

North East Derbyshire District Council**Cabinet****5 September 2019****Medium Term Financial Plan – Budget Monitoring Quarter 1****Report of Councillor P 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 first 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 June 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 June 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 June 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	(66)
Less those removed from current budget – Q1	40
Vehicle related costs	(18)
Efficiencies from supplies and services	(99)
Additional income from rents/services	(51)
Net cost of services	(194)
Investment property income	(38)
Income from interest	(2)
Variance (underspend) at 30 June 2019	(234)

- 1.3 Savings from vacancies have been taken where there is no immediate need by the service to utilise. Income is higher than forecast at quarter 1, to include leisure and planning fees. Leisure income trends will be analysed as part of quarter 2

monitoring and the annual budget review. In line with statute 20% of planning fees have to be ring fenced to utilise on planning activity so £0.026m has been moved to earmarked reserves. There are a number of minor variances across supplies and services but nothing of note to report at this time.

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 will be performed during 2019/20. The intention is to identify ongoing expenditure budget savings or additional income levels from 2018/19 and prior years that are anticipated to be available in 2019/20 and future years to ease the current budget shortfalls in the current MTFP.

1.10 As identified in Table 2 below, £0.040m has so far been identified towards the original 2019/20 savings target of £0.770m. This has 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. Further savings against the current budget are expected during quarter 2 as efficiencies identified as part of the Transformation Programme and other initiatives start to be realised.

1.11 It should also be noted from Table 2 below that at the time of setting the MTFP in February 2019, the Council's financial position was forecast to worsen considerably

from April 2020 when the next national financial settlement is due to commence. This is because of a number of factors:

- New Homes Bonus. This has not been confirmed beyond 2019/20 and there is a real risk that the scheme will either be ended in 2020, or its value eroded over the next spending review period. This loss of funding creates a significant budget pressure in the medium term financial plan.
- A reset of the business rates baseline. A full reset, removing all growth accumulated to date is expected in 2020 which will have a negative impact on the income generated from business rates. In order to mitigate the impact this has on the General Fund, NNDR reserves are being utilised.
- The Fair Funding Review. The national review of local authority spending needs is also expected to have a negative impact on district councils. Full details have not yet been released so the impact on the Council is currently unknown.

1.12 It has now been confirmed that there will be a one year spending review covering 2020/21 with a multi-year review the following year. A formal announcement about the timing of the spending review is still awaited and the details will be contained within, however it is widely expected that a one year rollover of the current financial settlement will take place in 2020/21. This potentially moves the impact of the above factors into 2021/22 but until this is confirmed it is prudent to anticipate the known impact of the spending review in the MTFP.

Table 2

	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000
Budget Shortfall - MTFP Feb 2019	871	1,769	2,399	2,783
Efficiencies identified to date (removed from budget)	(141)	(101)	(101)	(101)
Current Budget Shortfall	730	1,668	2,298	2,682
Efficiencies Identified <u>not yet realised</u>	(323)	(323)	(323)	(323)
Target Budget Shortfall	407	1,345	1,975	2,359

Housing Revenue Account (HRA)

- 1.13 The position in respect of the Housing Revenue Account (HRA) as at 30 June 2019 is summarised in **Appendix 1** attached to this report
- 1.14 The HRA quarter 1 position shows a number of relatively minor variances. Income is £0.177m below budget, the result of higher than expected voids but this is likely to revert back to budget as the year progresses. The overall expenditure position is £0.033m below the current budget due to minor variances in repairs and maintenance and supervision and management.

Capital Investment Programme

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

1.16 HRA Schemes

The housing investment programme is £0.540m over forecast at the end of quarter 1 but no areas of concern have been identified. This is down to work profiling within the programme and spend is expected to remain in line with the annual forecast.

1.17 General Fund

The General Fund element of the Capital Programme is relatively limited and at the end of quarter 1 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 first quarter. As in previous years, officers will continue to work to generate capital receipts in order to assist in secure 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 first 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 first quarter as detailed in Appendices 3-5.

7 Decision Information

<p>Is the decision a Key Decision?</p> <p>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><i>BDC: Revenue - £75,000</i> <input type="checkbox"/></p> <p><i>Capital - £150,000</i> <input type="checkbox"/></p> <p><i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/></p> <p><i>Capital - £250,000</i> <input type="checkbox"/></p> <p><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
<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>	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
Background Papers	
Report Author	Contact Number
Jayne Dethick - Chief Accountant	01246 217078