

Bolsover District Council

Meeting of the Executive on 4th December 2023

MEDIUM TERM FINANCIAL PLAN – REVISED BUDGETS 2023/24

Report of the Portfolio Holder for Resources

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

PURPOSE/SUMMARY OF REPORT

To seek Executive approval of the 2023/24 revised budget for the General Fund, Housing Revenue Account and Capital Programme.

REPORT DETAILS

1 Transition Information

- 1.1 As Members will be aware, and as mentioned in the budget monitoring report for quarters 1 and 2, on the 1st of April 2023, a number of Council services transferred into the Council's wholly owned company Dragonfly.
- 1.2 Dragonfly will be operating the services on behalf of the Council under service level agreements. The services transferred were:
 - Economic Development
 - Facilities Management
 - Property/Commercial Asset Management
 - Property Services and Estates
 - Repairs and Maintenance
 - Tourism
- 1.3 The Council will make payments to Dragonfly for the provision of these services in line with the service level agreement which is in the final stages of preparation. Dragonfly will make payments to the Council for the support services they receive such as legal, payroll, HR, finance and audit. A service level agreement is also being prepared for this.

- 1.4 The payments to Dragonfly for operating our services are included in the figures attached to this report. The figures for the payments due from Dragonfly for the support services are not yet included because the charging mechanism is still to be decided. This will be finalised in the next few weeks and the income calculated, to allow it to be included in the MTFP report to be presented to Members in February 2024.
- 1.5 This report is only concerned with the Council's services and therefore does not include expenditure or income relating to the commercial activities of the Dragonfly company.

2 General Fund Revenue Account

- 2.1 The revised budget process is now complete and the proposed 2023/24 revised budget for the General Fund is attached at **Appendix 1**. The appendix shows the original budget for 2023/24 which was approved by Council in February 2023, the current budget which reflects budget transfers and approved changes during the financial year, and the proposed revised budget for 2023/24.
- 2.2 The revised budget on **Appendix 1** shows that Net Cost of Services has increased to £15.854m which is £3.310m above the original budget figures. This movement in the Net Cost of Services reflects committee approvals during the year to fund new expenditure, predominantly funded from either earmarked reserves, new grant allocations or new income received, since the original budget was set.
- 2.3 In addition this year, the Net Cost of Services has increased due to the effect of inflation largely on the pay awards. It has also been revised for increases in income where appropriate such as investment income. This is detailed further on in the report.
- 2.4 The original budget showed a funding deficit of £0.018m. The current budget position before changes from the revised budget process were included was a surplus of £0.282m. This included the council tax increase of £0.130m and the quarter 1 vacancy savings of £0.123m.
- 2.5 **Table 1** overleaf shows the revised budget position for 2023/24. During the revised budget process, finance have worked with budget managers to review all income and expenditure. Additional budget savings were captured as well as unavoidable budget pressures. Government funding assumptions were updated where necessary and corporate costs such as debt charges and investment interest were also revised.

Table 1

	2023/24 Original Budget £000	2023/24 Current Budget £000	2023/24 Revised Budget £000
Net Cost of Services	12,545	15,813	15,854
Net debt charges + investment interest	(282)	(282)	(1,731)
Net t/f to/(from) reserves + balances	1,210	(2,260)	(2,362)
Net t/f to/(from) NNDR Growth Protection Reserve	(275)	(1,184)	955
Parish precept	3,968	3,968	3,968
Funding from council tax, business rates and government grants	(17,148)	(16,337)	(16,666)
Use of GF balance	18	(282)	18

- 2.6 The revised budget funding gap is £0.018m which is the planned use of the general fund balance for 2023/24 as agreed in 2020/21. This was the £0.261m surplus which we added to the general fund balance in 2020/21 to fund the increased pension costs for each of the next 3 years.
- 2.7 The main variances between the current and revised budget positions (£0.282m surplus and £0.018m deficit) are given in **Table 2** below:

Table 2

	£000
Staff costs	357
Planning fees – increase in income	(33)
Leisure income (net)	(214)
Mazars external audit fees	74
Debt Charges/Investment Interest	(1,449)
Reduction in original t/f to NNDR Growth Protection Reserve	1,184
New t/f to NNDR Growth Protection Reserve	955
NNDR growth income from 2023/24 nndr1	(329)

<i>Table 2 continued</i>	£'000
Environmental Health	125
Electric and Gas costs	(441)
Benefits grants	(104)
Insurance premium increase	39
Non-staff miscellaneous variances	136
Net increase in expenditure/reduction in income	300

2.8 An explanation of each of the variances in **table 2** is as follows:

- We have now had confirmation of the Local Government Services pay agreement for 2023-24. We estimated this increase as 5% on all grades but the actual cost was £1,925 on each spinal column point up to grade12 and an increase of 3.5% for Assistant Directors and above. This along with changes to the structure for Dragonfly and new approved posts mean an extra cost of £0.357m.
- The number of planning applications received so far this year means we've been able to increase the income budget by £0.033m.
- The GoActive! Leisure Centre is now operating with membership at above pre-covid levels. This means income of £0.214m can be added to the income budget.
- Our external auditor Mazars, along with all other auditors in the public sector appointments have increased audit fees by 151% nationally, this means an extra cost of £0.074m.
- Debt charges and investment interest budgets have been updated to reflect the 31st of March position and this has resulted in extra income of £1.449m. This is mainly due to the increases in bank base rate we've seen this year since we set the original budget.
- The extra income from investments is such that we do not need to draw down the contribution from the NNDR Growth Protection reserve as planned this financial year of £1.184m. In addition, we can now make a contribution to the reserve of £0.955m in readiness for future years.
- Our share of the business rates pool - redistributed growth, for 2022/23 was not known in time to be included in last year. Additionally, as is usual, the extra income calculated in the nndr1 return for the current year was not included in the original budget. This is completed in January each year after the MTFP process is complete. Therefore, we are able to increase the budget for NNDR income by £0.329m for 2023/24.

- The cost of the pay award and other expenditure for the Environmental Health service have increased by £0.125m for 2023/24.
- Prices of gas and electric have fallen since the budget was prepared meaning we can now reduce the budgets by £0.441m for this year.
- The net movement on the difference between the amount we are estimating to pay out and the amount we are due to receive for housing and council tax benefit has meant a reduction of £0.104m in the budget.
- The insurance premium the Council has to pay for staff, premises and motor has increased by 40% this year, we have therefore had to increase general fund budgets by £0.039m.
- The net movement in miscellaneous income and expenditure is a cost to general fund of £0.136m. This is made up of a number of small increases and decreases.

2.9 The final position on the general fund revenue account will clearly be dependent on the actual financial performance out-turning in line with the revised budgets as there may be further costs and/or savings identified as the year progresses. **Appendix 2** details the net cost of each cost centre by Directorate.

Housing Revenue Account (HRA)

2.10 The Housing Revenue Account revised budget for 2023/24 is set out in **Appendix 3** and **4** to this report.

Expenditure

2.11 Expenditure on the HRA is showing a net decrease against current budgets of £0.216m.

2.12 As discussed in 2.8, the Local Government Services pay agreement for 2023-24 has been settled. The extra cost over and above the 5% we budgeted has been met from the vacancy savings we were able to remove from the budgets.

2.13 The approval during the year of new expenditure to be funded by earmarked HRA reserves relates to £0.210m. The council tax liability on the management of void properties being held for capital schemes £0.110m, is now being funded by the development reserve. As is the equipment which needs to be purchased to enable the lifeline service to continue working after the digital switch over has happened, this is £0.100m.

Income

2.14 In total, income is £0.222m lower than the current budget.

2.15 Dwelling rents have been reduced by £0.270m since the original budget. The number of empty properties (voids) is higher than originally estimated. Members

will be aware, this year voids have been between 3.64% in quarter 1 and 3.56% by quarter 2 which is higher than the original estimate of 3%.

- 2.16 The revised budget has been set with an estimate for voids of 3.35% for the remainder of 2023/24, which is based on the actual figure for 32 weeks. This is to allow officers to embed new operating methods now bought in, on managing properties being held intentionally empty for capital schemes, to reduce the number of voids at any one time.
- 2.17 Income from Non-dwelling rents is also slightly reduced, again in preparation for capital schemes to take place.

Appropriations

- 2.18 The movement in the debt charges and investment interest budgets has meant a net increase in cost to the HRA of £0.403m. This is due to the increase in bank base rate and is a cost to the HRA because it has more debt than investments which is currently the opposite of the general fund position.
- 2.19 The borrowing currently being undertaken by the HRA to finance capital schemes is in danger of making the 30-year business plan unsustainable. As interest rates are now thought to be on the rise again this could present a real risk to the HRA if the borrowing continues. Before any new borrowing is considered there needs to be an assessment to see if something currently included in the capital programme to be funded by borrowing, can be removed.
- 2.20 In light of the proposed changes detailed above, it has been necessary to increase the planned contribution from the HRA balance by £0.200m, to ensure the HRA is still in balance. It is anticipated that this can be repaid to the HRA balance next financial year as part of the MTFP which is currently being prepared.

Capital Programme

- 2.21 The Council's capital programme is shown in **Appendix 5**. It has been updated from the original budgets to reflect approvals within the year and the profiling of the individual schemes following approved changes by Members and from detailed discussions with budget officers.
- 2.22 As part of the revised budget process, officers have estimated the likely level of spend in the current financial year. The proposed estimated outturn for 2023/24 is therefore a budget of £32.294m.
- 2.23 The changes that are shown in the revised capital programme mean that the financing is adjusted accordingly to meet the anticipated spend. There are no issues to report with regard to the financing of the 2023/24 capital programme.

3 Reasons for Recommendation

- 3.1 The purpose of this report is to set revised budgets as early as possible within the financial year to ensure that identified budget savings are realised, that all budget managers are working to the revised budgets and to allow any planned changes to be delivered.

4 Alternative Options and Reasons for Rejection

4.1 General Fund and HRA

Any surplus on the Council's two main revenue accounts will result in an increase in financial balances at the year-end which are available to protect services at a time of declining central government support. It is proposed that additional resources would be transferred to reserves in preparation for future expenditure.

4.2 Capital

There are no alternative options being considered with regard to the proposed allocations from the Capital Programme budget as it ensures the Council's assets meet health and safety requirements in that they are maintained in a fit for purpose state that ensures they remain fully operational.

RECOMMENDATION(S)

- 1 That Executive approves the revised General Fund budget for 2023/24 as set out in **Appendix 1** and detailed in **Appendix 2**.
- 2 That Executive approves the revised HRA budget for 2023/24 as set out in **Appendix 3** and **4**.
- 3 That Executive approves the revised Capital Programme for 2023/24 as set out within **Appendix 5**.

Approved by Councillor Clive Moesby, Portfolio Holder for Resources

IMPLICATIONS:

Finance and Risk: Yes No

Details: 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.

The reductions in government funding on the general fund are currently being managed by contributions to and from the National Non-Domestic Rates (NNDR) Growth Protection Reserve. The HRA does not have the use of this reserve and needs to be carefully managed to ensure it continues to be sustainable over the life of the 30-year business plan. This includes any borrowing undertaken for the capital programme.

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 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	None
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	HRA Detail
5	Capital Programme

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