

Bolsover District Council

Audit and Corporate Overview Scrutiny Committee

27 July 2021

Budget Monitoring Report – Quarter 1 – April to June 2021

Report of the Head of Finance and Resources

Classification: This report is public

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PURPOSE / SUMMARY

To update Committee 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.

RECOMMENDATIONS

- 1 That Audit and Corporate Overview Scrutiny Committee notes the monitoring position of the General Fund at the end of the first quarter as detailed on **Appendix 1** (A net favourable variance of £0.124m against the profiled budget) and the key issues highlighted within this report.
- 2 That Audit and Corporate Overview Scrutiny Committee notes the position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the first quarter (**Appendices 3, 4 and 5**).

IMPLICATIONS

Finance and Risk: Yes No

Details:

Financial implications are covered throughout this report.

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 and reduce the funding deficit in 2024/25.

On Behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

Details:

There are no legal issues arising directly from this report.

On Behalf of the Solicitor to the Council

Staffing: Yes No

Details:

There are no human resource issues arising directly out of 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"/>	Click here to enter text. 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 Report Details

1.1 This report provides the current financial position following the 2021/22 quarter 1 monitoring exercise.

General Fund Revenue Account

1.2 The General Fund Revenue Account summary is shown in **Appendix 1**. The original budget for 2021/22 showed a funding deficit of £0.291m. The current budget shows this has reduced to £0.180m deficit after the Council tax increase and other small movements are included. As savings are identified and secured they are moved into the relevant cost centres within the main General Fund Directorates. **Appendix 2** details the net cost of each cost centre within the Directorates.

1.3 Salary budgets for 2021/22 were last reviewed by officers in October 2020 as part of preparing the 2021/22 MTFP. Due to the amount of Covid-related returns needing to be submitted to Government, the salary budgets for quarter 1 have not yet been reviewed for changes since October but this will be carried out during the next quarter and savings will then be removed from budgets.

1.4 Within the Directorates there is the following to report:

- The Corporate Resources Directorate shows a favourable variance of £0.257m. This relates mainly to :
 1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.282m) – favourable.
 2. Income received in advance of any expenditure (£0.378m) – favourable
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.143m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.112m) – 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 (£0.193m) – adverse
- The Development Directorate shows an adverse variance of £0.252m. This relates mainly to:
 1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.055m) – favourable.
 2. Income received in advance of any expenditure (zero) – favourable.
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.201m) – 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 (zero) – adverse.
- The Environment and Enforcement Directorate shows a favourable variance of £0.039m. This relates mainly to:
 1. Under spends due to invoices not yet being paid and vacancies at the end of the quarter (£0.066m) – favourable.
 2. Income received in advance of any expenditure (£0.437m) – favourable.
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.043m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.335m) – 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 (£0.023m) – adverse.
- 1.5 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 2021/22 is £0.009m but the slippage from 2020/21 is currently being added to the financial management system. Officers are working to ensure that this spend is undertaken in line with the S106 legal requirements.
- 1.6 The overall position at the end of quarter 1 shows that there is a favourable variance of £0.124m. This is mainly due to receiving income in advance of spend for the year. The budget pressures continuing to be caused by the pandemic such as leisure income, will be in part covered by government funding. Although we reduced the budget for planning income in the MTFP in light of the pandemic it is pleasing to see we have actually received £0.035m more than a quarter of the anticipated budget by the end of quarter 1.
- 1.7 The table below shows the latest position of all years in the current MTFP after updating the reported figures from the February Council report with the recycling service changes. It should be remembered that for all years from 2021/22 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.
- 1.8 These transfers are a net £0.072m into the reserve in 2021/22, then contributions from the reserve of £2.745m in 2022/23 and £3.012m in 2023/24. Any surplus made since April 2021 will be returned to the reserve to extend the use of the reserve for as long as possible.

- 1.9 This reserve is not a sustainable source of income for the general fund. This is where we look to the new directorate for development to generate income and replace the funding we've lost before we run out of the NNDR Growth Protection Reserve in 2023/24.

<u>Table 1</u>	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000
Budget Shortfall – MTFP Feb 2021 adjusted for recycling service	291	402	690	3,778
Efficiencies identified to date (removed from budget)	(111)	(110)	(110)	(110)
Current Budget Shortfall	180	292	580	3,668
Efficiencies identified <u>not yet realised</u>	(100)	(210)	(320)	(430)
Pension costs to be funded by GF balance	(80)	(82)	(18)	0
Target Budget Shortfall	0	0	242	3,238

- 1.10 Officers will begin working with budget managers during the next quarter to compile a revised budget for 2021/22. This will amend the current budgets to capture additional budget savings and losses and reduce spending where it is anticipated that there will be 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 Members in November and December.

Delays to Government Reviews

- 1.11 The Public Accounts Committee (PAC) has published a report that looks at the effect of Covid-19 on local government finance as well as at the prospects for reform of local government funding. The report reminds us that funding reforms have been planned since 2015-16 and were initially supposed to be implemented in 2019-20.
- 1.12 It is highly likely that the fundamental reforms such as the Fair Funding Review and business rates reset will again be delayed. Government wants to understand the impact of the pandemic on business rates and council tax income as well as on Local Government as a whole, before introducing the new reforms. We are likely to have to wait until the Spending Review later in this year to see if any decisions on the exact timing of the reviews have been made but 2023-24 is thought to be the earliest date for them to be introduced.

Housing Revenue Account (HRA)

1.13 The Housing Revenue Account summary for the first quarter of 2021/22 is set out in **Appendix 3** to this report. At the end of quarter 1 the HRA is showing a net deficit of £0.175m.

Income

1.14 The quarter 1 income figures show an adverse variance of £0.535m. 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. An estimate of the weekly rent debit is £0.434m giving a variance of £0.080m due to 1.17% more voids than estimated in quarter 1.

1.15 The large adverse variance on Housing Related Support – Wardens, is due to the quarter 1 invoice to DCC for the Provision of Independent Living Service not yet being raised - £0.070m.

Expenditure

1.16 Expenditure shows an overall favourable variance of £0.358m. The main areas to highlight are listed below:

1. Repair and Maintenance at £1.050m is £0.257m lower than forecast which is due to a combination of the following:
 - Vacancies are £0.057m under spent.
 - Subcontractor payments and stores issues through Travis Perkins are together £0.188m under spent.
2. Rent, Rates, Taxes and Other Charges expenditure at £0.010m is £0.038m under spent due to the Council Tax liability on void properties not paid as yet.
3. Special Services expenditure is £0.047m under spent because the invoice for quarter 1 has not yet been paid.

HRA – Overall Summary

1.17 In light of the above and the expenditure patterns to date, the only significant issue to report regarding the overall position for the HRA at the end of the first quarter is the reduction in income caused by voids being at a level higher than budgeted for.

1.18 The additional void rent loss is as a result of the on-going ambitions of the Council with the delivery of a wide range of capital schemes, the nature of these schemes often requires the decanting of tenants. Once schemes are completed it is the aim to then let all of the properties within the scheme.

Capital Programme

Capital Expenditure

1.19 The capital programme summary for the first quarter of 2021/22 is provided in **Appendix 4** to this report.

1.20 In headline terms, the capital programme profiled budget for quarter 1 is £6.617m and the actual spend and known commitments total £3.938m, which is £2.679m behind the planned spend position. The main areas to highlight are listed below:

1. The new 3G playing pitch has not yet really started so is showing £0.180m under spent.
2. The Disabled Facility Grants are under spent at this time being £0.112m below budget.
3. Dragonfly loan and acquisition of share capital are showing as £0.531m under spent which is due to a delay to the start of the next phase of the scheme.
4. The new build HRA properties are together £1.323m under spent for the quarter due to the phasing of the individual schemes.
5. The HRA Vehicle Replacements appear over spent at £0.061m but the scheme can't really be quarterly profiled.
6. The Public Sector Housing schemes on our own properties are currently £0.423m under spent at the end of the first quarter.

1.21 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 behind the profiled position as at quarter 1.

Capital Resources

1.22 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

1.23 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.

1.24 The Council approved the 2021/22 Treasury Management Strategy at its meeting in February 2021. **Appendix 5** identifies the Treasury Management activity undertaken during the first quarter of 2021/22 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 although interest rates being received on investments is generally lower than estimated.

1.25 We have been able to fix a number of investments for longer than 3 months to take advantage of slightly higher rates because we don't have an immediate need to use the cash. Careful monitoring of our cash balances is being undertaken on a daily basis to ensure this can be maintained for as long as possible. A full assessment of this will be done during the next quarter in preparation of revised budgets.

2 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 Alternative Options and Reasons for Rejection

- 3.1 The Budget Monitoring report for 2021/22 is primarily a factual report which details progress against previously approved budgets. Accordingly, there are no alternative options to consider.

DOCUMENT INFORMATION

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	HRA Summary
4	Capital Programme
5	Treasury Management Update
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
Head of Finance and Resources	2458