

Bolsover District Council

Budget Scrutiny Committee

26th November 2020

Budget Monitoring Report
Quarter 2 – April to September 2020

Report of Head of Finance + Resources

This report is public

Purpose of the Report

- To update Budget Scrutiny Committee 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 This report provides the current financial position following the 2020/21 quarter two monitoring exercise. It does not yet include any of the grant received from Government to help mitigate expenditure incurred and/or income lost due to the Coronavirus pandemic. This will be included when the revised budgets are produced in November when a clearer idea of the financial support to be received is known.

General Fund Revenue Account

- 1.2 The General Fund Revenue Account summary is shown in **Appendix 1**. The original budget for 2020/21 showed a funding deficit of £0.290m. The current budget shows this has reduced to £0.003m deficit 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. **Appendix 2** details the net cost of each cost centre within the Directorates.
- 1.3 During quarter 1 the salary budgets were reviewed and £0.168m was removed from budgets. This was due to a combination of vacant posts taking longer to fill, maternity leave and changes due to restructuring. Salary budgets will be reviewed for quarter 2 savings as part of the revised budget process and savings removed where possible.

1.4 The original budget was prepared based on 2 Directorates. We have since increased to 3 with the new Development Directorate. As such there are some transition lines within the top half of **Appendix 1**.

1.5 Within the Directorates there is the following to report:

- The Corporate Resources Directorate shows a favourable variance of £0.025m. This relates mainly to :

1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.507m) – favourable.
2. Income received in advance of any expenditure (£0.547m) – favourable
3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.289m) – adverse.
4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.138m) – 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 (£0.617m) – adverse

- The Development Directorate shows a favourable variance of £0.417m. This relates mainly to:

1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.363m) – favourable.
2. Income received in advance of any expenditure (£0.380m) – favourable.
3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.246m) – adverse.
4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (zero) – 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 (£0.113m) – adverse.

- The Environment and Enforcement Directorate shows an adverse variance of £0.029m. This relates mainly to:

1. Under spends due to invoices not yet being paid and vacancies at the end of the quarter (£0.180m) – favourable.
2. Income received in advance of any expenditure (£0.302m) – favourable.
3. Annual invoices were paid in quarter 2 which makes the profiled budget look overspent (£0.120m) – adverse.
4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (zero) – 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 (£0.395m) – adverse.

- 1.6 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 2020/21 is £1.210m. Of this £0.036m has to be spent by 14th January 2021 or the funding will be lost. Officers are working to ensure that this spend is undertaken in line with the S106 legal requirements.
- 1.7 The overall position at the end of quarter 2 shows that there is a favourable variance of £0.413m. However, this includes the S106 under spent expenditure, the position without these is £0.195m under achieved. As mentioned at 1.1, the figures in this report have not yet been adjusted for the financial effect of Coronavirus. Extra expenditure incurred will be covered by the Government grant and irrecoverable losses of fees and charges will be compensated in part, by the MHCLG income compensation scheme.
- 1.8 As part of the revised budget process we will identify as best we can how much other income we have lost due to sundry debtor invoices not being paid for such as trade waste, commercial property rent, housing benefit overpayments and other miscellaneous income. We will reduce the leisure fees and charges budgets to our best estimate of what we might receive and include the amount of compensation receivable from MHCLG. There will be a gap of roughly £0.120m that we will have to stand, which will be the first 5% of the fees and charges budget. We will also have a better idea of the losses to the collection fund due to increased arrears which we will share with the preceptors for business rates and council tax.
- 1.9 The table below shows the latest position of all years in the current MTFP as reported in the February Council report. It should be remembered that for all years from 2021/22 there is a transfer into the general fund from the NNDR Growth Protection Reserve to replace the losses caused by changes in Government funding. As a Council we made it our strategy to save extra income earned in years when we received more than we estimated, to be able to use it in future years when income was reduced. These transfers are £1.027m 2021/22, £1.033m 2022/23 and £1.246m in 2023/24. Any surplus made since February 2020 will be returned to the reserve to extend the use of the reserve for as long as possible.
- 1.10 This reserve is not a sustainable source of income for the general fund. This is where we look to the new directorate for development to generate income and replace the funding we've lost before we run out of the NNDR Growth Protection Reserve.

<u>Table 1</u>	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000
Budget Shortfall – MTFP Feb 2020	290	441	594	682
Efficiencies identified to date (removed from budget)	(287)	(131)	(141)	(151)
Current Budget Shortfall	3	310	453	531
Efficiencies identified <u>not yet realised</u>	0	(250)	(402)	(552)
Pension costs to be funded by GF balance	(79)	(81)	(82)	(19)
Target Budget Shortfall/(Surplus)	(76)	(21)	(31)	(40)

1.11 Officers worked with budget managers during September and October to compile a revised budget for 2020/21. This will amend the current budgets to capture additional budget savings and losses 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 November.

Delays to Government Reviews

1.12 MHCLG has confirmed that the Fair Funding Review and reform of the business rates system will be delayed for at least a year in the wake of the Coronavirus pandemic. There is a lot of uncertainty regarding what the Spending Review 2020 will include and how many years it will cover.

Housing Revenue Account (HRA)

1.13 The Housing Revenue Account summary for the second quarter of 2020/21 is set out in **Appendix 3** to this report. At the end of quarter 2 the HRA is showing a net surplus of £0.188m.

Income

1.14 The quarter 2 income figures show an adverse variance of £0.192m. The adverse variance on the Dwelling Rents £0.066m is due to higher than budgeted void levels. This is a combination of measures taken initially during the pandemic and as part of introducing the new Open Housing management system. The large adverse variance on Supporting People Wardens is due to the quarter 2 invoice to DCC for the Provision of Independent Living Service not yet being raised - £0.070m.

Expenditure

1.15 Expenditure shows an overall favourable variance of £0.400m. The main areas to highlight are listed below:

1. Repair and Maintenance is £0.190m lower than forecast which is due to a combination of the following:
 - Vacancies are £0.028m under spent.
 - Subcontractor payments and stores issues through Travis Perkins combined are £0.151m under spent. This is mainly related to delays caused by Coronavirus.
2. Rent, Rates, Taxes and Other Charges expenditure are £0.088m under spent due to the Council Tax liability on void properties not billed as yet.
3. Special Services expenditure is £0.055m under spent because the utility costs are usually higher in the winter months.
4. Leasehold flats expenditure is £0.046m under spent because the refund of the management fee has not yet been made.

HRA – Overall Summary

1.16 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 second quarter. All of the HRA Budgets will be reviewed as part of the revised budget process.

Capital Programme

Capital Expenditure

1.17 The capital programme summary for the second quarter of 2020/21 is provided in **Appendix 4** to this report.

1.18 In headline terms, the capital programme profiled budget for quarter 2 is £8.701m and the actual spend and known commitments total £4.424m, which is £4.277m behind the planned spend position. The main areas to highlight are listed below:

1. The New Bolsover Scheme has spent more in the first two quarters than the profiled budget. This is not a problem but it makes the scheme look over spent by £0.431m against the profiled budget.
2. General Fund Vehicle Replacements appear under spent at £0.232m but the scheme can't really be quarterly profiled.
3. Dragonfly loan and acquisition of share capital are showing as £1.061m under spent which is due to a delay to the start of the next phase of the scheme.
4. The new build HRA properties are together £2.531m under spent due to the phasing of the individual schemes.
5. The Public Sector Housing schemes on our own properties are currently £0.425m under spent at the end of the second quarter.

6. The Disabled Facility Grants are also under spent at this time being £0.280m below budget.

- 1.19 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 quarter 2, in part due to Coronavirus related delays. This was anticipated and caused concern regarding the spending of the 1-4-1 capital receipts that had a deadline to be spent by 30/9/20 or they had to be returned.
- 1.20 Officers highlighted this as a problem to MHCLG in March and have received notification of an extension to the deadline to 31/12/20. It is felt this may still cause a problem and MHCLG have been informed of this and are being kept updated on the spend position of the 1-4-1 receipts on a quarterly basis. Officers will continue to closely monitor the delivery of the Programme.

Capital Resources

- 1.21 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

- 1.22 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.
- 1.23 The Council approved the 2020/21 Treasury Management Strategy at its meeting in February 2020. **Appendix 5** identifies the Treasury Management activity undertaken during the second quarter of 2020/21 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 although interest rates being received on investments is generally lower than estimated.
- 1.24 We have been able to fix a number of investments for longer than 3 months to take advantage of slightly higher rates because we don't have an immediate need to use the cash. Careful monitoring of our cash balances is being undertaken on a daily basis to ensure this can be maintained for as long as possible. A full assessment of this will be done as part of the revised budgets process.

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 2020/21 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 Budget Scrutiny Committee 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 £0.413m against the profiled budget) and the key issues highlighted within this report.

6.2 That Budget Scrutiny Committee notes the position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the second quarter (Appendices 3, 4 and 5).

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:</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</p>	No
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	No
<p>Has the relevant Portfolio Holder been informed?</p>	Yes
<p>District Wards Affected</p>	All
<p>Links to Corporate Plan priorities or Policy Framework</p>	Providing Excellent customer focussed services. Continually improving our organisation

8 Document Information

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	HRA Summary
4	Capital Programme
5	Treasury Management Update
<p>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)</p>	
Report Author	Contact Number
Head of Finance and Resources	2458