

Meeting of the Finance and Corporate Overview Scrutiny Committee
on 28th November 2024

MEDIUM-TERM FINANCIAL PLAN – REVISED BUDGETS 2024/25

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 enable the Committee to consider the proposed 2024/25 revised budget for the General Fund, Housing Revenue Account and Capital Programme, prior to the report being taken to the Executive.

REPORT DETAILS

1 Background information

- 1.1 This is the second revised budget report presented to Members since Dragonfly began operating some services on the Council's behalf.
- 1.2 Members will be aware that the services this arrangement covers are:
 - Economic Development
 - Facilities Management
 - Property/Commercial Asset Management
 - Property Services and Estates
 - Repairs and Maintenance
 - Tourism
- 1.3 The Council makes payments to Dragonfly for the provision of these services in line with the service level agreement. Dragonfly makes payments to the Council for the support services they receive such as legal, payroll, HR, finance, and audit. A service level agreement for this is in the final stages of preparation.
- 1.4 The figures for both of these agreements are included within the appendices attached to this report.
- 1.5 However, 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 2024/25 revised budget for the General Fund is attached at **Appendix 1**. The appendix shows the original budget for 2024/25 which was approved by Council in January 2024, the current budget which reflects budget transfers and approved changes during the financial year, and the proposed revised budget for 2024/25.
- 2.2 The revised budget on **Appendix 1** shows that Net Cost of Services has increased to £16.703m which is £2.795m 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, the Net Cost of Services has increased due to the pay awards, and it has 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 balanced budget with neither a surplus nor deficit. The current budget position before changes from the revised budget process were included was a surplus of £0.131m. This included the 2024/25 council tax increase of £0.136m.
- 2.5 **Table 1** below shows the revised budget position for 2024/25. 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

	2024/25 Original Budget £000	2024/25 Current Budget £000	2024/25 Revised Budget £000
Net Cost of Services	13,907	16,463	16,703
Net debt charges + investment interest	(1,052)	(1,052)	(2,057)
Net t/f to/(from) reserves + balances	1,178	(1,373)	(1,808)
Net t/f to/(from) NNDR Growth Protection Reserve	188	(166)	1,870
Parish precept	4,583	4,583	4,583
Funding from council tax, business rates and government grants	(18,804)	(18,586)	(19,291)
Use of GF balance	0	(131)	0

2.6 The main variances between the current and revised budget positions (£0.131m surplus and zero deficit or surplus) are given in **Table 2** below:

Table 2

	£000
Staff costs	(420)
Planning fees – decrease in income	58
ICT – reduction in costs	(44)
Diesel increase	42
Debt Charges/Investment Interest	(1,005)
NNDR growth income from 2023/24	(601)
Services and 4% reduction grant increase	(104)
Electric and Gas costs	(89)
Benefits grants	114
Insurance premium & reserve contribution increase	57
Non-staff miscellaneous variances	86
Transfer to NNDR Growth Protection Reserve	2,037
Net decrease in expenditure/increase in income	131

2.7 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 2024-25. We estimated this increase as 5% on all grades but the actual cost was £1,920 on each spinal column point up to grade12 and an increase of 2.5% for Assistant Directors and above. This along with approved changes to the structure for new and/or disestablished posts, plus vacancies for the first 6 months of the year, means a reduction in cost of £0.420m.
- The number of planning applications received so far this year is currently less than in recent years, therefore we've reduced the income budget by £0.058m.
- By taking some urgent decisions on renewals of ICT contracts we've been able to secure renewal prices at the same or slightly lower level than we achieved last year, therefore we have reduced the expenditure budget by £0.044m to account for this.
- The budget for diesel has had to be increased by £0.042m to enable us to keep the fleet on the road.

- Debt charges and investment interest budgets have been updated to reflect the 31st of March position and this has resulted in extra income of £1.005m. This is mainly due to the amount of internal interest being generated by using our own cash balances to fund capital schemes, rather than going out to the PWLB.
- Our share of the business rates pool - redistributed growth, for 2023/24 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 £0.601m for 2024/25.
- The Final Local Government Finance Settlement for 2024/25 in February, increased the Funding Guarantee Grant from 3% to 4%, the increase to BDC for this is £0.104m.
- Our estimate of gas and electric costs has fallen since the budget was prepared meaning we can now reduce the budgets by £0.089m 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 an increase in costs of £0.114m.
- The insurance premium the Council has to pay for staff, premises and motor has increased again this year, we have therefore had to increase general fund budgets by £0.036m to cover the extra premium costs and increase the contribution to the insurance reserve by £0.021m. Paragraphs 2.8 – 2.12, give more detail on the insurance renewal.
- The net movement in miscellaneous income and expenditure is a cost to general fund of £0.086m. This is made up of a number of small increases and decreases.
- As a result of the points above, in particular the extra income from investments and NNDR, we do not now need to draw down the contribution from the NNDR Growth Protection reserve as planned this financial year and instead we can make a contribution to the reserve of £2.037m in readiness for future years.

Pleasley Vale Business Park – Insurance Reserve

- 2.8 Following a comprehensive tender exercise for the Council's insurance contracts over the summer, we were informed that we were unable to obtain flood insurance cover for Pleasley Vale business park. In addition, the excess level for other insurance cover on the park was increased from £100k to £1m, with an increase in premium of £160k. For an increase in premium of £384k, we could have reduced the excess to its previous level.
- 2.9 The insurance companies clearly see the park as a big risk, in part due to the insurance claim for flooding, totalling over £800k after Storm Babet. In light of us

needing to find the first £1m before we can make a non-flood insurance claim, and the need for us to pay for any flood damage which may occur because we're not insured, it was decided to not pay the premium for the park for the non-flood policies.

- 2.10 Pleasley Vale business park is a general fund cost. At 31st of March 2024, the Council held over £10m in general fund earmarked reserves, including the Transformation and General Reserve, but not the NNDR Growth Protection Reserve which is separate. Most of the £10m is committed having been approved through Committee reports over a number of years, we reported £0.701m as being uncommitted within the Transformation Reserve at 31st of March. To provide an amount to enable us to self-insure Pleasley Vale and avoid the increased premium prices, the Section 151 Officer went through the commitments on the reserves to find where any approvals previously granted were now not required.
- 2.11 It has been possible to accumulate £1m to establish the Pleasley Vale Insurance Reserve, by using £825k from Transformation Reserve schemes which are now not going ahead, and £175k from General Reserve schemes on the same basis. The reserve will work on the same basis as when claims were submitted to the Insurance company previously.
- 2.12 Members will be aware that Officers are working with a consultant on flood mitigation practices, and it is hoped this will enable us to obtain flood insurance next year. A report on the condition of Pleasley Vale has been commissioned and the results are expected to be presented to Members in the near future. Clearly, if we have incidents of flooding, or other large insurable losses and the £1m is fully spent during 2024/25, it might not be possible to replenish this reserve for 2025/26. Members will be kept informed of the position of the Pleasley Vale Insurance Reserve as part of the budget monitoring reports for 2025/26.
- 2.13 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)

- 2.14 The Housing Revenue Account revised budget for 2024/25 is set out in **Appendix 3** and **4** to this report.

Expenditure

- 2.15 Expenditure on the HRA is showing a net decrease against current budgets of £0.075m.
- 2.16 As discussed in 2.7, the Local Government Services pay agreement for 2024-25 has been settled at a cost less than we estimated. The saving on the budget for repairs and maintenance of £0.357m has been used to fund the increased cost in sub-contractors. The saving for the pay award and vacancies on the HRA salaries of £0.043m, has been removed from the budget.

2.17 The approval during the year of new expenditure to be funded by earmarked HRA reserves amounts to £0.664m. This includes the council tax liability on the management of void properties being held for capital schemes £0.188m, which is now being funded by the Development Reserve. An amount of £0.200m from the Development Reserve, is being used to fund preliminary works for the Bolsover Homes schemes.

Income

2.18 In total, income is £0.373m lower than the current budget.

2.19 Dwelling rents have been reduced by £0.212m 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 3.66% in quarter 1 and 3.55% by quarter 2 which is higher than the original estimate of 3%.

2.20 The revised budget has been set with an estimate for voids of 3.66% for the remainder of 2024/25, which is based on the actual figure for 32 weeks. This is to allow officers to continue 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.

2.21 Income from Non-dwelling rents is also slightly reduced, again in preparation for capital schemes to take place.

Appropriations

2.22 The movement in the debt charges and investment interest budgets has meant a net increase in cost to the HRA of £0.351m. This is due to us using internal borrowing instead of the PWLB, and the methodology we have to use to calculate the internal interest. This is a cost to the HRA because it has more debt than investments which is currently the opposite of the general fund position.

2.23 Similarly to the general fund there has needed to be a small increase in the contribution to the HRA insurance reserve of £0.015m. Part of the increase in the use of earmarked reserves mentioned above, is an amount of £0.194m which is a transfer from the HRA Development reserve into the HRA. This transfer is necessary to ensure the HRA remains a balanced budget after looking for areas to reduce expenditure failed to identify the necessary saving.

2.24 The borrowing currently being undertaken by the HRA to finance capital schemes is in danger of making the 30-year business plan unsustainable. Even though interest rates have recently reduced slightly, this has no effect on the HRA interest cost for existing borrowing because the loans are at a fixed rate. It is advised that 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.

2.25 The current 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. We have ensured that the revised budget shows this to still be the case.

2.26 **Appendix 4** details the net cost of each cost centre by Directorate.

Capital Programme

2.27 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.

2.28 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 2024/25 is therefore a budget of £34.970m.

2.29 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 2024/25 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 financial uncertainty in Local Government. 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 Finance and Corporate Overview Scrutiny Committee note the report and make any comments that they believe to be appropriate to be given verbally at the Executive meeting on the 2nd of December.

The Executive report recommendations are as follows:

X1 That Executive approves the revised General Fund budget for 2024/25 as set out in **Appendix 1** and detailed in **Appendix 2**.

X2 That Executive approves the revised HRA budget for 2024/25 as set out in **Appendix 3** and **4**.

X3 That Executive approves the revised Capital Programme for 2024/25 as set out within **Appendix 5**.

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, 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 potential changes to 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

<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>	None
<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

<p>Background Papers</p>
<p><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>
<p>None</p>