

**Bolsover District Council**

**Executive**

**18<sup>th</sup> November 2019**

**Budget Monitoring Report**

**Quarter 2 – July to September 2019**

**Report of the Portfolio Holder - Finance & Resources**

This report is public

**Purpose of the Report**

- To update Executive on the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account (HRA), Capital Programme and Treasury Management activity.

**1 Report Details**

- 1.1 Officers have continued the integrated approach to budget monitoring in the second quarter with Performance, Risk and Finance being considered together at the combined Directorate meeting held during October 2019. The scope of this report is therefore to report the current financial position following the 2019/20 quarter two monitoring exercise.

**General Fund Revenue Account**

- 1.2 The General Fund Revenue Account summary is shown in **Appendix 1**. The original budget for 2019/20 showed a funding deficit of £0.083m. The current budget now shows that this is £0.261m surplus after the Council tax increase and other movements are included. As savings are identified and secured they are moved into the relevant cost centres within the main General Fund Directorates. Savings from vacancies for quarter 2 will be removed from salary budgets as part of the half year review being undertaken now.
- 1.3 Within the Directorates there is the following to report:

- The People Directorate shows a favourable variance of £0.385m. This relates mainly to:
  1. Under spends due to invoices not yet paid, vacancies and extra income received at the end of the quarter (£0.785m) – favourable.
  2. Income received in advance of any expenditure (£0.642m) – favourable.
  3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.389m) – adverse.
  4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.652m) – adverse.

5. Over spends against quarter 2 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.033m) – adverse.
- The Place Directorate shows a favourable variance of £1.153m. This relates mainly to:
  1. Under spends due to invoices not yet being paid, vacancies and extra income received at the end of the quarter (£0.689m) – favourable.
  2. Income received in advance of any expenditure (£0.707m) – favourable.
  3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.132m) – adverse.
  4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.095m) – adverse.
  5. Over spends against quarter 2 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.060m) – adverse.
- 1.4 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 2019/20 is £0.962m.
- 1.5 The overall position at the end of quarter 2 shows that there is a favourable variance of £1.538m. This is mainly an issue of timing with a combination of receiving income in advance of spend and under spends due to not receiving invoices yet, for the year.
- 1.6 The table that follows illustrates that even though the budget shortfall for 2019/20 has been met, there is still a need for ongoing savings. The shortfall in future years will be reduced by the ‘efficiencies identified not yet realised’ line. This includes estimates of growth for business rates and council tax as well as transformation programme projects.
- 1.7 Officers have begun working with budget managers to compile a revised budget for 2019/20. This will amend the current budgets to capture additional budget savings, unavoidable budget pressures and reduce spending where it is anticipated that there will be a minimal impact upon service delivery. Where possible the budget in future years will be amended to reflect savings identified to assist with projected budget shortfalls. The revised budget position will be presented to Executive in December.

<b><u>Table 1</u></b>	<b>2019/20 Budget £000</b>	<b>2020/21 Budget £000</b>	<b>2021/22 Budget £000</b>	<b>2022/23 Budget £000</b>
Budget Shortfall – MTFP Feb 2019	83	974	1,559	2,204
Efficiencies identified to date (removed from budget)	(344)	(243)	(243)	(243)
<b>Current Budget Shortfall</b>	<b>(261)</b>	<b>731</b>	<b>1,316</b>	<b>1,961</b>
Efficiencies identified <u>not yet</u> <u>realised</u>	(117)	(1,577)	(1,465)	(1,839)
Target Budget Shortfall	(378)	(846)	(149)	122

### **Business Rates Retention**

- 1.8 As reported at quarter 1, the NNDR1 form for 2019/20 showed an increase in predicted income. This will be included in the revised budget figures which are presented to Executive in December.

### **The National Funding Settlement 2020/21**

- 1.9 The Spending Review in September confirmed expectations that the changes scheduled to take place in the 2020/21 finance settlement, would be delayed for at least a year. The finance settlement for 2019/20 has effectively been rolled over for one year, with allowances for inflation etc.

### Fair Funding Review (FFR)

- 1.10 Latest updates to the estimates of how the Fair Funding Review is likely to affect us in 2021/22 onwards, will be factored in to the MTFP. This will be presented to Members in February.

### Business Rates Reset

- 1.11 It has still not been announced how the new Business Rates system will look and how it will affect us. However, the most up-to-date information will be included for 2021/22 onwards in the MTFP mentioned above.

### **Housing Revenue Account (HRA)**

- 1.12 The Housing Revenue Account summary for the second quarter of 2019/20 is set out in **Appendix 2** to this report. At the end of quarter 2 the HRA is showing a net surplus of £0.894m.

### **Income**

- 1.13 The quarter 2 income figures show a favourable variance of £0.332m. This is mainly due to the timing of the rent weeks when compared to the budget weeks

falling into the first six months. The annual budget is profiled to receive 24 weeks in the period when actually 25 weeks are billed.

### **Expenditure**

1.14 Expenditure shows an overall favourable variance of £0.562m. The main areas to highlight are listed below:

1. Repairs and Maintenance at £2.312m is £0.394m lower than forecast which is due to a combination of the following:
  - Vacancies are £0.135m under spent. There have been discussions between the portfolio holder and senior managers. Posts will either be advertised or removed as part of the revised budget process.
  - Subcontractor payments are £0.024m under spent due to invoices which have not yet been paid.
  - A revenue contribution to the capital programme is not transferred until year end and is showing as an under spend of £0.250m.
2. Rents, Rates and Taxes expenditure at £0.028m is £0.105m under spent due to the Council Tax Liability on void properties which are yet to be processed. The estimated Council Tax liability currently stands at £0.172m which is within the current approved budget.
3. Special services is £0.072m under spent because expenditure on utility budgets is not evenly spread over the year.

### **HRA – Overall Summary**

1.15 In light of the above and the expenditure patterns to date, there are no significant issues to report regarding the overall position for the HRA at the end of the first six months.

## **Capital Programme**

### **Capital Expenditure**

1.16 The capital programme summary for the second quarter of 2019/20 is provided in **Appendix 3** to this report.

1.17 In headline terms, the capital programme profiled budget for quarter 2 is £7.825m and the actual spend and known commitments total £5.123m, which is £2.702m behind the planned spend position. The main areas to highlight are listed below:

1. The Re-Roofing scheme is £0.257m under spent. The scheme is expected to progress in the second half of the year.
2. The Safe + Warm heating scheme is £0.338m under spent compared to the 6 month budget because the scheme only really started during quarter 2.
3. Disabled Facility Grants are under spent by £0.196m which is in the main due to a backlog of referrals from DCC.
4. Dragonfly loan and acquisition of share capital are showing as £1.031m under spent which is due to the next phase of the scheme not yet commencing.

5. The miscellaneous property scheme B@home is currently £0.906m under spent for the quarter due to the phasing of the individual schemes.
  6. New Bolsover Scheme appears over spent by £0.408m however the scheme is not profiled evenly throughout the year.
- 1.18 Whilst there are no significant financial issues to report regarding capital expenditure at the end of the second quarter, it must be noted that the delivery of the approved capital programme is behind the profiled position as at half year. Officers will review the programme as part of the revised budget process and re-profile expenditure on schemes to future years as appropriate where the funding allows. The revised capital programme will be presented to Executive in December.

### **Capital Resources**

- 1.19 HRA – The Council has sufficient capital resources in place to finance the HRA actual expenditure and commitments at the end of the second quarter.

General Fund – The financing of the General Fund part of the capital programme is in line with the approved financing arrangements.

### **Treasury Management**

- 1.20 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.
- 1.21 The Council approved the 2019/20 Treasury Management Strategy at its meeting in February 2019. **Appendix 4** identifies the Treasury Management activity undertaken during the second quarter of 2019/20 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, however interest rates are variable and therefore it is too early in the financial year to predict if this trend will continue. A full assessment of this will be done during the next quarter with a view to amend the budgets accordingly.

## **2 Conclusions and Reasons for Recommendation**

- 2.1 The report summarises the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury management activity.

## **3 Consultation and Equality Impact**

- 3.1 There are no equalities issues arising directly out of this report.

## **4 Alternative Options and Reasons for Rejection**

- 4.1 The Budget Monitoring report for 2019/20 is primarily a factual report which details progress against previously approved budgets. Accordingly there are no alternative options to consider.

## **5 Implications**

### **5.1 Finance and Risk Implications**

- 5.1.1 Financial implications are covered throughout this report.
- 5.1.2 The issue of Financial Risks 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 levels of financial balances.

### **5.2 Legal Implications including Data Protection**

There are no legal issues arising directly from this report.

### **5.3 Human Resources Implications**

There are no human resource issues arising directly out of this report

## **6 Recommendations**

- 6.1 That Executive notes the monitoring position of the General Fund at the end of the second quarter as detailed on Appendix 1 (A net favourable variance of £1.538m against the profiled budget) and the key issues highlighted within this report.
- 6.2 That Executive notes the position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the second quarter (Appendices 2, 3 and 4).

## 7 Decision Information

<b>Is the decision a Key Decision?</b> 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: <i>BDC:</i> Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <i>NEDDC:</i> Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the relevant Portfolio Holder been informed?</b>	Yes
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	Providing Excellent customer focussed services. Continually improving our organisation

## 8 Document Information

Appendix No	Title
1	General Fund Summary
2	HRA Summary
3	Capital Programme
4	Treasury Management Update
<b>Background Papers</b> (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 Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Chief Accountant and S151 Officer	2458