

Bolsover District Council

Meeting of the Executive on Monday 8th August 2022

Budget Monitoring Report

Report of the Portfolio Holder for Finance

Classification	This report is public
Report By	Assistant Director of Finance and Resources
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PURPOSE/SUMMARY OF 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.

REPORT DETAILS

- 1.1 This report provides the current financial position following the 2022/23 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 2022/23 showed a funding deficit of £0.082m. The current budget shows this has reduced to £0.008m surplus 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 2022/23 were last reviewed by officers in October 2021 as part of preparing the 2022/23 Medium Term Financial Plan (MTFP). Officers have reviewed the opportunities to reduce the salary budgets where savings arose in the first quarter and a further amount of £0.131m will now be removed from budgets.

1.4 Within the Directorates there is the following to report:

- The Resources Directorate shows a favourable variance of £0.229m. This relates mainly to :
 1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.340m) – favourable.
 2. Income received in advance of any expenditure (£0.783m) – favourable
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.570m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.198m) – 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 (£0.159m) – adverse

 - The Strategy and Development Directorate shows an adverse variance of £0.197m. This relates mainly to:
 1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.314m) – favourable.
 2. Income received in advance of any expenditure (£0.097m) – favourable.
 3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.410m) – adverse.
 4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.102m) – 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 (£0.049m) – 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 2022/23 is £1.449m. Of this £0.030m has to be spent by 1/8/22 and a further £0.068m has to be spent by December 2022. 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 £0.032m, with most identified variances as a consequence of timing. However, when officers begin working with budget managers during the next quarter to compile a revised budget for 2022/23, it is expected there will be necessary increases to fuel, utilities and pay budgets as a minimum, for price increases mainly caused by the current level of inflation.
- 1.7 The table below shows the latest position of all years in the current MTFP. It should be remembered that for all years from 2023/24 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 £0.004m into the reserve in 2022/23, then contributions from the reserve of £3.262m in 2023/24, £2.990m in 2024/25 and £1.802m 2025/26. Any surplus made since April 2022 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. For this reason we now include in table1, estimates of potential new income from current projects and plans known about by the Council. As part of updating the MTFP these income estimates will be reviewed.

<u>Table 1</u>	2022/23 Budget £000	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000
Budget Shortfall – MTFP Feb 2022	82	18	0	1,212
Pension costs to be funded by GF balance	(82)	(18)	0	0
Efficiencies identified to date (removed from budget)	(90)	(112)	(112)	(112)
Current Budget Shortfall/(Surplus)	(90)	(112)	(112)	1,100
Efficiencies identified <u>not yet realised</u>	0	(110)	(220)	(330)
Potential new income	(443)	(1,097)	(1,682)	(2,141)
Target Budget Surplus	(533)	(1,319)	(2,014)	(1,371)

- 1.10 Once work that begins next quarter on revised budgets has been completed, the revised position will be presented to Members in November and December. The work on the MTFP update and new year will also begin in the next quarter with the final MTFP report presented to Members in January and February.

Government funding update

- 1.11 In his speech to the Local Government Association (LGA) conference on 28 June 2022, Michael Gove promised to give local authorities greater “financial certainty”. “A 2-year financial settlement will be introduced next year”, which it is assumed will cover 2023/24 and 2024/25.
- 1.12 Michael Gove wants to reduce the number of funding streams and reduce the burdens on local government. “The local government financial situation will be kept under review”, with a commitment from him that he will fight for more resources for the sector.
- 1.13 The proposal for a 2-year settlement suggests that there will be rollover settlements in 2023/24 and 2024/25, broadly similar to the 2022/23 settlement. The Fair Funding Review, business rates baseline reset and other funding reforms

now look set to be pushed back to 2025/26. Pushing these major changes back to 2025/26 means that they can be aligned with the next spending review period.

- 1.14 It is expected a consultation paper will be published soon, covering the principles that will be applied in the 2-year settlement. It is likely that the changes for 2023/24 and 2024/25 will be limited as there is no new money to allocate from within the current Spending Review (SR21). The principles should be about how to manage 2 rollover settlements.
- 1.15 However, what local government really want to know is how the Government is going to address the impact of inflation on local services and whether any additional funding will be built into the 2-year settlements. One option would be to allow local authorities to raise more from council tax. The current threshold of 1.99% is now well below the level of inflation, which was 9.1% in the Consumer Price Index (CPI) for May 2022. Pushing the threshold much higher though, would collide with the Government's efforts to manage the cost of living.
- 1.16 Another option would be for the Government to find additional funding for local authorities in 2023/24 or 2024/25 but the Treasury is still resisting calls for any additional funding. The Treasury's line is that departments (of which local government is one) will have to "stick within" their spending review allocations. According to the Treasury, the spending review assumed 3% for public sector pay increases and higher increases will be not be funded. This is quite worrying as pay rise increases between 4-5% have been suggested as a minimum, if the sector is to avoid becoming a minimum wage employer and then struggle to recruit and retain staff at all levels.

Housing Revenue Account (HRA)

- 1.17 The Housing Revenue Account summary for the first quarter of 2022/23 is set out in **Appendix 3** to this report. At the end of quarter 1 the HRA is showing a net surplus of £0.101m.

Expenditure

- 1.18 Expenditure shows an overall favourable variance of £0.118m. The main areas to highlight are listed below:
 1. Vacancies for quarter 1 across all areas of the HRA are £0.126m. There are a number of vacancies currently being recruited to. The savings from vacancies will now be removed from the budgets.
 2. Rent, Rates, Taxes and Other Charges expenditure is £0.063m under spent due to the Council Tax liability on void properties not being paid until later in the year.
 3. Expenditure on new build scheme evaluations looks over spent for the quarter due to committing one of the reserve funded schemes for the whole year at £0.120m.

Income

- 1.19 The quarter 1 income figures show an adverse variance of £0.017m. This is largely due to voids. The budget was based on a 3% voids level assumption but at the end of quarter 1, the voids were averaging 3.86%.
- 1.20 Other variances for income are a favourable £0.017m where garage site rents are billed in April for the whole year; £0.026m adverse variance where the Travis Perkins profit share has not yet been received for 2021/22 and favourable variances for the independent living service and community alarms due to DCC notifying us after we'd produced the budget that they were extending their use of the services mentioned.

HRA – Overall Summary

- 1.21 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.
- 1.22 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

- 1.23 The capital programme summary for the first quarter of 2022/23 is provided in **Appendix 4** to this report.
- 1.24 In headline terms, the capital programme profiled budget for quarter 1 is £6.193m and the actual spend and known commitments total £5.155m, which is £1.038m behind the planned spend position. The main areas to highlight are listed below:
1. The new 3G playing pitch has already been completed so is showing £0.202m over spent for the quarter.
 2. Dragonfly loan and acquisition of share capital are showing as £0.550m under spent which is due to a delay to the start of the next phase of the scheme.
 3. The GF Vehicle Replacements are showing as over spent for the quarter £0.161m but the scheme can't be quarterly profiled.
 4. The new build HRA properties are together £1.203m under spent for the quarter due to the phasing of the individual schemes.
 5. The HRA Vehicle Replacements appear over spent at £0.211m but again the scheme can't be quarterly profiled.
 6. The Public Sector Housing schemes on our own properties are currently £0.247m under spent at the end of the first quarter.
- 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 behind the profiled position as at quarter 1.

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 2022/23 Treasury Management Strategy at its meeting in February 2022. **Appendix 5** identifies the Treasury Management activity undertaken during the first quarter of 2022/23 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 quite low.
- 1.29 We have used a number of Money Market Funds (MMF's) during quarter 1 to place the cash that we don't have an immediate need to use. MMF's are currently offering better interest rates than banks although we are still achieving below bank base rate on our investments. Careful monitoring of our cash balances is being undertaken on a daily basis and we are looking where we could put investments out for a longer period in order to obtain better rates. A full assessment of this will be done during the next quarter in preparation for 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 2022/23 is primarily a factual report which details progress against previously approved budgets. Accordingly, there are no alternative options to consider.

RECOMMENDATION(S)

- 1 That Executive 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 £0.032m 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 first quarter (**Appendices 3, 4 and 5**).

Approved by Councillor Clive Moesby, Portfolio Holder for Finance

<u>IMPLICATIONS:</u>	
<u>Finance and Risk:</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Details: Financial implications are covered throughout this report.	
<p>The issue of Financial Risk 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 financial balances and reduce the funding deficit in 2025/26 in light of current inflation levels.</p>	
On behalf of the Section 151 Officer	
<u>Legal (including Data Protection):</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Details: There are no legal or data protection issues arising directly from this report.	
On behalf of the Solicitor to the Council	
<u>Staffing:</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Details: There are no human resource issues arising directly out of this report.	
On behalf of the Head of Paid Service	

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>Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <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>	Yes

District Wards Significantly Affected	All
Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Details: Portfolio Holder for Finance

Links to Council Ambition: Customers, Economy and Environment.

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
<i>(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 Executive you must provide copies of the background papers).</i>
None