

Bolsover District Council

Executive

5th November 2018

**Medium Term Financial Plan - Budget Monitoring Report
Quarter 2 – April to September 2018**

**Report of Cllr B Watson, Portfolio Holder for Finance & Resources and
Renewable Energy**

This report is public

Purpose of the Report

- To update Executive on the financial position of the Council following the second 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 second quarter with Performance, Risk and Finance being considered together at the combined, Directorate meeting held during October 2018. The scope of this report is therefore to report the current financial position following the 2018/19 quarter two 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 £1.207m 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 reviewed the opportunities to reduce the salary budgets where savings arose in the first quarter and £0.086m was removed from budgets. Savings from vacancies for quarter 2 will be removed from salary budgets as part of the half year review being undertaken now. **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 £0.948m. This relates mainly to:

1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.720m) – favourable.
 2. Income received in advance of any expenditure (£1.109m) – favourable.
 3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.433m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.411m) – adverse.
 5. Over spends against quarter 2 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.050) – adverse.
- The Place Directorate shows a favourable variance of £0.521m. This relates mainly to:
 1. Under spends due to invoices not yet being paid and vacancies at the end of the quarter (£0.419m) – favourable.
 2. Income received in advance of any expenditure (£0.351m) – favourable.
 3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.167m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.089) – 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 £1.116m. There are no further deadlines during 2018/19 by which these schemes need to be spent, the earliest deadline is 1/5/19. 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 2 shows that there is a favourable variance of £1.469m. There are no real budget pressures identified in quarter 2 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 have begun working with budget managers 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	13	(41)	0	0
Vacancy Management	(86)	0	0	0
Total Transformation Options	(1,727)	(148)	(107)	(107)
General Fund (surplus)/Budget Shortfall	(2,754)	(114)	443	1,077
Transfer to NNDR Growth Reserve	1,547	0	0	0
General Fund (surplus)/Budget Shortfall	(1,207)	(114)	443	1,077

Housing Revenue Account (HRA)

1.8 The Housing Revenue Account summary for the second quarter of 2018/19 is set out in **Appendix 2** to this report. At the end of quarter 2 the HRA is showing a net deficit of £0.084m.

Income

1.9 The quarter 2 income figures show an adverse variance of £0.176m. This is mainly due to the voids being higher than initially estimated due to the delay in finishing the capital scheme.

Expenditure

1.10 Expenditure shows a favourable variance of £0.092m. The main areas to highlight are listed below:

1. Employee costs at £1.826m are £0.065m lower than forecast which is mainly due to vacancies in repair and maintenance and supporting people (wardens).
2. Provision for Doubtful Debts at £0.075m is not posted until year-end.

HRA – Overall Summary

1.11 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 second quarter.

Capital Programme

Capital Expenditure

- 1.12 The capital programme summary for the second quarter of 2018/19 is provided in **Appendix 3** to this report.
- 1.13 In headline terms, the capital programme profiled budget for quarter 2 is £12.920m and the actual spend and known commitments total £9.999m, which is £2.921m behind the planned spend position. The main areas to highlight are listed below:
1. Bolsover Safe and Warm is £0.602m under spent 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 £1.375m.
 3. Housing ICT Scheme is fully committed for the full year resulting in an over spend of £0.224m in this quarter.
 4. Dragonfly loan and acquisition of share capital are £0.239m under spent compared to the profile for the quarter.
 5. The Major Repairs Reserve funded schemes are £0.763m under spent which is not unusual this early in the year.
- 1.14 Whilst there are no significant financial issues to report regarding capital expenditure at the end of the second quarter, it must be noted that the delivery of the approved capital programme is behind the profiled position as at quarter 2. Officers will continue to closely monitor the delivery of the Programme.

Capital Resources

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

Treasury Management

- 1.16 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.
- 1.17 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 second 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 half year review with a view to amending the budgets accordingly.

2 Conclusions and Reasons for Recommendation

- 2.1 The report summarises the financial position of the Council following the second 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 second quarter as detailed on Appendix 1 and 5 (A net favourable variance of £1.469m 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 second quarter (Appendices 2, 3 and 4).

7 Decision Information

<p>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: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies</p>	Yes
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	Yes
<p>Has the relevant Portfolio Holder been informed?</p>	Yes
<p>District Wards Affected</p>	All
<p>Links to Corporate Plan priorities or Policy Framework</p>	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
<p>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)</p>	
<p>Report Author</p>	
<p>Contact Number</p>	
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Report Reference –