

**Bolsover District Council**

**Executive**

**23 November 2020**

**Medium Term Financial Plan - Revised Budgets 2020/21**

**Report of the Portfolio Holder - Finance and Community Safety**

This report is public

**Purpose of the Report**

- To seek Executive approval of the 2020/21 revised budget for the General Fund, Housing Revenue Account and Capital Programme.

**1    Report Details**

**General Fund Revenue Account**

- 1.1 The revised budget process is now complete and the proposed 2020/21 revised budget for the General Fund is attached at **Appendix 1**. The appendix shows the original budget for 2020/21 which was approved by Council in February 2020, the current budget which reflects budget transfers and approved changes during the financial year, and the proposed revised budget for 2020/21.
- 1.2 As previously reported, the Coronavirus Pandemic is having a detrimental impact on the Council's 2020/21 budget. The main concern is the loss of income for fees and charges, predominantly within leisure but also for MOT testing, planning fees, recycling income and commercial property rents.
- 1.3 The pandemic income loss and expenditure projections have now been included in the revised budgets with the latest position being 23 October 2020. As the position continues to change, a further update will be provided for the current year in the MTFP which will be brought to Members for approval in February 2021.
- 1.4 The revised budget on **Appendix 1** shows that Net Cost of Services has increased to £12.338m which is £2.163m 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.
- 1.5 The original budget showed a funding deficit of £0.290m. The current budget position before changes from the revised budget process were included was a

deficit of £0.003m. This included the council tax increase of £0.111m, the quarter 1 vacancy savings of £0.168m and other small savings.

1.6 Table 1 below shows the revised budget position for 2020/21. 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. As mentioned previously, the effect of the Coronavirus Pandemic was also included.

**Table 1**

	2020/21 Original Budget £000	2020/21 Current Budget £000	2020/21 Revised Budget £000
<b>Opening Budget Shortfall</b>	<b>290</b>	<b>290</b>	<b>290</b>
Efficiencies identified + removed from budget	0	(287)	(211)
<b>General Fund (surplus)/Budget Shortfall</b>	<b>290</b>	<b>3</b>	<b>79</b>
Efficiencies identified not yet realised	(211)	0	0
Pension costs to be funded by GF balance	(79)	(79)	(79)
<b>Closing Budget (surplus)/Budget Shortfall</b>	<b>0</b>	<b>(76)</b>	<b>0</b>

1.7 The main variances within the revised budget are given in Table 2 below:

**Table 2**

	£000's
Debt charges/investment income	136
Vacancy management quarter 2	(246)
Net reduction in NNDR income	136
Net miscellaneous cost increases/income reduction	(44)
Net transfer to Reserves to finance future expenditure	94

1.8 At present additional expenditure and the loss of income due to the pandemic is covered by the grant received from the Government. For this reason the effect is not shown as a variance but the financial implications will be discussed in the next section. An explanation of each of the variances in table 2 is as follows:

- Debt charges/Investment income – The 3 month average LIBID rate used to calculate the HRA share of the debt charges cost is extraordinarily low at the moment causing a cost to the general fund. The fall in investment interest rates has also meant a drop in the estimate of interest for the year. Together this means an increased cost to general fund of £0.136m.
- In the first 6 months of the year, £0.414m has been saved through vacancy management, maternity leave and changes due to restructuring. 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 estimate of the benefit to be redistributed from the business rates pool has been reviewed and reduced in light of the financial effect of the pandemic on businesses, resulting in a cost of £0.136m.
- Miscellaneous income cost increases/income reduction - the main changes are an increase in the cost of External Audit of £0.023m; net changes to Strategic Alliance joint working is a cost of £0.134m; decrease in the net Benefit amounts payable of £0.099m and various service net reductions of £0.102m.
- Net savings resulting from the revised budget process mean £0.094m can be transferred to the NNDR Growth Protection Reserve. This reserve will be used to mitigate against future changes to Government funding, by allowing the flow of income back to general fund in a controlled and manageable manner.

#### Details on the Coronavirus Pandemic

- 1.9 The Council received from the Government £1.010m in emergency grant funding through tranches 1-3. Additionally an income compensation scheme is in operation to allow Council's to recover an element of loss due to the reduction in fees and charges income. Of the estimated loss in income of £0.828m, it is estimated we will receive £0.372m. The Council has to stand the first 5% of the fees and charges budgets £0.115m and also our 25% share of the loss £0.124m. Expenditure incurred to date of £0.197m has also been funded from the grant.
- 1.10 Income losses relating to industrial unit rents were not covered by the income compensation scheme and therefore £0.137m of the grant has been used so far for this purpose. In addition we have received funding for furloughed staff of £0.112m and made reductions in expenditure budgets of £0.172m. Both these figures are reduced from our income loss figure and reduce the amount of income compensation we receive.

- 1.11 For clearer understanding, a summary of the transactions is as follows:

	£000's
Tranche 1- 3 Covid Government Grant received	(1,010)
Lost eligible fees + charges income estimate	828
Income compensation estimate to be received	(372)
Expenditure incurred to date	197
Lost other income, ineligible for compensation estimate	137
Income received for furloughed staff	(112)
Reductions in expenditure budgets	(172)
<b>Balance of Grant available for further costs/losses</b>	<b>(504)</b>

The balance of the grant which can be used for remote working, improving ITC, preparing buildings for re-opening and paying for future costs caused by the pandemic will be transferred to the General Reserve and earmarked to be used on future expenditure.

- 1.12 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.
- 1.13 The Council has been approached by a number of Parish Councils with requests for financial assistance due to the effects of the Coronavirus pandemic. The loss of income through leisure facilities being restricted or room rental being disallowed has created a financial burden.
- 1.14 The requests coincide with the latest emergency grant funding – Tranche 4, where Bolsover District Council has been allocated a further £0.448m, which is not yet included in the above figures as notification of the payment was received after the revised budget process had been concluded.
- 1.15 Therefore it is proposed that Bolsover District Council allocate an amount to each Parish Council based on their 2020/21 precept to help them continue to provide a service to their residents.
- 1.16 Amounts to be paid to the Parish Councils would be as follows:

Parish	£	Parish	£
Ault Hucknall	5,533	Old Bolsover	59,867
Barlborough	14,108	Pinxton	35,104
Blackwell	19,518	Pleasley	10,045
Clowne	49,138	Scarcliffe	11,137
Elmton with Creswell	28,051	Shirebrook	95,830
Glapwell	8,548	South Normanton	41,494
Hodthorpe	4,338	Tibshelf	22,174
Langwith	12,471	Whitwell	30,950

## Housing Revenue Account (HRA)

- 1.17 The Housing Revenue Account revised budget for 2020/21 is set out in **Appendix 3** to this report.

### Income

- 1.18 In total, income is £0.194m lower than the current budget. The main variance is Dwelling rents which have been reduced by £0.164m since the original budget. The number of empty properties (voids) is higher than originally estimated. Properties are being held intentionally empty because capital schemes are planned. Additionally, lettings were suspended in the early months of the pandemic and also for 4 weeks whilst the new Open Housing IT system went live.
- 1.19 Income from Non-dwelling rents is also reduced, again in preparation for capital schemes to take place.
- 1.20 Repair and maintenance income has increased by a net £0.039m. This is due to a combination of rechargeable repairs income increasing by £0.042m as more work has been done than was originally estimated and the income from Travis Perkins profit share is expected to be less than predicted due to less purchases during the pandemic.
- 1.21 Income from Special Services has been revised down by £0.028m. This is due to a reduction in the income expected from heating charges after the Safe and Warm capital scheme. The expenditure budgets for gas have also been reduced for the same reason.

### Expenditure

- 1.22 Expenditure on the HRA is showing a net reduction against current budgets of £0.168m. Vacancies from Repair and Maintenance and Supervision and Management totalling £0.102m have been removed whilst an increase to pension and NI costs of £0.026m has been included in Housing Related Support - Wardens.

- 1.23 The remainder of the HRA expenditure reduction is £0.051m decrease in Travis Perkins expenditure; a software cost reduction of £0.020m within Supervision and Management and Special Services reductions in gas usage of £0.044m. Finally there is an increase within Supervision and Management of £0.051m for disturbance allowance expenditure related to the demolition of Tibshelf flats.
- 1.24 Taking account of the proposed budget changes detailed above, the HRA is anticipated to deliver a surplus in the current financial year of £0.095m, which is slightly lower than the current budget.

### **Capital Programme**

- 1.25 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.
- 1.26 As part of the revised budget process, officers have estimated the likely level of spend in the current financial year. As a result £0.238m has been removed from the current budget and put into 2021/22 as this is when the work is likely to be undertaken. The proposed estimated outturn for 2020/21 is therefore a budget of £17.819m.
- 1.27 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 2020/21 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 revised budget now takes account of the effect of the Covid pandemic and of the Council's response thus far.

## **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**

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 declining central government support. 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.

### **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.
- 5.1.2 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.
- 5.1.3 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 2020/21 thus minimising the risk of any additional unplanned borrowing.
- 5.1.4 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 2020/21 as set out in Appendix 1 and detailed in Appendix 2.
- 6.2 That Executive approves the revised HRA budget for 2020/21 as set out in Appendix 3.
- 6.2 That Executive approves the revised Capital Programme for 2020/21 as set out within Appendix 4.

## 7 Decision Information

<b>Is the decision a Key Decision?</b>	No
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 <input type="checkbox"/>  Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/>  Capital - £250,000 <input type="checkbox"/>  <input checked="" type="checkbox"/> Please indicate which threshold applies	
<b>Is the decision subject to Call-In?</b>	No
(Only Key Decisions are subject to Call-In)	
<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>	All

## 8 Document Information

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	HRA
4	Capital Programme
<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
Head of Service – Finance and Resources	01246 242458