

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

24 November 2016

<u>Medium Term Financial Plan – Revised Budgets 2016/17</u>
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Report of the Executive Director Operations

This report is public

Purpose of the Report

- The purpose of this report is to present to Members of the Audit and Corporate Governance Scrutiny Committee a summary of the revised budget which will be presented to Cabinet at its meeting 23 November 2016.

1 Report Details

- 1.1 To update Members of the Audit and Corporate Governance Scrutiny Committee concerning the current position in respect of revised budgets.
- 1.2 The report which will be taken to the Council's Cabinet on 23 November 2016 is accordingly now brought to the Audit and Corporate Governance Scrutiny Committee for its consideration.

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit and Corporate Governance Scrutiny Committee are kept informed of the latest position concerning budgets.

3 Consultation and Equality Impact

- 3.1 These are detailed in the attached report as **Appendix 1**.

4 Alternative Options and Reasons for Rejection

- 4.1 These are detailed in the attached report.

5 Implications

5.1 Finance and Risk Implications

These are detailed in the attached report.

5.2 **Legal Implications including Data Protection**

These are detailed in the attached report.

5.3 **Human Resources Implications**

These are detailed in the attached report.

6 **Recommendations**

- 6.1 That the Audit and Corporate Governance Scrutiny Committee note the report concerning the Council's Medium Terms Financial Plan - Revised Budgets 2016/17 and make any comments that they believe to be appropriate concerning these matters which was reported to Cabinet 23 November 2016.

7 **Decision Information**

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	N/A
Links to Corporate Plan priorities or Policy Framework	All

8 **Document Information**

Appendix No	Title
1	Cabinet Report 23 November 2016 Medium Term Financial Plan - Revised Budgets 2016/17
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report.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
Bryan Mason Executive Director Operations	01246 217154

North East Derbyshire District Council**Cabinet****23 November 2016****Medium Term Financial Plan - Revised Budgets 2016/17****Report of Councillor P R Kerry, Portfolio Holder with Responsibility for Economy,
Finance and Regeneration**

This report is public

Purpose of the Report

- To seek Cabinet approval for the revised budget for 2016/17 for the General Fund, Housing Revenue Account and Capital Programme which will assist in improving the Councils financial position in both 2016/17 and future financial years.

1 Report Details**General Fund Revenue Account**

- 1.1 The revised budget process is now complete and the proposed revised budget for 2016/17 for the General Fund is linked at paragraph 8 as **Appendix 1**. The appendix shows the Original Budget for 2016/17 which was agreed in February 2016, the Current Budget, which reflects budget transfers and approved changes during the financial year, and the proposed Revised Budget for 2016/17. The revised budget shows that the Net Cost of Services has increased to £12.302m which is £1.5m above the Original Budget figures. This increase reflects approvals during the year to fund additional expenditure from either 'earmarked reserves' or specific grant. The original savings target of £0.395m is now forecast to be delivered together with further savings of £0.392m.
- 1.2 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. **Appendix 2**, linked at paragraph 8, details the net cost of each cost centre by Directorate.
- 1.3 As outlined above the revised budget incorporates expenditure items that will be funded from revenue reserves that have been previously earmarked and approved for these specific items as well as transfers to reserves in year. These items are listed in the table below:

Transfers to and from Earmarked Reserves	Budget £000
Transfers to reserves	568
Transfer Grants to reserves	176
Transfer to Invest to Save Reserve	392
Other transfers to reserves	0
Transfers from reserves	(1,919)
Use of previous years grant	(152)
Planning Capacity/Project	(83)
Eckington & Dronfield Refurbishments	(1,277)
Local Plans Playing Fields Strategy	(10)
Service related projects	(23)
Use of Invest to Save Reserve	(374)

- 1.4 Once the items in the above table are taken account of it can be seen that the underlying spend position for 2016/17 is significantly less than indicated on Appendix 1.
- 1.5 The budget lines below the Net Cost of Services line of Appendix 1 have also been revised which gives an overall estimated surplus to the General Fund of £0.392m. Given that the Council commenced the year with savings target of £0.395m this represents an improved position of £0.787m. The key factors underlying this improvement are as follows:

	£000's
Council Tax Increase	102
Debt Repayment	65
Vacancy Management	63
Increase in Planning Income	250
Increased Level of NNDR Income	68
Leisure Income	56
Utilities	64
Miscellaneous Expenditure Reductions	119
Total Increase in Income / Reduction in Expenditure	787

Where the factors above will continue to apply in future years then the forecasts within the Medium Term Financial Plan will be amended accordingly. In the case of increased Planning and NNDR income the Council will, however, continue to take prudent estimates at the outset of the year as both income streams are subject to fluctuation driven by events in the wider economy. One key factor underpinning the reduction in cost centre budgets has been falling utility bills for energy costs. Given the recent fall in the value of the pound it is anticipated that the Council will see both utility bills and other costs rising over the coming months.

- 1.6 The estimated £0.392m surplus in the year will clearly be dependent on the actual financial performance out-turning in line with the revised budgets. There may be further costs identified from restructuring processes and other variances as the year progresses.

It is advised that the surplus generated in the financial year is transferred into the Invest to Save Reserve. This will maintain the Invest to Save Reserve at a level where it can finance the Council's transformation plans, service developments and any restructuring costs.

Housing Revenue Account (HRA)

- 1.7 The Housing Revenue Account revised budget for 2016/17 is linked at paragraph 8 and set out in **Appendix 3** to this report.

Income

- 1.8 Rental income is shown as £0.192m higher than the current budget which is mainly due to the level of void properties being lower than anticipated.
- 1.9 Charges for Services income is lower than the current budget by £0.060m.
- 1.10 The Council has seen a reduction in Contributions towards Expenditure of a further £0.030m as a result of new contractual service payments agreed with Derbyshire County Council for Supporting People. This has been an ongoing reduction since 2015 and will also be reflected in future budgets.

Expenditure

- 1.11 Rykneld Homes Limited, who undertakes the management of the Council's housing stock, is funded through the HRA by the payment of a Management Fee which in 2016/17 is £9.902m. There are no changes proposed to the fee in 2016/17.
- 1.12 The remainder of the HRA expenditure is managed by the Council (retained expenditure). The revised budget shows a reduction of £0.205m of which £0.075m is a reduction in the provision for bad debts.
- 1.13 Provision has been made within existing budgets to meet any additional costs required to implement the pay to stay proposals within the Housing and Planning Act 2016. The Government are still planning that this legislation will be effective from 1 April 2017 but as yet no firm guidance has been issued to local housing authorities. The Council and Rykneld Homes have established a joint working group to address the impact on our tenants and a full report on this matter will be presented to Members for consideration at a later date.
- 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 £0.486m, which is £0.412m higher than the current budget for 2016/17. This surplus will be utilised to fund improved services to Council tenants in future financial years. The reasons underlying the forecast improvement in the financial surplus may be summarised as follows:

	£000's
Increase in rental and other income arising principally from a reduced level of voids.	106
Reductions in Expenditure	130
Reduced contribution to Provision for Doubtful Debts	75
Improvement in net interest received	101
Total Increase in Income / Reduction in Expenditure	412

Capital Programme

- 1.15 The Council's capital programme is linked at paragraph 8 and set out as **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 The reductions in the vehicle replacement programme and ICT programme from the current budgets reflect the expected profiling of purchases in the current year rather than a change to the overall programme. The main changes reflected in the programme relate to the schemes detailed below:
- £0.529m increase for HRA capital works, external wall insulation and a central heating project, which is grant funded.
 - £0.040m increase for refurbishment works at Mill Lane funded from capital receipts.
 - £0.042 increase for contaminated land works. This is funded from external grant.
 - £1.752m increase for Dronfield and Eckington Leisure Centre refurbishments. This is funded from the Invest to Save reserve and usable capital receipts.
 - £0.207m increase for Disabled Facilities Grant due to an increase in the level of funding awarded this year.
- 1.17 Appendix 4 also shows changes to the asset refurbishment budgets in the current financial year. The general asset refurbishment allocation has been reduced to £0.029m with £0.121m being allocated to specific asset refurbishment projects as detailed in Appendix 4. The £0.029m is still to be allocated but it is considered prudent to have an amount available for any unforeseen works that are required.
- 1.18 The changes that are shown in the Revised Capital Programme Budgets means that the financing is adjusted accordingly to meet the anticipated spend. There are no issues to report with regard to the financing of the 2016/17 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 for the General Fund and HRA which will ensure that identified budget savings are realised, that all budget managers are working to the revised budgets and to allow the planned changes in the HRA budgets 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 Growth and 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.
- 2.2 To update the 2016/17 capital programme to reflect schemes approved during the year, approve the detailed allocation from the Asset Refurbishment budget and to note the re-profiling of certain schemes within the programme.

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 reserves at the year end which are available to protect services at a time of declining central government support. How these additional resources are utilised is a decision for Members which will be taken as part of the 2017/18 budget process.

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 means that any adverse variances arising from particular issues or pressures will not now be able to be absorbed from favourable variances in other budgets and as such may result in an overspend against the revised budget.

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 2016/17 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 Cabinet approves the Revised General Fund operational budget for 2016/17 as set out in Appendix 1 and detailed in Appendix 2.

6.2 That Cabinet approves the Revised HRA operational budgets for 2016/17 as set out in Appendix 3.

6.3 That Cabinet approves the Revised Capital Programme for 2016/17 as set out within Appendix 4.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is an executive decision which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	Yes
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	Providing our customers with excellent service. Transforming our organisation.

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
Dawn Clarke Assistant Director – Finance, Revenues & Benefits	01246 217658