

Bolsover District Council

Executive

10th September 2018

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| <p>Medium Term Financial Plan - Budget Monitoring Report Quarter 1 – April to June 2018</p> |
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Report of Councillor B. Watson, Portfolio Holder for Finance and Resources and Sustainable Energy

This report is public

Purpose of the Report

- To update Executive on the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account (HRA), Capital Programme and Treasury Management activity.

1 Report Details

- 1.1 Officers have continued the integrated approach to budget monitoring in the first quarter with Performance, Risk and Finance being considered together at the combined Directorate meeting held during July 2018. The scope of this report is therefore to report the current financial position following the 2018/19 quarter one monitoring exercise.

General Fund Revenue Account

- 1.2 The General Fund Revenue Account summary is shown in **Appendix 1**. The original budget for 2018/19 showed a funding surplus of £1.027m. The current budget now shows that this is £1.095m after the Council tax increase and other movements are included. As savings are identified and secured they are moved into the relevant cost centres within the main General Fund Directorates. Officers have reviewed the opportunities to reduce the salary budgets where savings arose in the first quarter and a further amount of £0.086m will now be removed from budgets. **Appendix 5** to this report gives a detailed break-down of the General Fund directorate budgets.
- 1.3 Within the Directorates there is the following to report:
- The People Directorate shows a favourable variance of £0.214m. This relates mainly to:
 1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.332m) – favourable.

2. Income received in advance of any expenditure (£0.740m) – favourable.
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.537m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.262m) – adverse.
 5. Over spends against quarter 1 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.030) – adverse.
- The Place Directorate shows an adverse variance of £0.141m. This relates mainly to:
 1. Under spends due to invoices not yet being paid and vacancies at the end of the quarter (£0.217m) – favourable.
 2. Income received in advance of any expenditure (£0.093m) – favourable.
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.304m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.098m) – adverse.
 5. Over spends against quarter 1 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.043) – adverse.
- 1.4 In order to improve the monitoring and control of Section 106 monies received by the Council, the sums due to be utilised in a financial year are now recorded within the General Fund directorate budgets with the expenditure recorded against these sums. The amount budgeted to be spent in 2018/19 is £1.125m. Of this £0.008m must be spent by 20th September this year or the funding may be lost. Officers are working to ensure that all of this spending is undertaken in line with the S106 legal requirements.
 - 1.5 The overall position at the end of quarter 1 shows that there is a favourable variance of £0.073m. This is partly due to £0.831m invoices or commitments being paid or placed on the E-purchasing system for the full year. This compares to £0.853m in 2017/18. This is an indication that the system is being used correctly as orders are being placed as soon as the Council is committed to the expenditure. There are no real budget pressures identified in quarter 1 but officers will continue to monitor the position during the next quarter.
 - 1.6 The table that follows illustrates that even though the savings target for 2018/19 and 2019/20 have been met, there is still a need for ongoing savings. The shortfall in future years will be addressed through the transformation programme which will include a combination of income maximisation, business redesign and business cost reduction options.
 - 1.7 Officers will begin working with budget managers during the next quarter to compile a revised budget for 2018/19. This will amend the current budgets to capture additional budget savings and reduce spending where it is anticipated that there will be a minimal impact upon service delivery. Where possible the budget in future

years will be amended to reflect savings identified to assist with projected budget shortfalls. The revised budget position will be presented to Executive in December.

| | 2018/19 Budget £000 | 2019/20 Budget £000 | 2020/21 Budget £000 | 2021/22 Budget £000 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Budget Shortfall | (1,027) | 34 | 550 | 1,184 |
| Council Tax Increase 2018/19 | (107) | (107) | (107) | (107) |
| <i>Options Identified:</i> | | | | |
| NNDR Growth | (1,547) | 0 | 0 | 0 |
| Transformation, Income Generation/Cost Reduction/Business Redesign | 39 | (41) | 0 | 0 |
| Vacancy Management | 0 | 0 | 0 | 0 |
| Total Transformation Options | (1,615) | (148) | (107) | (107) |
| General Fund (surplus)/Budget Shortfall | (2,642) | (114) | 443 | 1,077 |

Business Rates Retention (BRR) Pilot

- 1.8 As reported in the Medium Term Financial Plan (MTFP), the Derbyshire Business Rates Pool was accepted by the Government as one of ten pilot pools for 2018/19.
- 1.9 At the time of approving the budget the full impact to the Council of being in the Pilot was still being finalised. This has now been completed and forecasts show that the one year benefit to the Council will be in the region of £1.547m. However, as a consequence of being a 100% pilot authority the Revenue Support Grant due will no longer be received. This is a loss of £1.558m but as it was already known about this loss was assumed in the MTFP. The BRR income forecast has been included in quarter 1 and transferred to the NNDR Growth Protection Reserve.
- 1.10 The BRR income forecast is based on an estimate of business rates growth across the County that could fluctuate during the year. This presents a risk to the MTFP as should the growth not be achieved, the allocation to the Council would decrease. The final allocation will not be known until May 2019 following submission of NNDR3 returns.
- 1.11 Income for Business Rates for 2019/20 is now subject to a potential further pilot at 75% rate retention. This is subject to a separate report on this agenda.

The National Funding Settlement 2020/21

- 1.12 A number of fundamental changes to local authority funding are currently being considered by the Government for incorporation into the 2020/21 settlement. These are summarised below:

Fair Funding Review (FFR)

- 1.13 The national funding allocations formula was last reviewed in 2013/14 and it is intended that the outcomes of the current FFR will inform the 2020/21 spending review and therefore the financial settlement. Consultation closed in March 2018 and it is still too early to say with any clarity what the impact of the FFR will be but initial modelling is showing that the recalculated Settlement Funding Assessment (SFA) is redirecting resources to those based on “need” which will impact negatively on most shire districts.
- 1.14 The risk of losses from the FFR is also much greater for district councils because of their ability to raise council tax. This puts a greater burden on the local decision making with regards council tax setting each year.

Business Rates Reset

- 1.15 The business rates baseline funding level (BFL) calculates by formula each council’s share of overall resources and is based on each Councils’ business rates baseline, taken from the NNDR1 each year. A full reset of the BFL is planned for 2020/21 although there is some debate currently around this and consultation is due later this year with draft options early next year. Should a full reset proceed this would mean that any business rates growth accumulated since 2013/14 (the last reset) would be rolled into each Council’s BFL, effectively wiping the benefit of that growth out. This growth would then be redistributed according to need. In general terms, districts have benefited most from this growth so would therefore be the worst affected by the reset.
- 1.16 There is also a proposal to increase the local share for business rates to 75% from 2020/21. However, it is expected that county councils will benefit from this increase rather than district councils whose share is likely to stay at 40% or maybe even reduce.
- 1.17 There are still too many variables to put any huge reliance on the impact of a business rates reset or change to the local share at this stage but it is likely to affect district councils which is a risk to the current MTFP.
- 1.18 It is unlikely that any meaningful financial information will be available ahead of the 2020/21 provisional settlement in late 2019. The impact of these changes will be closely monitored and the risks presenting as a result, be considered as part of the MTFP refresh.

Housing Revenue Account (HRA)

- 1.19 The Housing Revenue Account summary for the first quarter of 2018/19 is set out in **Appendix 2** to this report. At the end of quarter 1 the HRA is showing a net deficit of £0.527m.

Income

- 1.20 The quarter 1 income figures show an adverse variance of £0.506m. This is mainly due to the timing of the rent free week falling into the first quarter. The annual budget is profiled to receive 12 weeks in the first quarter when actually only 11 weeks were billed.

Expenditure

- 1.21 Expenditure shows an overall adverse variance of £0.021m. The main areas to highlight are listed below:

1. Employee costs at £0.926m are £0.099m lower than forecast which is mainly due to vacancies in repair and maintenance. The budget is currently being reviewed as part of the outturn and budgets no longer required will be removed before the next quarter.
2. Supplies and services at £0.494m are £0.113m higher than budget. The main overspends are stores issues at £0.070m which is a commitment for July and Lifelines at £0.026m which is a commitment for the full year.

HRA – Overall Summary

- 1.22 In light of the above and the expenditure patterns to date, there are no significant issues to report regarding the overall position for the HRA at the end of the first quarter.

Capital Programme

Capital Expenditure

- 1.23 The capital programme summary for the first quarter of 2018/19 is provided in **Appendix 3** to this report. The programme has been updated with carried forward budgets from 2017/18 previously approved by Executive.
- 1.24 In headline terms, the capital programme profiled budget for quarter 1 is £6.062m and the actual spend and known commitments total £5.887m, which is £0.175m behind the planned spend position. The main areas to highlight are listed below:
1. Bolsover Safe and Warm is £0.520m under spend as the current scheme is only in the early stages.
 2. New Bolsover HLF scheme is behind due to the unique nature of the scheme £0.847m.
 3. Housing ICT Scheme is fully committed for the full year resulting in an over spend of £0.336m in this quarter.
 4. Plant, Vehicles and Equipment are currently £0.158m under spent as vehicles will be purchased later in the year.
 5. Dragonfly loan and acquisition of share capital are showing as £0.366m over spent which is due to the budgets not yet being input. The budgets will be updated before the next quarter.
 6. The miscellaneous property scheme B@home is currently £0.957m over spent for the quarter due to the individual schemes progressing well.
- 1.25 Whilst there are no significant financial issues to report regarding capital expenditure at the end of the first quarter, it must be noted that the delivery of the approved capital programme is slightly behind the profiled position as at quarter 1. Officers will continue to closely monitor the delivery of the Programme.

Capital Resources

- 1.26 HRA – The Council has sufficient capital resources in place to finance the HRA actual expenditure and commitments at the end of the first quarter.
General Fund – The financing of the General Fund part of the capital programme is in line with the approved financing arrangements.

Treasury Management

- 1.27 The treasury management function covers the borrowing and investment of Council money. This includes both the management of the Council's day to day cash balances and the management of its long term debt. All transactions are conducted in accordance with the Council's approved strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.28 The Council approved the 2018/19 Treasury Management Strategy at its meeting in February 2018. **Appendix 4** identifies the Treasury Management activity undertaken during the first quarter of 2018/19 and demonstrates that this is in line with the plans agreed as part of the strategy. The income received from investments is currently higher than budgeted and we anticipate that this will continue during the remainder of the financial year. A full assessment of this will be done during the next quarter with a view to amend the budgets accordingly.

2 Conclusions and Reasons for Recommendation

- 2.1 The report summarises the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury management activity.

3 Consultation and Equality Impact

- 3.1 There are no equalities issues arising directly out of this report.

4 Alternative Options and Reasons for Rejection

- 4.1 The Budget Monitoring report for 2018/19 is primarily a factual report which details progress against previously approved budgets. Accordingly there are no alternative options to consider.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 Financial implications are covered throughout this report.
- 5.1.2 The issue of Financial Risks 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 there may be pressures on all of the Council's main budgets as these have been or are being reduced to minimum levels. These will need to be

managed carefully during the course of this financial year if we are to protect the existing levels of financial balances.

5.2 **Legal Implications including Data Protection**

There are no legal issues arising directly from this report.

5.3 **Human Resources Implications**

There are no human resource issues arising directly out of this report

6 **Recommendations**

- 6.1 That Executive notes the monitoring position of the General Fund at the end of the first quarter as detailed on Appendix 1 and 5 (A net favourable variance of £0.073m against the profiled budget) and the key issues highlighted within this report:
- 6.2 That Executive notes the position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the first quarter (Appendices 2, 3 and 4).

7 **Decision Information**

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| Is the decision a Key Decision? 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: BDC: <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> NEDDC: <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | Yes |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | Yes |
| Has the relevant Portfolio Holder been informed? | Yes |
| District Wards Affected | All |
| Links to Corporate Plan priorities or Policy Framework | Providing Excellent customer focussed services. Continually improving our organisation |

8 Document Information

| Appendix No | Title |
|--|----------------------------|
| 1 | General Fund Summary |
| 2 | HRA Summary |
| 3 | Capital Programme |
| 4 | Treasury Management Update |
| 5 | General Fund Detail |
| 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) | |
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| Report Author | Contact Number |
| Chief Accountant | 2458 |
| Head of Service – Finance and Resources | 7658 |

Report Reference –