

North East Derbyshire District Council

Cabinet

5 December 2019

Medium Term Financial Plan - Revised Budgets 2019/20

Report of Councillor Paul Parkin, Portfolio Holder for Finance

This report is public

Purpose of the Report

- To seek Cabinet approval of the 2019/20 revised budget for the General Fund, Housing Revenue Account and Capital Programme which will assist in improving the Councils 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.
- 1.2 The revised budget has reduced by £2.316m across the People and Place Directorates. A further reduction of £0.134m from interest earned and additional income from investment properties brings the total reduction to £2.450m.
- 1.3 The reduction detailed at 1.2 above includes additional grant income of £1.095 which has been moved to reserves and additional expenditure of £0.616m which has been released from reserves. Furthermore, £1.015m in repaid VAT has been moved to the Invest to Save Reserve pending the completion of the Medium Term Financial Plan refresh which will be presented to Cabinet in February 2020. This results in a net reduction to the budget of £0.956m as demonstrated in Table 1 below.

Table 1

	2019/20 Current Budget £000	2019/20 Revised Budget £000
Budget Shortfall MTFP Feb 2019	770	770
Efficiencies identified <u>after</u> Movements to/from Reserves	(378)	(956)
Current Budget Shortfall (Surplus)	493	(186)
Efficiencies identified <u>not yet realised</u>	(323)	(213)
General Fund (surplus)/Budget Shortfall	170	(399)

- 1.4 The original savings target of £0.770m has been met in full as part of this revised budget and an additional £0.186m has also been identified. This follows a line by line budget review which has scrutinised ongoing expenditure savings or additional income levels and removed them from the budget. Through the budget challenge process budget managers and portfolio holders have been consulted and are in agreement with the changes proposed.
- 1.5 **Appendix 2** details the net cost of each cost centre by Directorate. Variances of note within the revised budget are detailed in Table 2 below:

Table 2

	£000's
Vacancy Management	(190)
Utilities	64
Materials Recycling	36
Vehicle repairs and fuel	(27)
Printing and Postages	(33)
Subscriptions and publications	(12)
Additional income earned from interest	(117)
Income from leisure facilities	(318)
Income from commercial rents	(78)
Vehicle MOT testing and repairs	(36)
Income from waste disposal charges	(83)
Increase in Planning Income	(124)
Deminimus budget increases(decreases)	(38)
Total Increase in (Income)/ Reduction in Expenditure	(956)

- 1.6 The final position 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 from restructuring processes and other variances as the year progresses. All surpluses generated in the financial year are transferred into the Invest to Save Reserve so as to be available for financing the Council's transformation plans, service developments and any restructuring costs.

Housing Revenue Account (HRA)

- 1.7 The Housing Revenue Account revised budget for 2018/19 is set out in **Appendix 3** to this report.

Income

- 1.8 Overall, there are no major income variances to report with dwelling rent income £0.046m (0.14%) lower than the current budget. Non dwelling rents are currently slightly higher and income from charges for services is also very slightly higher than the current budget.

Expenditure

- 1.9 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 for 2019/20 is £9.902m. The 2020/21 fee will be reported to Cabinet as part of the Medium Term Financial Plan once agreed.
- 1.10 The remainder of the HRA expenditure is managed by the Council. The revised budget shows an increase against the current budget of £0.155m. This is the result of an increase in depreciation which is offset by a reduction in the contribution to the major repairs reserve so the net impact is nil. There are a number of small savings across the repair and maintenance budgets. Interest costs to the HRA are also £0.133m higher than the current budget.
- 1.11 Taking account of the proposed budget changes detailed above, the HRA is anticipated to deliver a surplus in the current financial year of £0.642m, which is £0.119m lower than the current budget. This surplus will be retained in the development reserve to fund improved services to Council tenants in future financial years.

Capital Programme

- 1.12 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.
- 1.13 The HRA capital programme is £1.464m higher than the original budget as result of underspends being carried forward from the previous year. The rollover of the budgets was approved by Cabinet in June with the financial outturn for 2018/19.

- 1.14 The General Fund capital programme is also higher than the original budget as result of underspends being carried forward from the previous year. Both programmes are forecast to be in line with the revised budget.
- 1.15 The changes that are shown in the revised capital programme mean that the financing is adjusted accordingly to meet the anticipated spend. The programme is fully financed including provision to repay debt becoming due during the year should this be required.

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 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 2020/21 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 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 Cabinet approves the revised General Fund budget for 2019/20 as set out in Appendix 1 and detailed in Appendix 2.
- 6.2 That Cabinet approves the revised HRA budget for 2019/20 as set out in Appendix 3.
- 6.3 That Cabinet approves the revised Capital Programme for 2019/20 as set out within Appendix 4.

7 Decision Information

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: 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	Yes
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	Yes
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

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
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