

Bolsover District Council

Audit and Corporate Overview Scrutiny Committee

27 July 2021

Budget Monitoring Report - Financial Outturn 2020/21

Report of the Head of Finance and Resources

Classification: This report is public

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PURPOSE / SUMMARY

To update Audit and Corporate Overview Committee of the outturn position of the Council for the 2020/21 financial year.

RECOMMENDATIONS

- 1 That Members note the outturn position in respect of the 2020/21 financial year.
 - 2 That Members note the transfers to various earmarked reserves of £0.906m as outlined in detail in paragraph 2.3.
 - 3 That Members note the proposed carry forward of capital budgets detailed in **Appendix 4** totalling £5.447m.
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IMPLICATIONS

Finance and Risk: Yes No

Details:

The financial implications are set out within the body of the report.

Members should note that the budgets against which we have monitored the 2020/21 outturn were those agreed within the Council's Medium Term Financial Plan (MTFP). The MTFP gave careful consideration to both the affordability of the budgets that were approved and to ensuring that the level of balances remained adequate for purposes of enabling sound financial management.

The issue of financial risk is covered throughout the report. The risk of not achieving a balanced budget, together with the risk that the Council's level of financial balances

will be further eroded are currently key corporate risks identified on the Council's Strategic Risk Register.

While the Council has effectively addressed its Strategic Financial Risks during 2020/21 it needs to be recognised that the Council will need to give careful consideration to both capital and revenue income opportunities before they are rejected, looking to the directorate for development to generate income to ensure the Council's financial future is sustainable over the long term.

On Behalf of the Section 151 Officer

Legal (including Data Protection):

Yes

No

Details:

The Statement of Accounts is required to be prepared by 31 May and audited by the 31 July each year, although again this year the deadlines have been moved to 31 July and 30 November respectively due to the pandemic. The Council has now completed the draft Statement of Accounts and they have been signed off by the Chief Financial Officer as at 14 June 2021 which secures compliance with the Council's obligations.

On Behalf of the Solicitor to the Council

Staffing:

Yes

No

Details: There are no Human Resources issues arising directly from this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
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	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	Yes
District Wards Significantly Affected	All
Consultation: Leader / Deputy Leader <input checked="" type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input checked="" type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Leader Details: Portfolio holder

Links to Council Ambition (BDC)/Council Plan (NED) priorities or Policy Framework including Climate Change, Equalities, and Economics and Health implications.

REPORT DETAILS

1 Background

- 1.1 The Council published its draft Statement of Accounts in respect of 2020/21 on 14 June 2021. The statutory deadline of 31 May was extended to 31 August this year to take into consideration the impact of Coronavirus. The draft Statement of Accounts 2020/21 is now subject to the independent audit from the Council's external auditors, Mazars. Until the accounts have been agreed by our external auditors, there remains the possibility that they will be subject to amendment. It is anticipated that the external audit will be completed remotely beginning in July but this is also subject to delay caused by Coronavirus. The statutory date for the final audited accounts has been extended from 31 July to 30 November 2021.

- 1.2 International Financial Reporting Standards (IFRS) dictate that the main focus of the Statement of Accounts is on reporting to the public in a format which is directly comparable with every country that has adopted IFRS i.e. not just UK or even other local authorities. By contrast, the focus of this report is on providing management information to Members and other stakeholders to assist in the financial management of the Council.
- 1.3 The following sections of this report will consider the 2020/21 outturn position in respect of the General Fund, the Housing Revenue Account (HRA), the Capital Programme and Treasury Management activities. Within the report, consideration is given to the level of balances at the year end and the impact which the closing position has upon the Council's budgets in respect of the current financial year.

2. Details of Proposal or Information

General Fund

- 2.1 The position in respect of the General Fund outturn is detailed in **Appendix 1** attached to this report. The appendix shows the Current Budget compared to the final Outturn position. The main variances against the current budget are shown in table 1 below with variances at service level shown in **Appendix 2**.

Table 1

	£000
ITC	(94)
Bad debt provision not used	(48)
Salaries variances	(267)
Non-staff miscellaneous variances	(430)
Recycling service changes	158
Net cost of services	(681)
Debt Charges/Investment Interest	(9)
Net additional NNDR/Council tax income	(211)
Additional general government grants	(6)
Total Outturn Variance	(907)
Changes to general fund balance since revised budget – until outturn	1
Contribution to Reserves – 2020/21 Outturn	(906)

Financial Reserves

Transfers from Earmarked Reserves

- 2.2 The use of earmarked reserves in 2020/21 was £0.637m. This reflects the expenditure incurred on projects at 31 March 2021 which have approval to use earmarked reserves. There are ongoing commitments for these activities in 2021/22 when the balance of this years' reserve funding (£0.330m) will be utilised.

Transfers to Reserves

- 2.3 At the end of the financial year it has been necessary to agree a number of transfers into reserves in preparation for future expenditure commitments, some from income received in 2020/21. Transfers to reserves total £7.714m which is £0.906m higher than originally forecast, reflecting the outturn shown in table 1.

These consist of:

- £0.100m contribution to the IT Reserve to fund future expenditure requirements.
 - £0.100m contribution to the Vehicle Renewal Reserve to enable the continued financing of new vehicles and therefore not incur debt charges.
 - £0.030m contribution to the Legal Costs Reserve in preparation to fund future likely costs.
 - £0.130m transfer to the General Reserve as the remainder of the in-year surplus.
 - £0.546m transfer to the NNDR Growth Protection Reserve to mitigate against future changes to the business rates system.
- 2.4 The Transformation Reserve has a balance at the end of the year of £6.818m. Commitments already made against this reserve for 2021/22 and future years amount to £5.486m leaving £1.332m uncommitted.
- 2.5 As already discussed there are ongoing commitments against the earmarked reserves which will continue in 2021/22 and future years. Should any of these reserves prove unnecessary in the future, they will be moved back into unallocated General Fund resources.

General Fund Balances

- 2.6 The General Fund Balances are considered to be at an acceptable level for a District Council rather than at a generous level. The General Fund balance needs to be considered against the background of ongoing changes to the level of Government funding together with the range of risks facing the Council. With only a limited level of General Fund reserves it is crucial that the Council continues to maintain robust budgetary control while securing its ongoing savings targets in order to safeguard both its reserves and its financial sustainability.

- 2.7 Given the current level of general balances, should either an over spend or an under achievement of income occur, then the Council would have a period of time in which to recover the situation. In a situation in which the Council were operating at a lower level of balances and an over spend or under achievement of income occurred which took balances to below minimum level then immediate 'crisis' remedial action would need to be considered. Such a response is not conducive to sound financial management but more importantly would have a significant detrimental impact upon the Council's ability to deliver the planned and agreed level of services to local residents.
- 2.8 The main feature of the 2020/21 financial year is that the Council transferred £0.906m to Earmarked Reserves in preparation for future expenditure.
- 2.9 With regard to the underlying favourable variance on the General Fund in 2020/21 this will be reviewed as usual during the budget process for 2021/22 – 25/26, from October onwards. The latest position for all years in the current MTFP is shown in Table 2.
- 2.10 It should be remembered that for all years from 2022/23 there is a transfer into the general fund from the NNDR Growth Protection Reserve to replace the losses caused by changes in Government funding. As a Council we made it our strategy to save extra income earned in years when we received more than we estimated, to be able to use it in future years when income was reduced.
- 2.11 These transfers are £0.550m into the reserve in 2021/22, then contributions from the reserve of £2.268m in 2022/23, £2.776m in 2023/24 and £1.191m for 2024/25. Even with the extra contribution to this reserve in 2020/21 of £0.546m, this reserve is not a sustainable source of income for the general fund. This is where we look to the directorate for development to generate income and replace the funding we've lost before we run out of the NNDR Growth Protection Reserve.

Table 2

	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000
Budget Shortfall - MTFP Feb 2021	291	402	688	3,777
Efficiencies identified to date (removed from budget)	(191)	(192)	(128)	(110)
Current Budget Shortfall	100	210	560	3,667
Efficiencies Identified <u>not yet realised</u>	(100)	(210)	(320)	(430)
Closing Budget Shortfall	0	0	240	3,237

2.12 Covid-19 Pandemic

The following table shows the main sources of financial support the Council received from Government to support businesses, individuals and the Council's own additional cost pressures and losses in income due to the pandemic.

	Amount received in 20/21	Amount paid at 31/3/21
Business support grant funding	£23.617m	£19.632m
Test and trace support payments (for individuals)	£0.188m	£0.092m
Council tax hardship relief	£0.780m	£0.738m
Expanded retail discount (business rates)	£7.800m	£7.800m
Emergency funding to cover our costs	£1.406m	£0.965m
Compensation for our income losses	£0.720m	n/a
Local tax losses business rates	£0.177m	n/a
Local tax losses council tax	£0.118m	n/a

Housing Revenue Account (HRA)

- 2.13 The Housing Revenue Account is provided in Appendix 3 to this report.
- 2.14 The Housing Revenue Account position shows a number of variances during the year. The main under spends are in relation to vacancies and sub-contractor payments within repairs and maintenance. Higher void levels than estimated meant a reduction in dwelling rents income. The overall expenditure position is £0.460m below the current budget. The overall income position is £0.052m below the current budget. This gives a net cost of services under spend of £0.408m, adjusting to £0.160m under spend after interest.
- 2.15 The surplus has been used to fund a contribution of £0.256m to the Development Reserve which is available to sustain the Council's housing stock. Where the use of Reserves has not been fully applied in 2020/21 and there are ongoing commitments for these activities in 2021/22, the funding will be carried forward and utilised.
- 2.16 The level of HRA Balances has decreased to £2.116m in line with the current budget. The HRA balances are considered appropriate with the level of financial risk facing the HRA. Maintenance of this balance is necessary as it will help ensure the financial and operational stability of the HRA which is essential if we are to maintain the level of services and quality of housing provided to our tenants over the life of the 30 year Business Plan.

Capital Investment Programme

- 2.17 Details of the capital expenditure incurred by the Council in 2020/21 on a scheme by scheme basis is provided in **Appendix 4**.

The Capital Programme may be summarised as follows:

	Current Programme £'000	Outturn £'000	Variance £'000
General Fund:			
GF Building Assets	990	660	(330)
GF ICT Schemes	140	42	(98)
Disabled Facilities Grants	999	384	(615)
Joint Venture - Dragonfly	2,122	0	(2,122)
Leisure Schemes	838	3	(835)
Other Capital Schemes	532	279	(253)
General Fund Total	5,621	1,368	(4,253)
HRA:			
HRA New Build Properties	3,847	3,320	(527)
Public Sector Housing Schemes	6,955	5,701	(1,254)
New Bolsover Scheme	1,686	1,195	(491)
Other Capital Schemes	150	70	(80)
HRA Total	12,638	10,286	(2,352)
Programme Total	18,259	11,654	(6,605)

General Fund Schemes

- 2.18 In relation to the General Fund element of the Capital Programme during 2020/21, £4.253m was not undertaken. The Joint Venture, Disabled Facilities Grants and 3G Playing Pitch were the main variances.

HRA Schemes

- 2.19 Within the HRA the variances show that £2.352m of the total HRA programme has not been undertaken during the year. The public sector housing scheme, Safe and Warm was the main variance.

2.20 **Appendix 4** also details the proposed carry forward amounts to 2021/22. These requests relate to individual schemes that are still in progress, where there are outstanding commitments or where the scheme has been delayed. The carry forward amount is £5.447m with the impact on the 2021/22 capital programme detailed in the appendix. It should be noted that all these expenditure requirements will take forward a corresponding level of financial resources and thus have a neutral impact on the financial position in 2021/22.

Capital Financing

2.21 The Capital Programme was financed as follows:

	Current Programme	Outturn	Variance
	£000	£000	£000
General Fund:			
The Better Care Fund	(999)	(381)	(618)
Reserves	(3,324)	(463)	(2,861)
External Funding	(901)	(191)	(710)
Usable Capital Receipts	(397)	(333)	(64)
Total General Fund	(5,621)	(1,368)	(4,253)
HRA:			
Major Repairs Reserve	(8,017)	(6,683)	(1,334)
Prudential Borrowing	(2,504)	(1,976)	(528)
HRA Reserves	(642)	(447)	(195)
External Funding	(198)	(184)	(14)
Usable Capital Receipts	(1,277)	(996)	(281)
Total HRA	(12,638)	(10,286)	(2,352)
Grand Total	(18,259)	(11,654)	(6,605)

General Fund Capital Financing

2.22 Officers have financed the General Fund Capital Programme from a combination of capital receipts, reserve contributions and external funding.

HRA Capital Financing

2.23 Officers have financed the HRA Capital Programme from a combination of capital receipts, reserve contributions, prudential borrowing and external funding. The Prudential Borrowing financing arrangements were agreed by Council as part of the Treasury Management Strategy at its meeting in February 2020.

Treasury Management

- 2.24 **Appendix 5** provides a brief report on the Treasury Management activity of the Council for 2020/21. In summary, the Council operated throughout 2020/21 within the Authorised and Operational Boundary limits approved in the Treasury Management Strategy as approved by the Council in February 2020.
- 2.25 The key points from the summary report are:
- The overall borrowing requirement of the Council (the Capital Financing Requirement) - £116.581m at 31 March 2021.
 - The PWLB debt - £97.100m.
 - Effective internal borrowing - £19.481m.
 - £2m repayments of PWLB debt in year.
 - No new PWLB borrowing was undertaken in 2020/21.
 - PWLB interest paid in 2020/21 - £3.474m.
 - Interest received on investments - £0.167m.

3 Reasons for Recommendation

General Fund

- 3.1 During the previous financial year the Council managed its budget effectively securing a favourable financial outturn. The Council was able to make contributions of £0.906m to numerous reserves in preparation for future expenditure commitments. The Transformation Reserve, which is the Council's main general earmarked reserve, has £5.486m commitments against it in 2021/22 and future years, so continued prudence is needed when committing against this reserve.

HRA

- 3.2 The Council was able to make a contribution of £0.256m to the Development Reserve. The HRA continues to operate within the parameters set by the 30 Year Business Plan and the MTFP. Officers will be working to ensure that the Business Plan continues to reflect the impact of recent government legislation, and that the HRA remains sustainable over the 30 year period of the Business Plan.

Capital Programme

- 3.3 The Capital Programme saw good progress on approved schemes during the 2020/21 financial year. There are, however, a number of schemes which are work in progress and this requires that the associated expenditure and funding be carried forward into the 2021/22 financial year.

Capital Financing

- 3.4 Capital expenditure during 2020/21 has been fully financed in line with the approved programme.

Treasury Management

- 3.5 The Council operated in line with its agreed Treasury Management Strategy during the 2020/21 financial year. This ensures that lending and borrowing arrangements were prudent and sustainable, minimising the risk of financial loss to the Council. Effective management of these arrangements ensured that

interest costs during the year were minimised in order to assist the Council's revenue position whilst interest receivable rose.

4 Alternative Options and Reasons for Rejection

- 4.1 The financial outturn report for 2020/21 is primarily a factual report which details the outcome of previously approved budgets therefore there are no alternative options that need to be considered.
- 4.2 The allocation of resources to earmarked reserve accounts has been undertaken in line with the Council's policy and service delivery framework and in the light of the risks and issues facing the Council over the period of the current MTFP. If these risks do not materialise or are settled at a lower cost than anticipated then the earmarked reserves will be reassessed and returned to balances where appropriate.

DOCUMENT INFORMATION

Appendix No	Title
1	General Fund Summary – Outturn 2020/21
2	General Fund Detail – Outturn 2020/21
3	Housing Revenue Account – Outturn 2020/21
4	Capital Expenditure – Outturn 2020/21
5	Treasury Management – Outturn 2020/21
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)	