

Bolsover District Council

Executive

1 November 2021

BUDGET MONITORING REPORT
QUARTER 2 – APRIL TO SEPTEMBER 2021

Report of the Portfolio Holder for Finance

Classification: This report is public

Report By: Assistant Director of Finance and Resources

Contact Officer: Theresa Fletcher – 01246 242458
theresa.fletcher@bolsover.gov.uk

PURPOSE / SUMMARY

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.

REPORT DETAILS

1 Background (*reasons for bringing the report*)

1.1 This report provides the current financial position following the 2021/22 quarter 2 monitoring exercise.

2. Details of Proposal or Information

General Fund Revenue Account

2.1 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 £0.067m 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.

2.2 After quarter 1 the salary budgets were reviewed and £0.115m was removed from budgets. This was due to a combination of vacant posts taking longer to fill, maternity leave and changes due to restructuring. Salary budgets will be reviewed for quarter 2 savings as part of the revised budget process and savings removed where possible.

2.3 The original budget was prepared based on 3 Directorates. The Senior Management Review has changed the structure to 2 Directorates. During the transition period and to ensure reporting of the financial information remains consistent, we will continue to report on the 3 Directorates basis for the time being. Within the Directorates there is the following to report:

- The Corporate Resources Directorate shows a favourable variance of £0.269m. This relates mainly to :
 1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.503m) – favourable.
 2. Income received in advance of any expenditure (£0.366m) – favourable
 3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.253m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.168m) – 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 (£0.256m) – adverse

- The Development Directorate shows an adverse variance of £0.165m. This relates mainly to:
 1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.080m) – favourable.
 2. Income received in advance of any expenditure (£0.118m) – favourable.
 3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.259m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.076m) – 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 (zero) – adverse.

- The Environment and Enforcement Directorate shows a favourable variance of £0.036m. This relates mainly to:
 1. Under spends due to invoices not yet being paid and vacancies at the end of the quarter (£0.116m) – favourable.
 2. Income received in advance of any expenditure (£0.534m) – favourable.
 3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.097m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.537m) – 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 (zero) – adverse.

- 2.4 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 2021/22 is £0.174m. The earliest deadline for this to be spent is August 2022. Officers are working to ensure that this spend is undertaken in line with the S106 legal requirements.
- 2.5 The overall position at the end of quarter 2 shows that there is a favourable variance of £0.275m. 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 £0.059m more than a half of the anticipated budget by the end of quarter 2.
- 2.6 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 service budget changes, approved since. 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.
- 2.7 These transfers are a net £0.052m into the reserve in 2021/22, then contributions from the reserve of £2.656m in 2022/23 and £2.922m 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.
- 2.8 This reserve is not a sustainable source of income for the general fund. For this reason during quarter 2 as part of the MTFP process, we have for the first time included estimates of potential new income from current projects and plans known about by the Council. Some of these we are working on ourselves and some are reliant on developers.

<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	3,632
Efficiencies identified to date (removed from budget)	(224)	(111)	(110)	(110)
Current Budget Shortfall	67	291	580	3,522
Efficiencies identified <u>not yet realised</u>	(443)	(1,306)	(2,002)	(2,571)
Pension costs to be funded by GF balance	(80)	(82)	(18)	0
Target Budget Shortfall/(Surplus)	(456)	(1,097)	(1,440)	951

2.9 Officers worked with budget managers during September and October 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 and the Spending Review 2021

2.10 On the 27th of October the announcement of the Spending Review 2021 (SR21) is due. The outcome of the review is critically important to the financial health and viability of local authorities across the country. Councils are looking to the spending review to give real-terms growth in funding that will underpin our finances over the next 3 years.

2.11 Based on a number of webinar attendances, the early estimates from the Institute for Fiscal Studies, The Local Government Association and the Office for Budget Responsibility are:

- It will be a 3 year Spending Review
- It is likely to follow the path set out in the Spring Budget 2021
- Spending will grow in real terms at nearly 4% per year on average (nearly 6% in cash terms) over this Parliament
- a 1% real terms cut to unprotected departments (which includes Local Government but this excludes funding from council tax and business rates)

2.12 Once the details of the Spending Review are known the implications for Bolsover will be included in our updated MTFP. The areas of uncertainty we still have regarding Business Rates Reset, Fair Funding Review, New Homes

Bonus and the Levelling up White Paper should also be made clearer with the SR21 announcement.

Housing Revenue Account (HRA)

2.13 The Housing Revenue Account summary for the second quarter of 2021/22 is set out in **Appendix 3** to this report. At the end of quarter 2 the HRA is showing a net surplus of £0.083m.

Income

2.14 The quarter 2 income figures show an adverse variance of £0.163m. The loss in dwelling rents due to voids is £0.156m of this. At the end of quarter 2, voids are averaging 4.13% against a budget which assumed only 3%. The budget was set at 3% to take into account the property schemes we have in our capital programme and the fact that we would need to leave some properties empty to be able to carry out the capital schemes, whether it be demolishing properties and building new or updating and improving them.

2.15 The average void level assumed by housing authorities is 2% and this is the assumption made in our 30 year HRA business plan. If the actual level of voids continues to be over the 2% assumption, there is a real risk this will cause the 30 year business plan to become unsustainable in only a few years.

2.16 The other income variances are down to timing and when we produce invoices or bill customers. These will be reviewed as part of the revised budget process and the budgets updated where necessary.

Expenditure

2.17 Expenditure shows an overall favourable variance of £0.243m. The main areas to highlight are listed below:

1. Repair and Maintenance is £0.278m lower than forecast which is due to a combination of the following:
 - Staff costs are £0.119m under spent.
 - Subcontractor payments and stores issues through Travis Perkins are together £0.157m under spent.
2. Rent, Rates, Taxes and Other Charges expenditure is £0.178m over spent. This is the Council Tax liability on the management and short term void properties. The expenditure is £0.177m over the profiled budget.
3. A number of under spends on staff £0.037m; reserve funded expenditure £0.046m and utilities bills, make up the remainder.

HRA – Overall Summary

2.18 In light of the above and the expenditure patterns to date, the significant issues to report regarding the overall position for the HRA at the end of the second

quarter are the ones being caused by the voids being at a level which is higher than budgeted for.

- 2.19 The Council's 30 year HRA business plan has been prepared to ensure that it is sustainable over the life of the plan. To do this it has to be built on a set of assumptions or estimates of future income and expenditure relating to the HRA. If we veer from this plan too far it is in real danger of not having enough income to fund the day to day costs of the HRA and the capital expenditure necessary to keep the stock at a good level.
- 2.20 The management of voids is a necessary part of delivering schemes within our capital programme but this must be done in a way that has less of a detrimental impact on the finances of the HRA. This will be looked at during quarter 3 as part of revising the budgets for 2021/22 and preparing the MTFP. Simply increasing the budget for voids however, will not solve the problem. Officers are currently working on ways to reduce the number of voids and therefore increase the income to the HRA.

Capital Programme

- 2.21 The capital programme summary for the second quarter of 2021/22 is provided in **Appendix 4** to this report.
- 2.22 In headline terms, the capital programme profiled budget for quarter 2 is £13.330m and the actual spend and known commitments total £7.831m, which is £5.499m behind the planned spend position. The main areas to highlight are listed below:
1. The new 3G playing pitch has only just received planning permission and not yet really started so is showing £0.370m under spent.
 2. The purchase of gym equipment and spin bikes looks over spent at £0.196m but it is within the total budget and has been ordered in bulk.
 3. The Disabled Facility Grants are under spent at this time being £0.245m below budget.
 4. Dragonfly loan and acquisition of share capital are showing as £1.061m under spent which is due to a delay to the start of the next phase of the scheme.
 5. The GF vehicle replacement programme is currently £0.309m behind the profile budget. This is possibly just 1 vehicle.
 6. The new build HRA properties are together £2.989m under spent for the quarter due to the phasing of the individual schemes.
 7. The Public Sector Housing schemes on our own properties are currently £0.862m under spent at the end of the second quarter.
- 2.23 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.

Capital Resources

- 2.24 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

- 2.25 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.
- 2.26 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 second 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.
- 2.27 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 as part of the revised budgets process.

3 Reasons for Recommendation

- 3.1 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.

4 Alternative Options and Reasons for Rejection

- 4.1 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.

RECOMMENDATIONS

1. That Executive notes the monitoring position of the General Fund at the end of the second quarter as detailed on **Appendix 1** (A net favourable variance of £0.275m against the profiled budget) and the key issues highlighted within this report.

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 3, 4 and 5**).

Approved by the Portfolio Holder - Cllr Clive Moesby, Executive Member for Finance

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 level of financial balances.

Similarly the income on the HRA needs to be carefully managed to ensure the HRA continues to be sustainable over the life of the 30 year business plan.

On Behalf of the Section 151 Officer

Legal (including Data Protection): **Yes** **No**

Details:

There are no legal or data protection 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 from this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

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:</p> <p>BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/></p> <p>NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	No
<p>District Wards Significantly Affected</p>	None
<p>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"/></p>	<p>Yes</p> <p>Details: Portfolio Holder</p>

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

DOCUMENT INFORMATION

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	HRA Summary
4	Capital Programme
5	Treasury Management Update
<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>	
None	