

Bolsover District Council

Meeting of the Executive on 9th September 2024

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 2024/25 quarter 1 monitoring exercise.

Dragonfly Management Ltd

- 1.2 Members will be aware that over a year ago, a number of Council services were transferred into Dragonfly Management.
- 1.3 As a reminder, the services transferred were:
- Economic Development
 - Facilities Management
 - Property/Commercial Asset Management
 - Property Services and Estates
 - Repairs and Maintenance
 - Tourism
- 1.4 The Council continues to make payments to Dragonfly Management for the provision of these services in line with the service level agreement. The Council makes a charge to Dragonfly Development for the support services provided to the whole company. Budgets from the already approved Medium-Term Financial Plan (MTFP) are paid over to Dragonfly Management to allow them to operate and pay for our 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 was changed.

- 1.6 For the purposes of this report, services that have been transferred into Dragonfly Management 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 2024/25 showed a positive contribution to the NNDR Growth Protection Reserve of £0.188m, a surplus in effect. The current budget now shows this to be a use of the reserve after adjustments have been made to the business rates figures for the actual 2024/25 NNDR1 return, and the estimated business rates deficit of £0.355m. However, after the Council tax increase, and other small movements are included the current budget overall is showing a surplus of £0.131m. 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 2024/25 were last scrutinised by officers in October 2023 as part of preparing the MTFP. Officers have now begun to review the actuals for the first quarter against the budgets as part of the revised budget process. Any savings from vacancies or maternity leave and restructuring changes will be removed from budgets where possible and reported to Members in December with the Revised Budget report.
- 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 position for the 2024/25 budgets is currently an unusual one, because we are expecting to receive more income than we pay out in expenditure. I suspect this is only temporary until the budgets for 2023/24 are moved into the new year. There are 3 deadlines for expenditure to be spent by in 2024/25. £0.163m needs to be spent by 20/12/24; £0.016m by 30/1/25 and £0.123m by 10/3/25. 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 £0.576m, 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 £12.517m.

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 £0.620m in 2025/26, £3.803m in 2026/27 and £4.122m in 2027/28. In 2024/25 there is a transfer into the reserve from general fund of £0.188m, but as discussed in paragraph 1.8, this will change at the revised budget stage for updated NNDR1 figures. This reserve is not a sustainable source of income for the general fund.

<u>Table 1</u>	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000
Net Cost of Services	13,907	14,266	14,747	15,342
Net debt charges + investment interest	(1,052)	(806)	(1,185)	(1,235)
Net t/f to/(from) reserves + balances	1,178	1,462	367	321
Net t/f to/(from) NNDR Growth Protection Reserve	188	(620)	(3,803)	(4,122)
Parish precept	3,968	3,968	3,968	3,968
Funding from council tax, business rates and Government grants	(18,189)	(18,270)	(14,094)	(14,274)
Use of GF balance	0	0	0	0

- 1.14 Once work that began in August 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 will begin in quarter 3 will be presented to Members in January.

Government funding update

- 1.15 As discussed in detail in the Medium-Term Financial Strategy which is being presented to Executive on the 9th of September for consideration and Council on October the 9th for approval, there remains a great deal of uncertainty regarding the future funding of Local Government. The change in Government after the general election makes trying to predict what may be in the Spending Review for 2024, extremely difficult.
- 1.16 Some external commentators are predicting another 1-year settlement, with decisions on spending reforms delayed until 2026/27 at the earliest. I think we will have to wait and see!

- 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.

Housing Revenue Account (HRA)

- 1.18 The Housing Revenue Account summary for the first quarter of 2024/25 is set out in **Appendix 3** to this report. The original budget for 2024/25 showed a balanced budget with a transfer of £0.363m back to the HRA balance, to re-instate the £2m minimum balance. The current budget shows this to still be the case.
- 1.19 **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 Management is also provided.
- 1.20 The overall position at the end of quarter 1 shows that there is an adverse variance of £0.125m. 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 3.66%, which means the cost of the reduction in income is currently £0.069m higher.
- 1.21 It is not yet known whether the Rent Policy of the previous Government will still be in place for the rent setting process for 2025/26. 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 2024/25 is provided in **Appendix 5** to this report.
- 1.23 In headline terms, the capital programme profiled budget for quarter 1 is £10.817m and the actual spend and known commitments total £7.227m, which is £3.590m behind the planned spend position. The budget for the capital schemes which are managed by Dragonfly Management are paid over in advance once a quarter, so a few of the schemes have actuals that almost match exactly to the profiled 3-month budget. The main areas to highlight are listed below:
1. The Shirebrook Crematorium is under spent for the quarter by £1.320m. It is expected that progress will be made on this scheme during the rest of the year.
 2. The GF Vehicle Replacements are showing as over spent for the quarter £1.040m but this is within the year's budget and the scheme cannot be quarterly profiled.
 3. The new build HRA properties are together £3.493m under spent for the quarter due to the phasing of the individual schemes.
 4. The HRA Vehicle Replacements appear over spent by £0.686m but again the scheme cannot 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 2024/25 Treasury Management Strategy at its meeting in February 2024. **Appendix 6** identifies the Treasury Management activity undertaken during the first quarter of 2024/25 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, mainly due to the increases in the Bank base rate we have seen since the budget was set in December. The reduction in the rate of .25% to 5% on the 1st of August, will be included when the budget is reviewed as part of the revised budget process.
- 1.28 We have continued to use a number of Money Market Funds (MMF's) during quarter 1 to place the cash that we do not 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 even in the MMF's. 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, and being presented to Members during September and October 2024 for updates and approval, stated that it is the Council's intention to monitor the budgets of the services transferred into Dragonfly Management as part of the budget monitoring process.

3 Alternative Options and Reasons for Rejection

- 3.1 The Budget Monitoring report for 2024/25 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 £0.576m 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 the Portfolio Holder - Cllr Clive Moesby, Executive Member for Resources

IMPLICATIONS.

Finance and Risk: Yes No

Details:

The issue of Financial Risk is covered throughout the report. In addition, the Council has a risk management strategy and associated framework in place and the Strategic Risk Register is regularly reviewed through the Council's performance management framework. The risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register and is therefore closely monitored through these practices and reporting processes.

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 general fund 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 the effects of any borrowing undertaken for the capital programme, since the business plan was last updated.

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:

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

<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? <i>(Only Key Decisions are subject to Call-In)</i></p>	No

<p>District Wards Significantly Affected</p>	All
<p>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"/></p>	<p>Details: Portfolio Holder for Resources</p>

<p>Links to Council Ambition: Customers, Economy, and Environment.</p>

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

<p>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></p>
None