the Annual Investment Strategy, was approved by the Council on 24 February 2014 and updated on 7 July 2014. It sets out the Council's investment priorities as being:
- Security of Capital; Liquidity; and Yield
- 3.13 The Council will 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 Sector (this applies in particular to nationalised and semi nationalised UK banks).
- 3.14 Investment rates available in the market have continued at historically low levels. The average level of funds available for investment purposes up to June 2014 was £66.2m. 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.
- 3.15 It is worth noting that the revenue budget for 2014-15 has been prepared utilising only £49,190 of investment income; however, total Investment income within 2014-15 is budgeted as £320,000. The balance above the £49,190 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 30 June 2014 was:

Fund	Funds invested as at 30 <sup>th</sup> June 2014	Interest Budget as at 30 <sup>th</sup> June 2014	Actual Interest at 30 <sup>th</sup> June 2014	Variance	Rate of return %*
In House	£67,564,669	£80,000	£86,981	(£6,981)	0.62%
<b>Total</b>	<b>£67,564,669</b>	<b>£80,000</b>	<b>£ 86,981</b>	<b>(£ 6,981)</b>	

\*Rate of Return is calculated on an annualised basis

- 3.16 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.
- 3.17 Last year there was an ongoing concern by both members and officers that the performance of the funds previously managed by Investec was not satisfactory. Therefore a decision was made to recall the funds managed by Investec and bring all funds in house.

## **4.0 Conclusion and Reasons for Recommendations**

- 4.1 It is recommended that:
- the contents of this report are noted.
  - 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 2014-15 Financial Targets for Revenue, Capital 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](mailto: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](mailto: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: Jo Pitman, Head of Transformation  
01295 222342, [jo.pitman@cherwellandsouthnorthants.gov.uk](mailto:jo.pitman@cherwellandsouthnorthants.gov.uk)

## Equality and Diversity

- 7.4 Impact assessments were carried out in advance of setting the 2014-15 budget.

Comments checked by: Jo Pitman, Head of Transformation  
01295 222342, [jo.pitman@cherwellandsouthnorthants.gov.uk](mailto:jo.pitman@cherwellandsouthnorthants.gov.uk)

## 8.0 Decision Information

### Key Decision

**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 2014-15
<b>Background Papers</b>	
None	
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