

COUNCIL
21st November 2019

Report of the Head of Resources

REVENUE BUDGET MONITORING FOR QUARTER 2 2019/20, REVISED BUDGET 2019/20 AND UPDATE OF MEDIUM TERM FINANCIAL PLAN PROGRESS

PURPOSE OF REPORT

This report summarises the Council's forecast outturn position as at the end of September 2019, seeks approval for a revised 2019/20 revenue budget and provides an update on medium term financial plan progress.

RECOMMENDATION

1. That the identified variances and current overall forecast position for 2019/20 are noted.
2. That the revised budget of £8,869,000 for 2019/20 shown in table 1 is approved.
3. That the service underspend of £103,000 is transferred to the vehicles renewal reserve to contribute towards the purchase of new waste vehicles.
4. That the update on Medium Term Financial Plan (MTFP) progress is noted.

WARDS AFFECTED

All

STRATEGIC LINK

Effective budgetary control is important to ensure effective management of Council resources, ensuring that key services and priorities can be delivered.

1. REVENUE BUDGET 2019/20

- 1.1 On 7th March 2019 Council set a net revenue budget of £9,586,000 for 2019/20. The full year forecast to March 2020 based on quarter 2 (September 2019) indicates an £103,000 underspend as shown in the table below.
- 1.2 The major variances are described within the following paragraphs and summarised in the table below; there are other smaller variances that currently offset each other. The required changes to budget have been split between operational variances within each service and changes required due to a change in use of reserves. These arise from additional funding being received which is not utilised in the current year and also

changes to the profile of expenditure planned to be funded from reserves. The majority changes in the use of reserves are due to additional S106 contributions being receivable in 2019/20.

| Services | Original Budget £000's | Forecast After Qtr2 £000's | Variance £000'S | Use of Reserves £000's | Revised Budget £000's |
|--------------------------------------|-----------------------------------|---------------------------------------|----------------------------|-----------------------------------|----------------------------------|
| Resources and Corporate Budgets | 3,095 | 3,085 | (10) | 25 | 3,110 |
| Corporate Services | 1,932 | 1,908 | (24) | (68) | 1,840 |
| Housing Services | 512 | 516 | 4 | (557) | (41) |
| Regeneration and Policy | 479 | 422 | (57) | (5) | 417 |
| Community and Environmental Services | 2,227 | 2,251 | 24 | 0 | 2,251 |
| Regulatory Services | 982 | 925 | (57) | 0 | 925 |
| Chief Executives and Human Resources | 359 | 376 | 17 | (9) | 367 |
| Total | 9,586 | 9,483 | (103) | (614) | 8,869 |

1.3 Resources and Corporate Budgets

Resources

Additional investment income from treasury management £31,000 and saving in IT from deferral of expenditure £23,000 combined with smaller variances across the service result in a forecast underspend of £60,000 on the original estimate.

The additional use of reserves is required primarily to fund works on the Hathersage Pool. This amount was carried forward from a previous allocation as work had not commenced.

Corporate Budgets

Corporate Budgets include the Council-wide staff turnover target of £50,000 which has already been achieved. Salary budgets across the Council have been recalculated but a further turnover reduction of £25,000 has been included for the remaining 6 months of the year. Corporate budgets also include the centralised travel saving (budgeted at £25,000). These savings have not been fully realised in the current year due to one-off protection payments and an increase in claimed mileage.

As the actual savings materialise in departmental budgets the adjustment to Corporate Budgets is shown as an overspend to avoid double counting.

1.4 Corporate Services

Savings arising from the vacant Section 106/CIL officer post and turnover from the internal appointment to the Customer Innovation Team total £30,000. Savings are also forecast in procurement in relation to purchase of uniforms and photocopier rentals £20,000. Other net saving across the service are forecast £3,000.

Additional staff savings are materialising in legal services, from continued staff turnover, £64,000, however these are more than offset by additional use of agency staff and external legal fees to support the team £72,000. The other notable pressure within

Corporate Services relates to Land Charges income currently forecast to be under achieved by £21,000.

The Customer Innovation Team is funded from a specific reserve, established in the 2019/20 MTFP. Delays in recruiting to the budgeted posts result in a reduction of £68,000 in the required reserve funding for 2019/20.

1.5 **Housing Services**

There are no major variances within the Housing section compared to original budget. However it is anticipated that additional resources from Section 106 monies will be received during the year. The majority of this funding will initially be transferred to reserves and so the net housing budget is effectively reduced to recognise the increased income receivable.

1.6 **Regeneration and Policy**

Variances within Regeneration and Policy are being generated by vacancies across the service with one-off savings of £72,000 this year. The staffing structure is being reviewed to take into account the findings of the Corporate Peer Challenge and the new priorities emerging in the draft Corporate Plan. It is considered that budgets allocated for staffing will be fully utilised in future financial years.

This is partially offset by the final allocation of the Custom Build Grant being £15,000 lower than budgeted and £10,000 additional cost, mainly associated with the required referendum and examination costs of the Neighbourhood plan.

An adjustment of £5,000 is required to the use of reserves reflecting the changes in the revised profile.

1.7 **Community and Environmental Services**

Neighbourhoods

The Council has suffered a number of thefts and damage to car park machines during 2019/20. Additional unbudgeted costs have been incurred in both repairing, replacing and fitting additional security to machines £10,000. Although promptly repaired or replaced, the 'out of service' machines have also contributed to the pressure on car park income. Combined with poor weather, a down turn in visitors to the district and the closure of certain supermarkets, car park income is forecast to be £100,000 under achieved.

Environmental Services

Difficulties in filling vacancies across the section have resulted in an under spend of £65,000 (net of agency staff to provide cover and a new manager post). This situation exists across the Environmental Services section but has most impact in the clean and green and public conveniences cleaning teams. These vacancies have, however, now been filled.

The other significant variance relates to levels of public convenience income. When setting the budget the council did not have a complete year of data to fully assess the seasonal trends and changes in usage. In addition, similar to car park income, reductions in visitor numbers and criminal damage to the entry machines has affected income levels which are forecast to be £40,000 below budget.

Environmental services is a large area with many budgets and a number of smaller forecast variances with a net underspend of £12,000.

Events

Market income is forecast to be over achieved by £30,000, mainly due to high levels of occupancy at Bakewell. Savings of £10,000 are also forecast at Ashbourne market as the budget supporting the market transfer will not be required in 2019/20.

At the time of writing the Illuminations event had not been completed, however a number of weekends had been adversely effected by poor weather. The final impact on income is not yet known.

Community Development

One-off staff savings of £9,000 are forecast with Community Development.

1.8 Regulatory Services

There are currently significant underspends within the employee budgets across Regulatory Services totalling £104,000. Within the Estates section additional repairs, including latent defect work at the leisure centres, is forecast to overspend by £50,000 and the unbudgeted reduction in transitional relief will result in a NDR pressure of £27,000.

There continues to be pressure on the planning fees income budget which is currently forecast to be underachieved by £40,000. These fees are subject to volatility in market demand which the Council does not control. Additional dividend income is anticipated from the Derbyshire Building Control Partnership of £15,000 and £25,000 has been included as additional recharge to the capital programme for capitalised salaries.

In response to the recent local floods within the Derbyshire Dales the Council has committed to make a £10,000 contribution to the Derbyshire Hardship Fund.

1.9 Chief Executive's and Human Resources

Minor overspends are forecast in HR due increased medical examinations and new counselling service being delivered £17,000.

2. MEDIUM TERM FINANCIAL PLAN (MTFP)

- 2.1 The Council's MTFP continues to be developed alongside the current year monitoring.
- 2.2 The Council's budget is significantly affected by the policies and decisions made by central government. The government has previously announced to undertake the Fair Funding Review and a review of the Retained Business Rates system during 2019. Both of these reviews have the potential to significantly affect the amount of funding available to the Council in future years and the Council has anticipated the release of further detailed information. However the Government has now announced a 1 year delay to both reviews and released a technical consultation paper on the principles of the potential 2020/21 settlement.
- 2.3 Many of the principles contained within the consultation, which are applicable to the District Council, essentially replicate the current year position for a further year. If realised in the final settlement this will be a favourable outcome for Council as anticipated cuts to Rural Services Delivery Grant and New Homes Bonus are deferred.

In addition Negative Revenue Support Grant, which will potentially significantly affect the Council, is removed, again consistent with 2019/20. The technical consultation paper is a strong indication of funding for 2020/21 but not formal confirmation.

- 2.4 A major element of the 2020/21 MTFP will be the final impact of the waste contract negotiation. This is approaching the conclusion of a long process and currently a number of options are still open to the Council. Final costs will not be known until the contract has been awarded, currently planned for December 2019.
- 2.5 Due to the potential significant changes in the funding position and the waste contract cost a separate report on the Medium Term Financial Strategy (MTFS) has not been produced at this time. The draft MTFS, and an updated MTFP, will be brought to Council in January 2020 after the provisional local government finance settlement has been received and the waste contact costs are known.

3. RISK ASSESSMENT

3.1 Legal

The process by which budgets are monitored is a useful mitigation tool to ensure that the Council meets its statutory duty to manage a balanced budget.

3.2 Financial

The financial details are set out in the body of the report.

4. OTHER CONSIDERATIONS

In preparing this report, the relevance of the following factors has also been considered: prevention of crime and disorder, equalities, environmental, climate change, health, human rights, personnel and property.

5. CONTACT INFORMATION

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6. BACKGROUND PAPERS

None