Agenda Item No 7A

Bolsover District Council

Executive

16th September 2019

Budget Monitoring Report

Quarter 1 – April to June 2019

Report of the Portfolio Holder for Finance + Resources

This report is public

Purpose of the 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.

1 Report Details

1.1 Officers have continued the integrated approach to budget monitoring in the first quarter with Performance, Risk and Finance being considered together at the combined Directorate meeting held during July 2019. The scope of this report is therefore to report the current financial position following the 2019/20 quarter one 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 £0.037m 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. Officers have reviewed the opportunities to reduce the salary budgets where savings arose in the first quarter and a further amount of £0.093m will now be removed from budgets.

1.3 Within the Directorates there is the following to report:

- The People Directorate shows an adverse variance of £0.184m. This relates mainly to:
    1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.230m) – favourable.
    2. Income received in advance of any expenditure (£0.756m) – favourable.

3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.548m) – adverse.
4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.308m) – adverse.
5. Over spends against quarter 1 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.264) – adverse.

- The Place Directorate shows a favourable variance of £0.549m. This relates mainly to:
    1. Under spends due to invoices not yet being paid and vacancies at the end of the quarter (£0.022m) – favourable.
    2. Income received in advance of any expenditure (£0.917m) – favourable.
    3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.283m) – adverse.
    4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.113m) – adverse.
    5. Over spends against quarter 1 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.031) – 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. Of this £0.028m had to be spent by 28th May this year or the funding would have been lost. Officers worked to ensure that this spend was undertaken in line with the S106 legal requirements.

1.5 The overall position at the end of quarter 1 shows that there is a favourable variance of £0.365m. This is mainly due to receiving income in advance of spend for the year. There are also no real budget pressures identified in quarter 1 but officers will continue to monitor the position during the next quarter.

1.6 The table that follows illustrates that even though the savings target for 2019/20 has been met, there is still a need for ongoing savings. The shortfall in future years will be addressed through the transformation programme which will include a combination of income maximisation, business redesign and business cost reduction options.

1.7 Officers will begin working with budget managers during the next quarter to compile a revised budget for 2019/20. This will amend the current budgets to capture additional budget savings 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.

Table 1	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000
Budget Shortfall – MTFP Feb 2019	83	974	1,559	2,204
Efficiencies identified to date (removed from budget)	(119)	(115)	(115)	(123)
Current Budget Shortfall	**(36)**	**859**	**1,444**	**2,081**
Efficiencies identified not yet realised	(339)	(551)	(734)	(916)
Target Budget Shortfall	(375)	308	710	1,165

Business Rates Retention

1.8 As reported in the Medium Term Financial Plan (MTFP), the income for Business Rates reverts back to existing pooling arrangements for 2019/20 and future years.

1.9 At the time of approving the budget the NNDR1 form for 2019/20 had not been completed and therefore no changes were made to previous estimates for that year. However, on completion based on the growth achieved in our Business Rates income since the previous estimates were made, the NNDR1 form does show an increase in predicted income of £0.600m.

1.10 This increase is based on an estimate of business rates growth that could fluctuate during the year as businesses move in and out of the district. It is also possible for the income to be reduced to pay for refunds to business rate payers if their valuation appeal is successful with the Valuation Office. This presents a risk to the budget as should the growth not be achieved, the income to the Council would be decreased.

1.11 For this reason it is suggested that the estimated increase in income be added to the budget at revised budget time in December, but be transferred to the NNDR Growth Protection Reserve to mitigate changes likely to effect the Council in the future when the new Business Rates system is announced.

The National Funding Settlement 2020/21

1.12 A number of fundamental changes to local authority funding are currently being considered by the Government for the future. These were scheduled to be incorporated into the 2020/21 finance settlement. Delay caused by Brexit and other political uncertainty in Government has increased the likelihood that these may be delayed for at least one year. These are summarised below:

Fair Funding Review (FFR)

1.13 The national funding allocations formula was last reviewed in 2013/14. Initial modelling on suggested changes showed that the recalculated Settlement

Funding Assessment (SFA) would redirect resources to those based on "need" which would impact negatively on most shire districts.

1.14 The risk of losses from the FFR would be much greater for district councils because of their ability to raise council tax. This puts a greater burden on the local decision making with regards council tax setting each year.

Business Rates Reset

1.15 The business rates baseline funding level (BFL) calculates by formula each council's share of overall resources and is based on each Councils' business rates baseline, taken from the NNDR1 each year. A full reset of the BFL was planned for 2020/21 although as mentioned earlier there is some debate currently around the timing of this. Should a full reset proceed this would mean that any business rates growth accumulated since 2013/14 (the last reset) would be rolled into each Council's BFL, effectively wiping the benefit of that growth out. This growth would then be redistributed according to need. In general terms, districts have benefited most from this growth so would therefore be the worst affected by the reset.

1.16 There is also a proposal to increase the local share for business rates to 75% from 2020/21. However, it is expected that county councils will benefit from this increase rather than district councils whose share is likely to stay at 40% or maybe even reduce.

1.17 There are still too many variables to put any huge reliance on the impact of a business rates reset or change to the local share at this stage but it is likely to affect district councils which is a risk to the current MTFP.

1.18 If there is, as expected, a delay in the planned three year spending review this would mean there would be a roll-over year for 2020/21. There would likely be very little change in funding allocations and then a two year spending review that announces a new funding settlement starting in 2021/22.

Housing Revenue Account (HRA)

1.19 The Housing Revenue Account summary for the first quarter of 2019/20 is set out in **Appendix 2** to this report. At the end of quarter 1 the HRA is showing a net deficit of £0.361m.

Income

1.20 The quarter 1 income figures show an adverse variance of £0.447m. This is mainly due to the timing of the rent free week falling into the first quarter. The annual budget is profiled to receive 12 weeks in the first quarter when actually only 11 weeks were billed.

Expenditure

1.21 Expenditure shows an overall favourable variance of £0.086m. The main areas to highlight are listed below:

1. Employee costs at £0.921m are £0.094m lower than forecast which is mainly due to vacancies in repair and maintenance. The budget is

currently being reviewed as part of the outturn and budgets no longer required will be removed before the next quarter.

2. Premises Related expenditure at £0.311m is £0.023m under spent due to a combination of sub-contractor invoices which have not yet been paid and the Council Tax Liability on void properties which are yet to be processed.
3. Hired + Contracted services at £0.235m are £0.176m higher than the three month profiled budget as it is a commitment against the 12 month budget.
4. A revenue contribution to the capital programme is not transferred until year end and is showing as an under spend of £0.125m.

HRA – Overall Summary

1.22 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 quarter.

Capital Programme

Capital Expenditure

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

1.24 In headline terms, the capital programme profiled budget for quarter 1 is £3.913m and the actual spend and known commitments total £2.830m, which is £1.083m behind the planned spend position. The main areas to highlight are listed below:

1. The Re-Roofing scheme is £0.128m under spent. The scheme is expected to progress in quarter two.
2. General Fund Vehicle Replacements appear over spent at £0.123m but the scheme shouldn't be quarterly profiled.
3. Dragonfly loan and acquisition of share capital are showing as £0.545m under spent which is due to the next phase of the scheme not yet commencing.
4. The miscellaneous property scheme B@home is currently £0.434m under spent for the quarter due to the phasing of the individual schemes.

1.25 Whilst there are no significant financial issues to report regarding capital expenditure at the end of the first quarter, it must be noted that the delivery of the approved capital programme is slightly behind the profiled position as at quarter 1. Officers will continue to closely monitor the delivery of the Programme.

Capital Resources

1.26 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

1.27 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.

1.28 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 first 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 first 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 first quarter as detailed on Appendix 1 (A net favourable variance of £0.365m 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 first quarter (Appendices 2, 3 and 4).

7 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: *BDC: Revenue - £75,000* ☐ *Capital - £150,000* ☐ *NEDDC: Revenue - £100,000* ☐ *Capital - £250,000* ☐ ☑ *Please indicate which threshold applies*	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has the relevant Portfolio Holder been informed?	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	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

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 Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	**Contact Number**
Chief Accountant and S151 Officer	2458