

**North East Derbyshire District Council**

**Cabinet**

**5 December 2019**

**Medium Term Financial Plan – Budget Monitoring Quarter 2**

**Report of Councillor Paul Parkin, Portfolio Holder for Finance**

This report is public

**Purpose of the Report**

- To update Cabinet on the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account and the Capital Programme.

**1 Report Details**

- 1.1 The following sections of this report will consider the position as at 30 September 2019 in respect of the General Fund, Housing Revenue Account (HRA) and Capital Programme.

**General Fund**

- 1.2 The position in respect of the General Fund as at 30 September 2019 is summarised in **Appendix 1** attached to this report. The appendix shows the Original Budget that was set in February 2019, together with the Current Budget compared to the 30 September position. The main variances against the current budget are shown in Table 1 below with variances at service level shown in **Appendix 2**.

Table 1

	£000
Vacancy management	(277)
Less those removed from current budget – Q1	277
Vehicle related costs	(52)
Higher than profiled spend on supplies and services	155
Additional income from rents/services	(231)
<b>Net cost of services</b>	<b>(128)</b>
Investment property income	(59)
<b>Variance (underspend) at 30 September 2019</b>	<b>(187)</b>

- 1.3 Savings from vacancies identified as part of the revised budget process have been removed from the budget at quarter 2. Income is higher than forecast at quarter 2, this mainly relates to leisure and planning fees and this will be adjusted as part of the revised budget process. There are a number of minor variances across supplies and services, these are also being scrutinised as part of the revised budget process.

### **Financial Reserves**

#### **1.4 Transfers from Earmarked Reserves**

The use of earmarked reserves in 2019/20 to date is £0.351m comprising:

- £0.265m from revenue grants
- £0.085m from earmarked reserves

#### **1.5 Transfers to Earmarked Reserves**

There have been transfers to earmarked reserves during 2019/20 totalling £0.237m. This comprises:

- £0.211m in revenue grants received.
- £0.026m into earmarked reserves.

- 1.6 The Invest to Save Reserve currently has a balance £4.204m. Commitments already made against this reserve for 2019/20 and future years amount to £1.321m leaving £2.883m currently uncommitted.

- 1.7 There are ongoing commitments against the earmarked reserves which will continue in 2019/20 and future years. Should any of the reserves prove unnecessary in the light of subsequent events then they will be moved back into unallocated General Fund resources.

### **General Fund Medium Term Financial Plan**

- 1.8 The Medium Term Financial Plan (MTFP) of February 2019 identifies budget shortfalls throughout the life of the plan. Table 2 below shows the adjusted position after quarter one.

- 1.9 A line by line budget review is currently being undertaken to inform the revised budget and MTFP. Ongoing expenditure budget savings or additional income levels are being removed to ease the current budget shortfalls in the current MTFP.

Table 2

	<b>2019/20 Budget £000</b>	<b>2020/21 Budget £000</b>	<b>2021/22 Budget £000</b>	<b>2022/23 Budget £000</b>
Budget Shortfall - MTFP Feb 2019	871	1,769	2,399	2,783
Efficiencies identified to date (removed from budget)	(378)	(522)	(101)	(101)
<b>Current Budget Shortfall</b>	<b>493</b>	<b>1,247</b>	<b>2,298</b>	<b>2,682</b>
Efficiencies Identified <u>not yet realised</u>	(323)	(323)	(323)	(323)
Target Budget Shortfall	170	924	1,975	2,359

- 1.10 As identified in Table 2 above, £0.378m has so far been identified towards the original 2019/20 savings target of £0.871m. This has mainly been identified from vacancies on the establishment and these have been removed from the current budget. The savings are not reflected in future years as they only become ongoing at the point a post is disestablished.
- 1.11 The risk that the Council's financial position is forecast to worsen considerably when the next national financial settlement commences remains. However, the planned spending review for 2020/21 will not take place until at least 2021/22 moving the impact on a year. The main benefit is the continuation of New Homes Bonus for a further year which generates an estimated £0.421m in additional grant for 2020/21.
- 1.12 The timing of the impending General Election means that the 2020/21 settlement is expected to now be delayed until after a new government is formed meaning the data will be received much later than originally planned. Should it not be available for the budget setting process, the MTFP will be set based on what we can prudently expect the outcomes to be.

### **Housing Revenue Account (HRA)**

- 1.13 The position in respect of the Housing Revenue Account (HRA) as at 30 September 2019 is summarised in **Appendix 3** attached to this report
- 1.14 The HRA quarter 2 position shows a number of relatively minor income variances, which overall is £0.007m higher than budget. The overall expenditure position is £0.084m below the current budget. This is the result of client side vacancy savings and premises insurance payments still to be made.

## **Capital Investment Programme**

- 1.15 Details of the capital expenditure incurred up to 30 September 2019 on a scheme by scheme basis is provided in **Appendix 4**.

### **1.16 HRA Schemes**

The housing investment programme is £0.897m under forecast at the end of quarter 2. This is down to work profiling within the programme. Spend is expected to remain in line with the annual forecast over the remainder of the year.

### **1.17 General Fund**

The General Fund element of the Capital Programme is relatively limited and at the end of quarter 2 there are no variances to report.

## **Capital Resources**

- 1.18 The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the second quarter. As in previous years, officers will continue to work to generate capital receipts in order to assist in securing the funding for the capital programme in future financial years.

## **Treasury Management**

- 1.19 The treasury management function covers the borrowing and investment of Council funds. 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.
- 1.20 The Council approved the 2019/20 Treasury Management Strategy at its meeting in February 2019 and work is currently being undertaken to review the Council's investment options within this strategy. **Appendix 5** identifies the Treasury Management activity undertaken during the first quarter of 2019/20.

## **2 Conclusions and Reasons for Recommendations**

- 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 consultation and equality impact implications from this report.

## **4 Alternative Options and Reasons for Rejection**

- 4.1 This report is concerned with monitoring the position against the Council's previously approved budget. Accordingly the report does not set out any options where a decision is required by Members.

## **5     Implications**

### **5.1   Finance and Risk Implications**

- 5.1.1 Financial issues and implications are covered in the relevant sections throughout this report.
- 5.1.2 The Council has a risk management strategy and associated framework in place and the Strategic Risk Register is regularly reviewed through the Council's performance management framework. Strategic risks along with the mitigation in place to ensure such risks are manageable are reported to the Audit and Corporate Governance Scrutiny Committee at each meeting. The risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register and is therefore closely monitored through these practices and reporting processes.

### **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 from this report.

## **6     Recommendations**

- 6.1 That Cabinet notes the monitoring position of the General Fund at the end of the second quarter as detailed in Appendices 1 and 2.
- 6.2 That Cabinet notes the monitoring position of the Housing Revenue Account (HRA), the Capital Programme and Treasury Management activity at the end of the second quarter as detailed in Appendices 3-5.

## 7 Decision Information

<b>Is the decision a Key Decision?</b>  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   <input type="checkbox"/></i>  <i>Capital - £150,000   <input type="checkbox"/></i> <i>NEDDC:   Revenue - £100,000 <input type="checkbox"/></i>  <i>Capital - £250,000   <input type="checkbox"/></i> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<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	Housing Revenue Account
4	Capital Programme
5	Treasury Management Activity
<b>Background Papers</b>	
<b>Report Author</b>	<b>Contact Number</b>
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