

Bolsover District Council

Meeting of the Executive on 11th September 2023

Budget Monitoring Report

Report of the Director of Finance and Section 151 Officer

Classification	This report is public.
Contact Officer	Theresa Fletcher Director of Finance and Section 151 Officer

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 2023/24 quarter 1 monitoring exercise.

Transition Information

- 1.2 Members will be aware that from the 1st of April 2023, a number of Council services were transferred into Dragonfly Developments, the Council's wholly owned company. Dragonfly Developments will be responsible for operating the services on behalf of the Council under service level agreements.
- 1.3 The services transferred were:
- Economic Development
 - Facilities Management
 - Property/Commercial Asset Management
 - Property Services and Estates
 - Repairs and Maintenance
 - Tourism
- 1.4 The Council will make payments to Dragonfly Developments for the provision of these services in line with the agreements. The already approved Medium-Term Financial Plan (MTFP) budgets will transfer across to the company with the services.
- 1.5 To ensure effective financial management continues to take place regarding the transferred services, the structure of services within the Council's financial management system has been changed. Previous MTFP reports to Members

showed services in either the Resources Directorate or the Strategy and Development Directorate.

- 1.6 For the purposes of this report, services that have been transferred into Dragonfly are shown on the attached appendices 1, 2 and 4 as Dragonfly Services. The remainder of the Council's services are shown in the Community Services Directorate if they are outward facing services or in the Corporate Resources Directorate if they are internal support services.
- 1.7 As usual the whole report is split between General Fund and Housing Revenue Account with the Dragonfly Services shown within each of the funds.

General Fund Revenue Account

- 1.8 The General Fund Revenue Account summary is shown in **Appendix 1**. The original budget for 2023/24 showed a funding deficit of £0.018m, which is the planned use of the General Fund balance. The current budget shows this has reduced to £0.054m 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.
- 1.9 Salary budgets for 2023/24 were last scrutinised by officers in October 2022 as part of preparing the MTFP. Officers have reviewed the actuals for the first quarter and are now able to remove £0.123m from the budget. This saving is due to a combination of vacant posts taking longer to fill, maternity leave and restructuring changes. Salary budgets will be reviewed for further savings as part of the revised budget process and savings will be removed from budgets where possible.
- 1.10 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 2023/24 is £1.550m. Of this £0.037m has to be spent by the 22nd of March 2024. Officers are working to ensure that this spend is undertaken in line with the S106 legal requirements.
- 1.11 The overall position at the end of quarter 1 shows that there is a favourable variance of £0.512m, with most identified variances as a consequence of timing, which is usual for this time in the year. There are no known large budget pressures identified in quarter 1 but officers will continue to monitor the position during the next quarter.
- 1.12 Table 1 below shows the latest position of all years in the current MTFP. 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. This is being held in the National Non-Domestic Rates (NNDR) Growth Protection Reserve and the balance at the 31st of March was £11.566m. Transfers are made from this reserve to the general fund to replace the losses caused by changes in Government funding.

- 1.13 Within the current MTFP, estimates of movement to/(from) this reserve are as follows: there is a contribution from the reserve to general fund of £0.275m in 2023/24, £2.829m in 2025/26 and £2.971m in 2026/27. In 2024/25 there is a transfer into the reserve from general fund of £0.354m. This reserve is not a sustainable source of income for the general fund.

<u>Table 1</u>	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000
Net Cost of Services	12,544	12,281	12,400	12,745
Net debt charges + investment interest	(282)	(21)	85	61
Net t/f to/(from) reserves + balances	1,210	1,321	270	344
Net t/f to/(from) NNDR Growth Protection Reserve	(275)	354	(2,829)	(2,971)
Parish precept	3,646	3,646	3,646	3,646
Funding from council tax, business rates and government grants	(16,825)	(17,851)	(13,572)	(13,825)
Use of GF balance	18	0	0	0

- 1.14 Once work that begins in October 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 the new year which also begin in quarter 3 will be presented to Members in January and February.

Government funding update

- 1.15 As discussed in detail in the Medium-Term Financial Strategy approved at Council on the 1st of August 2023, there remains a great deal of uncertainty regarding the future funding of Local Government. Delays to Government Reviews and a series of roll-over Spending Reviews for the last few years, mean predicting the likely outcome of the Spending Review for 2024/25 is exceedingly difficult.
- 1.16 The only prediction being made by external advisors with any certainty around the 2024/25 Spending Review, is that it will be another 1-year settlement. A possible general election in Spring 2024, means there are unlikely to be any changes made this year. Any changes made as a result of an election, could not be implemented by Government until 2026/27 at the earliest.
- 1.17 The medium-term financial plan will be updated as far as possible to include all known implications from the new Spending Review when it is received. No

mention has been made of the delayed Fair Funding Review so our assumption remains that these have all been pushed back to 2026/27.

Housing Revenue Account (HRA)

- 1.18 The Housing Revenue Account summary for the first quarter of 2023/24 is set out in **Appendix 3** to this report. The original budget for 2023/24 showed a balanced budget with neither a surplus nor a deficit. The current budget shows this to still be the case.
- 1.19 The new **Appendix 4** details the net cost of each cost centre within the HRA and gives some details for the larger variances. The information on the HRA services transferred into Dragonfly Developments is also provided.
- 1.20 The overall position at the end of quarter 1 shows that there is an adverse variance of £0.211m. Similarly to the general fund, most of the identified variances are due to timing. 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. The budget included an estimate of 3% for the reduction in income but the position at the end of quarter 1 is that voids are at 3.64%, which means the cost of the reduction in income is currently £0.089m higher.
- 1.21 It is not yet known whether there will be any continuation of the 2023/24 rent rise cap for the rent setting process for 2024/25. As soon as any information is received, it will be reported to Members.

Capital Programme

Capital Expenditure

- 1.22 The capital programme summary for the first quarter of 2023/24 is provided in **Appendix 5** to this report.
- 1.23 In headline terms, the capital programme profiled budget for quarter 1 is £9.024m and the actual spend and known commitments total £9.808m, which is £0.784m in front of the planned spend position. The main areas to highlight are listed below:
1. The Shirebrook Crematorium is under spent for the quarter by £0.735m. This is preliminary work being undertaken that can't be profiled evenly.
 2. Dragonfly loan and acquisition of share capital are showing as £0.380m under spent. This scheme is now being reconsidered.
 3. The GF Vehicle Replacements are showing as over spent for the quarter £1.193m but this is within the year's budget and the scheme can't be quarterly profiled.
 4. The new build HRA properties are together £0.735m over spent for the quarter due to the phasing of the individual schemes. Again this is all within the year's budget.

5. The HRA Vehicle Replacements appear over spent by £0.740m but again the scheme can't be quarterly profiled and this is within the year's budget.

- 1.24 There are no significant financial issues to report regarding capital expenditure at the end of the first quarter.

Capital Resources

- 1.25 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

- 1.26 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.
- 1.27 The Council approved the 2023/24 Treasury Management Strategy at its meeting in February 2023. **Appendix 6** identifies the Treasury Management activity undertaken during the first quarter of 2023/24 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. This is due to the increases in the Bank base rate we have seen since the budget was set in December. This budget will be reviewed as part of the revised budget process.
- 1.28 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 is being done to update the 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.
- 2.2 The Medium-Term Financial Strategy approved in July 2023 stated that it is the Council's intention to monitor the budgets of the services transferred into Dragonfly Developments as part of the budget monitoring process.

3 Alternative Options and Reasons for Rejection

- 3.1 The Budget Monitoring report for 2023/24 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 £0.512m 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 2, 3, 4, 5 and 6**).

Approved by Councillor Clive Moesby, Portfolio Holder for Resources

IMPLICATIONS.

Finance and Risk: Yes No

Details:

Financial implications are covered throughout this report.

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.

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

Environment:

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

Details:

Not applicable to this report.

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

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: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies.</i>	No
Is the decision subject to Call-In? <i>(Only Key Decisions are subject to Call-In)</i>	No

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 Resources

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	HRA Detail
5	Capital Programme
6	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 Executive, you must provide copies of the background papers).

None