

Bolsover District Council

Executive

16th December 2019

Medium Term Financial Plan - Revised Budgets 2019/20

Report of the Portfolio Holder - Finance & Resources

This report is public

Purpose of the Report

- To seek Executive approval of the 2019/20 revised budget for the General Fund, Housing Revenue Account and Capital Programme which will assist in improving the Council's financial position in both 2019/20 and future financial years.

1 Report Details

General Fund Revenue Account

- 1.1 The revised budget process is now complete and the proposed 2019/20 revised budget for the General Fund is attached at **Appendix 1**. The appendix shows the original budget for 2019/20 which was agreed in February 2019, the current budget which reflects budget transfers and approved changes during the financial year, and the proposed revised budget for 2019/20. The revised budget shows that Net Cost of Services has increased to £10.655m which is £0.802m above the original budget figures. This increase in the Net Cost of Services reflects 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.
- 1.2 The original budget showed a funding deficit of £0.083m. The current budget position before changes from the revised budget process were included was a surplus of £0.261m. This included the council tax increase £0.112m, the quarter 1 vacancy savings of £0.093m and transformation programme items of £0.139m.
- 1.3 Table 1 below shows the revised budget position for 2019/20. Finance 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

	2019/20 Original Budget £000	2019/20 Current Budget £000	2019/20 Revised Budget £000
Opening Budget Shortfall	83	83	83
Efficiencies identified + removed from budget	0	(344)	(344)
General Fund (surplus)/Budget Shortfall	83	(261)	(261)

- 1.4 Although the General Fund surplus remains unchanged from the current budget figure of £0.261m, lots of movement within the budgets has taken place. In all cases the budget managers have been consulted and are in agreement with the budget changes proposed. It has been a clear objective in the exercise not to make any budget changes that have a significant adverse impact on the service provision being delivered. The key variances within the revised budget are given in Table 2 below:

Table 2

	£000's
Debt charges/investment income	(167)
Vacancy management quarter 2	(127)
Extra planning fee income and external grants	(153)
Net miscellaneous cost increases/income reduction	29
Savings from revised budget process before transfers to reserves for future use.	(418)
Net transfer to NNDR growth protection reserve	168
Transfer to reserves to finance future expenditure	250
Net movement	0

- 1.5 An explanation of each of the variances in table 2 is as follows:

- Debt charges/Investment income – updates to the debt charges calculation for the 2018/19 outturn position have meant a reduction in charges of £0.131m (changes from swapping the financing of the capital programme will not affect budgets until 2020/21). More favourable interest rates and higher levels of cash flow have meant an increase in interest income of £0.036m.

- In the first 6 months of the year £0.220m has been saved through vacancy management. Each vacancy is considered to ensure there is still a business need for it before recruiting. The requirements of the service are also considered to ensure no negative impact is caused by delaying or changing the staffing provision.
- The continued increase in planning applications has meant a further £0.055m has been added to the planning fee income budget. Receipts of external grant for differing services are expected to increase by £0.098m.
- Miscellaneous income cost increases/income reduction - the main changes are an increase in the cost of Pleasley Vale electricity of £0.035m; reduction in the ICT software and equipment of £0.035m; net changes to Strategic Alliance joint working is a cost of £0.038m; increases to the District elections budget of £0.031m and various small service net reductions of £0.040m.
- As reported in quarter 1, the income for business rates included in the budget needed to be revised for the 2019/20 NNDR1 form. Extra income of £0.420m was included and £0.588m was transferred to the NNDR growth protection reserve. This reserve will be used to mitigate against future changes to the business rates system, by allowing the flow of income back to general fund in a controlled and manageable manner.
- Transfer to reserves to finance future expenditure - £0.050m has been transferred into the ICT and office equipment reserve to allow the financing of capital expenditure. £0.200m has been transferred to the transformation reserve to be ring-fenced for invest-to-save projects.

Contributions to the Local Government Pension Scheme (LGPS)

- 1.6 As Members will be aware, the Council participates in the LGPS administered by Derbyshire County Council. Every 3 years the fund is valued and is compared against the current and future pensions it will have to pay to pensioners. There is a shortfall in the fund (deficit) and every year the Council pays towards this. The fund has been valued during 2019/20 and the results are awaited. The costs for 2019/20 are fixed as they are based on the previous valuation. The last time the fund was valued, costs increased to the general fund by roughly 1% or £0.080m per year. In preparation for this extra cost payable by the general fund from 2020/21, it is proposed that the surplus generated £0.0261m, be allowed to increase the general fund balance.
- 1.7 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. The estimated surplus generated in 2019/20 is £0.261m. **Appendix 2** details the net cost of each cost centre by Directorate.

Housing Revenue Account (HRA)

- 1.8 The Housing Revenue Account revised budget for 2019/20 is set out in **Appendix 3** to this report.

Income

- 1.9 In total, income is £0.004m lower than the current budget. Dwelling rents are £0.054m higher due to a reduction in the level of voids resulting from the capital scheme.
- 1.10 Income from Special Services has been revised down by £0.065m. This is due to a reduction in the income expected from heating charges after the Safe and Warm capital scheme.
- 1.11 Income from Derbyshire County Council for Supporting People – Central Control has been reduced by £0.035m, while income has been increased by £0.024m in Repairs and Maintenance for the Travis Perkins profit share amount.

Expenditure

- 1.12 Expenditure on the HRA is showing a net reduction against current budgets of £0.195m. Vacancies from Repair and Maintenance and Supporting People - Wardens have been removed of £0.171m.
- 1.13 The remainder of the HRA expenditure reduction is from lower sub-contractor expenditure £0.067m; lower utilities costs of £0.038m linked to the Safe and Warm scheme. Transfer to reserves have been increased by £0.076m to cover spending in future years.
- 1.14 Taking account of the proposed budget changes detailed above, the HRA is anticipated to deliver a surplus in the current financial year of £0.155m, which is £0.132m higher than the current budget. As already discussed for general fund in 1.6 above, after the previous pension fund valuation the cost to the HRA was increased by £0.033m per year. It is proposed for this £0.155m surplus to increase the HRA balance in readiness for the increased pension costs in 2020/21, payable by the HRA.

Capital Programme

- 1.15 The Council's capital programme is shown in **Appendix 4**. 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.
- 1.16 As part of the revised budget process, officers have estimated the likely level of spend in the current financial year. As a result £1.712m has been removed from the current budget and put into 2020/21 as this is when the work is likely to be undertaken. The proposed estimated outturn for 2019/20 is therefore a budget of £18.057m.
- 1.17 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 2019/20 capital programme.

2 Conclusions and Reasons for Recommendation

- 2.1 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. The improved position on both the Council's main revenue budgets reflects a combination of favourable circumstances during the year, together with careful budget management and the ongoing policies of progressing the transformation agenda in order to reduce the underlying level of expenditure in line with the ongoing reductions in the level of government grant. The savings achieved will be used to support service delivery to residents and tenants in future financial years.

3 Consultation and Equality Impact

- 3.1 There are no consultation and equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

4.1 General Fund and HRA

The anticipated 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 these additional resources are utilised to mitigate the expected increase in the contribution to the Local Government Pension Scheme over the next three financial years.

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.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 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. While officers are of the view that these risks are being appropriately managed it needs to be recognised that continued reductions in budgets may mean that adverse variances arising from particular issues or pressures may not be able to be absorbed from favourable variances in other budgets.

There is also no provision within the revised budget to meet any costs of delivering financial savings required for future years. Any proposals to utilise the forecast surplus in the current year must take this risk into account.

5.1.2 The capital programme identifies and recognises the need to maintain the Council's assets in a fit for purpose state and to retain and attract income streams for the Council. The financing of the capital programme is secured for 2019/20 thus minimising the risk of any additional unplanned borrowing.

5.1.3 Financial issues and implications are covered in the relevant sections throughout this report.

5.2 Legal Implications including Data Protection

5.2.1 There are no legal issues arising directly from this report.

5.3 Human Resources Implications

5.3.1 There are no human resource implications arising directly out of this report.

6 Recommendations

6.1 That Executive approves the revised General Fund budget for 2019/20 as set out in Appendix 1 and detailed in Appendix 2.

6.2 That Executive approves the revised HRA budget for 2019/20 as set out in Appendix 3.

6.2 That Executive approves the revised Capital Programme for 2019/20 as set out within Appendix 4.

7 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: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	<p>Yes</p>
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	<p>Yes</p>
<p>Has the relevant Portfolio Holder been informed</p>	<p>Yes</p>
<p>District Wards Affected</p>	<p>All</p>
<p>Links to Corporate Plan priorities or Policy Framework</p>	<p>All</p>

8 **Document Information**

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	HRA
4	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 Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Head of Service – Finance and Resources	01246 242458