

North East Derbyshire District Council

Cabinet

21 November 2024

Medium Term Financial Plan – Revised Budget 2024/25

Report of the Deputy Leader of the Council with responsibility for Finance

Classification: This report is public

Report By: Jayne Dethick, Director of Finance and Resources (S151 Officer)

Contact Officer: Jayne Dethick

PURPOSE / SUMMARY

To present revisions to the 2024/25 budget that was approved by Council in January 2024 for Cabinet to consider.

RECOMMENDATIONS

1. That the following recommendations are made to Council:
 - 1a the budget in respect of the General Fund as set out in **Appendix 1** of this report be approved as the Current Budget for 2024/25.
 - 1b the budget in respect of the HRA as set out in **Appendix 3** of this report be approved as the Current Budget for 2024/25.
 - 1c the Capital Programme as set out in **Appendix 4** of this report be approved as the Current Budget for 2024/25.

Approved by Cllr P Kerry, Deputy Leader with responsibility for Finance

IMPLICATIONS

Finance and Risk: Yes No

Details:

The issue of financial risk is covered throughout the report. In addition, it should be noted that 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 the continued budget pressures

on the Council's financial position, particularly the impact of the uncertainty surrounding national funding, need careful consideration when the Medium Term Financial Plan is refreshed in the coming months.

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 2024/25 thus minimising the risk of any additional unplanned borrowing.

All financial implications are covered in the relevant sections throughout the report.

On Behalf of the Section 151 Officer

Legal (including Data Protection): **Yes** **No**

Details:

There are no legal issues arising directly from the report.

On Behalf of the Solicitor to the Council

Staffing: **Yes** **No**

Details:

There are no staffing issues arising directly from this report.

On behalf of the Head of Paid Service

DECISION INFORMATION

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:</p> <p>NEDDC: Revenue - £125,000 <input type="checkbox"/> Capital - £310,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	No
District Wards Significantly Affected	None
Equality Impact Assessment (EIA) details:	
<p>Stage 1 screening undertaken</p> <ul style="list-style-type: none"> Completed EIA stage 1 to be appended if not required to do a stage 2 	Yes, appended.
<p>Stage 2 full assessment undertaken</p> <ul style="list-style-type: none"> Completed EIA stage 2 needs to be appended to the report 	No, not applicable
<p>Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet <input type="checkbox"/> SMT <input checked="" type="checkbox"/> Relevant Service Manager <input checked="" type="checkbox"/> Members <input checked="" type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/></p>	Yes Details:

<p>Links to Council Plan priorities;</p> <ul style="list-style-type: none"> A great place that cares for the environment A great place to live well A great place to work A great place to access good public services
The budget underpins all Council Plan priorities.

REPORT DETAILS

1 Background

- 1.1 The Original Budget for 2024/25 was approved by Council in January 2024. However, as the financial year progresses planned changes can arise,

therefore the process for preparing revised budgets is completed as early as possible to allow planned changes to be delivered within the financial year.

- 1.2 The revised budget process is now complete and the proposed revisions for the General Fund, HRA and Capital Programme are shown in the appendices to the report and detailed below.

2 General Fund Revenue Account

- 2.1 The proposed revisions for the General Fund are attached at Appendix 1. The appendix shows the Original Budget for 2024/25 which was approved by Council in January 2024, the Current Budget, and the proposed Revised Budget for 2024/25. Appendix 2 details the net cost of each service by Directorate.
- 2.2 The Original Budget approved in January 2024 included a contribution from the Resilience Reserve of £0.101m after the approval of the Council Tax increase. The revised budget position, taking account of growth and efficiencies identified in Table 1 below increases the required contribution from the Resilience Reserve to £0.664m.
- 2.3 Variances from the current budget are detailed in Tables 1 and 2 below. These include variances in amounts transferred to and from grants and reserves. Some of the costs in the General Fund are funded by grants and reserves and some of the income in the General Fund needs to be moved to the grants and reserves to fund future expenditure commitments. Therefore, these movements are necessary to show the “true” position of the General Fund. This is particularly noticeable in the Growth and Assets Directorate this year, grants in excess of £1.5m have been received since April, largely being the receipt of UK Shared Prosperity Funds.
- 2.4 The main Net Cost of Services variances can be further analysed as:

Table 1

Net Cost of Services:

Variances	‘£000
Pay award	122
Clay Cross Active	539
Leisure Income (Dronfield, Eckington and Killamarsh)	(212)
Planning Fee Income (Pre-Application and Planning Performance Agreements)	(30)
Increased income from Highways SLA with Derbyshire County Council	(24)
Software Maintenance costs	(37)
Expenditure funded from grants and reserves	(793)
Grant income moved to reserves	1,029
Total	594

- 2.5 Reserves variances can be further analysed as:

Table 2

Variations	‘£000
Transfers to Reserves:	
Revenue grants	1,029
Other earmarked reserves	0
Total	1,029
Transfers from Reserves:	
Shortfall funded from Resilience reserve	(563)
Revenue grants	(680)
Invest to save	(99)
Other earmarked reserves	(14)
Total	(1,356)
Net Reserves Variance	(327)

- 2.6 The pay award for 2024/25 has resulted in an increase of £0.122m above what was originally budgeted for. This year the majority of employees received a flat value amount of £1,290 which results in varying percentage increases across the pay scale.
- 2.7 A further unexpected cost (£0.539m) was the impact of the main contractor working on Clay Cross Active went into administration in October resulting in a delay to the opening. It is pleasing to note that Dronfield, Eckington and Killamarsh Active are all performing better than originally forecast.
- 2.8 Other efficiencies identified through the budget process have largely mitigated the increase to the Revised Budget however, they are not entirely sufficient to cover the increases outline above. Therefore, the revised shortfall of £0.664m is budgeted to be met from the Resilience Reserve. Any further savings identified during the remainder of this financial year will be used to reduce this call on reserves.
- 2.9 Use of reserves is in line with the Local Government Finance Policy Update issued by the Government in February 2024, it is recognised that use of reserves is not a sustainable solution for the medium term; this is being considered as part of the budget setting process and medium-term financial plan refresh currently being undertaken. The final position will clearly be dependent on the actual financial performance out-turning in line with the revised budgets and there may be further budget changes required as the year progresses.
- 2.10 The Invest to Save Reserve had an opening balance of £2.554m at the 1 April 2024. Commitments already made against this reserve amount to £0.756m leaving £1.798m uncommitted.
- 2.11 The Resilience Reserve had an opening balance of £2.514m and after accounting for contributions made to the General Fund the estimated balance is £1.850m. This reserve will continue to be utilised to provide financial resilience to the General Fund in future years as required by Medium Term Financial Plan.

General Fund Balances

- 2.12 The level of General Fund Balances has been maintained at £2m in this budget. The General Fund balances are considered to be at an acceptable level rather than generous. The General Fund balance needs to be considered against the background of ongoing reductions in the level of Government funding together with the range of risks facing the Council. With only a limited level of General Fund reserves it is crucial that the Council continues to maintain robust budgetary control while securing its ongoing savings targets in order to safeguard both its reserves and its financial sustainability.
- 2.13 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. Given the current level of general balances and the earmarked Resilience Reserve, the Council has sufficient balances to provide a period in which to review and recover financial challenges. In a situation in which the Council were operating at a lower level of balances and an overspend or an under achievement of income occurred which took balances to below minimum levels then immediate 'crisis' remedial action would need to be considered. Such a response is not conducive to sound financial management but more importantly would have a significant detrimental impact upon the Council's ability to deliver the planned and agreed level of services to local residents. However, Cabinet will recognise that given a level of General Fund Balances of £2m, against the savings requirement in the Medium Term Financial Plan, the need to continue to tackle the underlying forecast budget deficit remains.

Housing Revenue Account (HRA)

The Housing Revenue Account revised budget for 2024/25 is set out in **Appendix 3** to this report.

Income

- 2.14 Overall, there are no major income variances to report with revised income budgets being marginally higher (£0.051m) than the original budget.

Expenditure

- 2.15 Rykneld Homes Limited (RHL), who undertake the management of the Council's housing stock, receive a management fee for provision of these services. The management fee agreed in the original budget was £12.201m, which has been increased in the revised budget by £0.278m for investment in a new housing and finance system.
- 2.16 The remainder of the HRA expenditure is managed by the Council. The main variance of note is the increase in depreciation of £0.233m. Further cost increases include £0.072m increase in temporary accommodation costs and £0.054m for subscriptions to the Housing Ombudsman and the new Social Housing Regulator which have been introduced this year as part of the new

regulatory regime. Interest costs are £0.105m lower than the current budget, and interest receivable is £0.101m higher than forecast.

- 2.17 Taking account of the proposed budget changes detailed above, the contribution to the development reserve has reduced by £0.234m to £0.449m. A contribution of £0.05m has been made to the insurance reserve and £7.3m has been contributed to the major repairs reserve towards the funding the HRA capital programme. A contribution from the water liability reserve of £0.075m is being made due to the reducing risk of claims being made against the Council.
- 2.18 The HRA balance is being maintained at £3m in line with the level of financial risk facing the HRA. Maintenance of this balance is necessary as it will help ensure the financial and operational stability of the HRA which is essential if we are to maintain the level of services and quality of housing provided to our tenants. Given the challenges that regulation will present and the Council's ambition to increase social housing across the district, the Council and Rykneld Homes will need to continue to work closely together in order to ensure the sustainability of the HRA over the life of the 30 year Business Plan.

Capital Investment Programme

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.

2.19 HRA Schemes

The HRA Capital Programme for 2024/25 was increased post outturn to take account of the budgets rolled over from 2023/24. A further increase has been included in the revised budget to meet the cost of the additional pressures being encountered to meet the rigorous requirements of regulation. Additional budget has also been included to expediate the collection of physical stock data for all council owned homes which is a regulatory requirement in the Building Safety Consumer Standard.

2.20 General Fund

The General Fund Capital Programme has also been increased to take account of budget rollovers from 2024/25. The main variances in the General Fund relate to an increase for essential drainage works at Eckington Depot and some additional ICT requirements. There is also an increase in Disabled Facilities works this is cost neutral as fully funded by grant. Some of the replacement vehicles in the current programme are now due to be delivered in 2025/26 so the programme has been adjusted accordingly.

Capital Financing

- 2.21 **Appendix 4** also details how each scheme is financed. In summary:

HRA Capital Financing

- 2.22 The HRA Capital Programme is financed from a combination of capital receipts, revenue contributions, prudential borrowing, use of reserves and grants. The Prudential Borrowing financing arrangements were agreed by Council as part of the Treasury Management Strategy at its meeting in January 2024.

General Fund Capital Financing

- 2.23 The General Fund Capital Programme is financed from a combination of capital receipts, revenue contributions, prudential borrowing and grants. The Prudential Borrowing financing arrangements were agreed by Council as part of the Treasury Management Strategy at its meeting in January 2024.

3 Reasons for Recommendation

- 3.1 The purpose of this report is to prepare revised budgets as early as possible within the financial year to provide sufficient time to allow any planned changes to be delivered. The Council has faced some specific financial challenges this year putting pressure on the ability to set a balanced General Fund budget but, use of reserves ring fenced for providing resilience when needed has mitigated this.

4 Alternative Options and Reasons for Rejection

- 4.1 There are no alternative options being considered at this time. How resources are utilised is ultimately a decision for Members which will form part of the 2025/26 Medium Term Financial Planning process.

DOCUMENT INFORMATION

Appendix No	Title
1	General Fund Revised Budget – Summary 2024/25
2	General Fund Revised Budget – Detail 2024/25
3	HRA Revised Budget 2024/25
4	Capital Programme Revised Budget 2024/25
5	Equality Impact Assessment (Stage 1)
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 you must provide copies of the background papers)	
None	