

Cherwell District Council

Budget Planning Committee

18 November 2014

<p>Quarter 2 2014-15 – Revenue and Capital Budget Monitoring Report</p>
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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 six 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

Budget Planning Committee is recommended:

- 1.1 To note the projected revenue and capital position at September 2014.
- 1.2 To note the quarter 2 (Q2) performance against the 2014-15 investment strategy and the financial returns from the funds.

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. The report will go to the Executive on 1 December 2014.
- 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 reviewed by the Accounts Audit and Risk Committee on the 3 December 2014.

3.0 Report Details

Projected Revenue Outturn

3.1 At quarter two the Council is projecting an overspend of £50,000 at the year end.

Directorate	Annual Budget	Projected Outturn	Projected Variance
	£000	£000	£000
Bicester Regeneration	181	181	0
Community & Environment	9,456	9,702	246
Resources	2,850	2,914	64
Development	3,459	3,199	(260)
Chief Executive	175	175	0
Centrally Controlled Items	(1,730)	(1,730)	0
Cost of Services	14,391	14,441	50
Sources of Financing	(14,391)	(14,391)	0
(Surplus)/Deficit	0	50	50

3.2 Bicester Regeneration is projected to be on budget.

3.3 Community and Environment shows a projected overspend of £246,000.

Community & Environment	Annual Budget	Projected Outturn	Projected Variance
	£000	£000	£000
Community Services	3,534	3,757	223
Environmental Services	5,922	5,945	23
	9,456	9,702	246

- **Community Services (projected £223,000 overspend)**

The overspend is predominantly a result of reduced car parking income of £336,000. The projection takes into account the impact of the Sainsbury's car park in Bicester and falling demand generally which is also compounded by falling Excess Charge Notices. These are mitigated in part by salary savings in Customer Services (£17,000), Safer Communities (£54,000) and Car Parks (£35,000).

- **Environmental Services (projected £23,000 overspend)**

Additional salary and agency costs in Waste and Recycling has resulted in a net projected overspend of £103,000. These are partly offset by reduced fuel costs across the service, due to lower than budgeted cost per litre amounting to (£41,000). Reduced vehicle repairs required amount to (£12,000) and the sale of obsolete vehicles amounts to (£22,000).

3.4 Resources shows a projected overspend of £64,000.

Resources	Annual Budget	Projected Outturn	Projected Variance
	£000	£000	£000
Transformation	705	637	(68)
Information Services	(11)	30	41
Finance & Procurement	1,051	1,231	180
Law & Governance	1,105	1,016	(89)
	2,850	2,914	64

- Transformation (projected £68,000 underspend)**
 HR are currently forecasting an underspend of £23,000 due to additional income from the secondment of HR staff to Stratford District Council. Performance and Communications are forecasting underspends due to salary savings.
- Information Services (projected £41,000 overspend)**
 ICT are forecasting an overspend relating to telephony.
- Finance & Procurement (projected £180,000 overspend)**
 Finance is forecasting an overspend relating to Rent Allowances and an expected reduction in the level of Government subsidy.
- Law and Governance (projected £89,000 underspend)**
 The underspend is related to recovery of legal fees and salary savings on two vacant posts (£17,000) and an increase in income from personal search fees (£45,000).

3.5 Development shows a projected underspend of (£260,000).

Development	Annual Budget	Projected Outturn	Projected Variance
	£000	£000	£000
Strategic Planning & the Economy	789	789	0
Public Protection & Development Management	1,622	1,272	(350)
Regeneration & Housing	1,048	1,138	90
	3,459	3,199	(260)

- Development Management (projected £350,000 more income)**
 Pre-Application Fee income is currently projecting income £50,000 above budget and Planning Fee Income is currently projecting a £300,000 above budget. It has been agreed to vire some of these funds for legal advice required for Castle Quay 2.
- Regeneration and Housing projected to be £90,000 overspent**
 The main overspend (£82,000) relates to abortive costs from the Crown House scheme that have been transferred from Capital.

3.6 Chief Executive is projected to be on budget.

3.7 Centrally Controlled Items is projected to be on budget.

3.8 Sources of Financing

Investment is currently slightly higher than budgeted and this trend is expected to continue, however any income above budget will be transferred to reserves.

Income from Business Rates Growth/Pooling and Section 31 grants is expected to be significantly higher than budgeted however the position will not become clear until later in the financial year. In any event income above budget will be transferred to reserves.

3.9 Capital Projected Outturn Position at September (Period 6)

Directorate	Annual Budget	Projected Outturn	Slippage	Variance
	£000	£000	£000	£000
Bicester Regeneration	4,837	4,837	0	0
Community & Environment	4,058	2,501	1,585	28
Resources	839	851	0	12
Development	20,456	20,075	230	(151)
	30,190	28,264	1,815	(111)

The net Capital projection as at September 2014 is within budget tolerances at - 0.7% variance. The slippage predominantly relates to the South West Bicester Sports Village.

The above budget of £30.2m includes £16.3m of profiled spend on the Build! programme. The total budget for this programme was increased by £9.5m to £22m by Council in May 2014 and is to be complete by March 2016.

Procurement Action Plan and Record of Savings 2014-15

3.10 The Procurement Team continue to work collaboratively with officers from Stratford-on-Avon District Council and have recently finalised an agreement for Washington House to provide occupational health services to all three Councils.

3.11 Since April 2014 the Procurement Team has provided advice to over 25 projects with an approximate total value of £11.7m. Examples of reductions achieved for CDC in the last six months include:

- A £10,000 reduction in Leisure consultants fees facilitated by a direct appointment rather than via a framework.
- A reduction of £25,000 in the cost of the refurbishment of the North Oxfordshire Academy athletics track.
- Securing a five year contract with Capita for the new financial management system that saved £15,000 capital and £71,000 revenue over the life of the contract.
- A commitment to provide procurement expertise to the Graven Hill project thus avoiding approximately £17,000 of external procurement consultants' fees.

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 September 2014 was £60.1m. 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 Income position as at 30 September 2014

Fund	Average funds invested up to 30-Sep-14	Interest Budget at 30 Sep 2014	Actual Interest at 30 Sep 2014	Variance	Rate of return %
In House	£60,486,477	£160,000	£183,783	£23,783	0.60%
Total	£60,486,477	£160,000	£183,783	£23,783	

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 Attack – Lead member for Financial Management

Cllr Attack 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

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@cherwellandsouthnorthants.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. Any increase in risk will be escalated through the corporate risk register.

Comments checked by: Louise Tustian, Acting Corporate Performance Manager
01295 221786 louise.tustian2@cherwellandsouthnorthants.gov.uk

Equality and Diversity

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

Comments checked by: Caroline French, Corporate Policy Officer
01295 221586 caroline.french@cherwellandsouthnorthants.gov.uk

8.0 Decision Information

Key Decision

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
None	
Background Papers	
None	
Report Author	Paul Sutton, Head of Finance and Procurement Joanne Kaye, Interim Strategic Finance Accountant
Contact Information	0300 0030106 01295 221545