

Bolsover District Council

Executive Committee

3 December 2018

Medium Term Financial Plan - Revised Budgets 2018/19

Report of the Head of Service - Finance and Resources

This report is public

Purpose of the Report

- To seek Executive approval of the 2018/19 revised budget for the General Fund, Housing Revenue Account and Capital Programme which will assist in improving the Councils financial position in both 2018/19 and future financial years.

1 Report Details

General Fund Revenue Account

- 1.1 The revised budget process is now complete and the proposed 2018/19 revised budget for the General Fund is attached at **Appendix 1**. The appendix shows the original budget for 2018/19 which was agreed in February 2018, the current budget which reflects budget transfers and approved changes during the financial year, and the proposed revised budget for 2018/19. The revised budget shows that Net Cost of Services has increased to £10.552m which is £1.84m above the original budget figures. This increase in the Net Cost of Services reflects approvals during the year to fund new expenditure, predominantly funded from either earmarked reserves, new grant allocations or new income received, since the original budget was set.
- 1.2 The original budget showed a surplus of £1.027m. In addition £1.547m business rates income, the result of being a pilot authority in 2018/19, has also been included in the forecast. Due to the volatile nature of business rates the actual level of income will not be confirmed until April 2019 so to be prudent, £1.547m has been allocated to the NNDR Growth Protection Reserve until the final position is known. This reserve will be used to help mitigate the implications of the Business Rates Reset which is planned by Government for 2020/21. Table 1 below shows the revised savings target position for 2018/19:

Table 1

	2018/19 Original Budget £000	2018/19 Current Budget £000	2018/19 Revised Budget £000
Opening Budget Surplus	(1,027)	(1,027)	(1,027)
Council Tax Increase 18/19	(107)	(107)	(107)
<i>Options Identified:</i>			
NNDR Growth	0	(1,547)	(1,547)
Transformation, Income Generation/Cost Reduction/Business Redesign	0	(28)	(243)
Vacancy Management	0	(86)	(290)
Total Transformation Options	(107)	(1,768)	(2,187)
Costs Pressures	0	41	628
General Fund (surplus)/Budget Shortfall	(1,134)	(2,754)	(2,586)
Transfer to NNDR Growth Reserve	0	1,547	1,547
General Fund (surplus)/Budget Shortfall	(1,134)	(1,207)	(1,039)

- 1.3 In all cases the budget managers have been consulted and are in agreement with the budget changes proposed. It has been a clear objective in the exercise not to make any budget changes that have a significant adverse impact on the service provision being delivered. **Appendix 2** details the net cost of each cost centre by Directorate. The key variances within the revised budget are detailed in Table 2 below:

Table 2

	£000's
Waste Recycling Contract	147
Vacancy Management	(204)
Debt charges/investment income	(215)
Go Active changes including business rates	263
Reductions in Benefits grants	102
Miscellaneous income reduction/cost increases	75
Net Increase in Expenditure	168

1.4 An explanation of each of the variances in table 2 is as follows:

- Waste recycling contract – in the 2017/18 revised budget process, reductions were made to expenditure in-line with a new contract. This has had to be reversed because Chesterfield Borough Council are currently unable to meet the criteria required to achieve the full benefits of the new contract.
- Vacancy management has been effective during the year with a pro-active approach. Each vacancy is considered to ensure there is still a business need for it while also considering the requirements of the service to ensure no negative impact is caused.
- Debt charges/Investment income – updates to the debt charges calculation for the 2017/18 outturn position have meant a reduction in charges of £0.152m. More favourable interest rates and higher levels of cash flow have meant an increase in interest income of £0.063m.
- Go Active – In the 2017/18 revised budget process it was reported the facility would outturn £0.056m surplus for its first full financial year of operation. The actual position at outturn was £0.075m subsidy. The reason for this was due to income projections being inclusive of VAT. At the point this was fully understood the budget for 2018/19 had already been set. Therefore agreement was reached that the necessary budget amendment would be addressed at revised budget time in November 2018. Hence this large variation against the budget. The facility remains on target to achieve the original business case.
- The reduction in benefits grants received of £0.102m is as a result of the half year subsidy claim. It is dependent on the level of benefits granted to claimants and is outside of our control.
- Miscellaneous income reduction/cost increases - the main changes are a reduction in funding for the Wellness Programme from Public Health of £0.017m; nett changes to Strategic Alliance working is a cost of £0.024m and various small service changes of £0.034m.

1.5 Some of the above will continue into future years so will be included within the Medium Term Financial Plan for 2019/20 onward.

1.6 The final position will clearly be dependent on the actual financial performance out-turning in line with the revised budgets as there may be further costs and/or savings identified from restructuring processes and other variances as the year progresses. All surpluses generated in the financial year are transferred into the Transformation Reserve so as to be available for financing the Council's transformation plans, service developments and any restructuring costs.

Housing Revenue Account (HRA)

1.7 The Housing Revenue Account revised budget for 2018/19 is set out in **Appendix 3** to this report.

Income

- 1.8 In total, income is £0.271m lower than the current budget. Dwelling rents are £0.307m lower due to a high level of voids resulting from a delay in the capital scheme.
- 1.9 Income from Special Services has been revised down by £0.057m. This is due to a reduction in the income expected from heating charges.
- 1.10 It was forecast that the Council would see a reduction in contributions towards expenditure as the Supporting People payments from Derbyshire County Council were due to end. However, the funding has now been extended beyond the original end date whilst a review is undertaken by the County Council. Therefore the income has been increased by £0.057m. The outcome of this review will impact on the HRA in the future so will continue to be monitored.

Expenditure

- 1.11 Expenditure on the HRA is showing a net reduction against current budgets of £0.116m. Vacancies from repair and maintenance and supporting people - wardens have been removed of £0.087m.
- 1.12 The remainder of the HRA expenditure reduction is from lower stores expenditure £0.021m; lower utilities costs of £0.032m and a reduction in hired and contracted services and legal/professional fees of £0.048m and £0.065m respectively. There has been an increase in interest costs of £0.134m.
- 1.13 Taking account of the proposed budget changes detailed above, the HRA is anticipated to deliver a surplus in the current financial year of £0.002m, which is £0.025m lower than the current budget. This surplus will be retained in the development reserve to fund improved services to Council tenants' in future financial years.

Capital Programme

- 1.14 The Council's capital programme is shown in **Appendix 4**. It has been updated from the original budgets to reflect approvals within the year and the profiling of the individual schemes following approved changes by Members and from detailed discussions with budget officers.
- 1.15 As part of the revised budget process, officers have estimated the likely level of spend in the current financial year. As a result £3.534m has been removed from the current budget and put into 2019/20 as this is when the work is likely to be undertaken. The proposed estimated outturn for 2018/19 is therefore a budget of £22.801m.
- 1.16 The changes that are shown in the revised capital programme mean that the financing is adjusted accordingly to meet the anticipated spend. There are no issues to report with regard to the financing of the 2018/19 capital programme.

2 Conclusions and Reasons for Recommendation

- 2.1 The purpose of this report is to set revised budgets as early as possible within the financial year to ensure that identified budget savings are realised, that all budget managers are working to the revised budgets and to allow any planned changes to be delivered. The improved position on both the Council's main revenue budgets reflects a combination of favourable circumstances during the year, together with careful budget management and the ongoing policies of progressing the transformation agenda in order to reduce the underlying level of expenditure in line with the ongoing reductions in the level of government grant. The savings achieved will be used to support service delivery to residents and tenants in future financial years.

3 Consultation and Equality Impact

- 3.1 There are no consultation and equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

4.1 General Fund and HRA

The anticipated surplus on the Council's two main revenue accounts will result in an increase in financial reserves at the year-end which are available to protect services at a time of declining central government support. How these additional resources are utilised is a decision for Members which will be taken as part of the 2019/20 budget process.

4.2 Capital

There are no alternative options being considered with regard to the proposed allocations from the Capital Programme budget as it ensures the Council's assets meet health and safety requirements in that they are maintained in a fit for purpose state that ensures they remain fully operational.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 The issue of financial risk is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register. While officers are of the view that these risks are being appropriately managed it needs to be recognised that continued reductions in budgets may mean that adverse variances arising from particular issues or pressures may not be able to be absorbed from favourable variances in other budgets.

There is also no provision within the revised budget to meet any costs of delivering financial savings required for future years. Any proposals to utilise the forecast surplus in the current year must take this risk into account.

5.1.2 The capital programme identifies and recognises the need to maintain the Council's assets in a fit for purpose state and to retain and attract income streams for the Council. The financing of the capital programme is secured for 2018/19 thus minimising the risk of any additional unplanned borrowing.

5.1.3 Financial issues and implications are covered in the relevant sections throughout this report.

5.2 Legal Implications including Data Protection

5.2.1 There are no legal issues arising directly from this report.

5.3 Human Resources Implications

5.3.1 There are no human resource implications arising directly out of this report.

6 Recommendations

6.1 That Executive approves the revised General Fund budget for 2018/19 as set out in Appendix 1 and detailed in Appendix 2.

6.2 That Executive approves the revised HRA budget for 2018/19 as set out in Appendix 3.

6.2 That Executive approves the revised Capital Programme for 2018/19 as set out within Appendix 4.

7 Decision Information

<p>Is the decision a Key Decision?</p> <p>A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p><i>BDC: Revenue - £75,000</i> <input type="checkbox"/></p> <p><i>Capital - £150,000</i> <input type="checkbox"/></p> <p><i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/></p> <p><i>Capital - £250,000</i> <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	<p>Yes</p>
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	<p>Yes</p>
<p>Has the relevant Portfolio Holder been informed</p>	<p>Yes</p>
<p>District Wards Affected</p>	<p>All</p>
<p>Links to Corporate Plan priorities or Policy Framework</p>	<p>All</p>

8 Document Information

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	HRA
4	Capital Programme
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Chief Accountant	01246 242458
Head of Service – Finance and Resources	01246 217658