

Council

25 November 2021

Report of Director of Resources

REVENUE BUDGET MONITORING QUARTER 2 2021/22 AND MEDIUM TERM FINANCIAL PLAN UPDATE

PURPOSE OF REPORT

To provide an update on the Council's revenue budget for 2021/22 and to seek approval for virements, the revised budget for 2021/22 and the updated medium term financial plan.

RECOMMENDATION

- 1) That the updated revised revenue budget for 2021/22, including the virements as identified in paragraphs 1.3 to 1.5 of the report, be approved;
- 2) That the updated Medium Term Financial Plan be approved.

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 2021/22

- 1.1 On 4th March 2021 Council set a net revenue budget of £11,015,556 for 2021/22. This was subsequently updated when the revised net revenue budget of £11,315,443 was approved by Council on the 8th July. After allowing for all transfers to and from earmarked reserves and all external funding, the bottom line of the budget was a surplus of £20,200.
- 1.2 Since the revised budget was formally approved, a small number of other budget amendments have since been approved by Council, and there have been some minor virements approved under delegated authority which have impacted directorate totals. These additional approved budget changes are summarised in Appendix 1, and have the overall effect of increasing the budget by £52,350 which results in a deficit of £32,150. If this deficit is evident at outturn it would be proposed to fund this from the General Reserve, if no other funding is available.
- 1.3 During the year residents have continued to enter into subscriptions for garden waste collections. This has resulted in £142,000 additional income in excess of the current budget. It is proposed to transfer this amount into the Waste Vehicles Reserve to

contribute towards the costs when additional or replacement waste vehicles are required. Furthermore, it is proposed to transfer any further surplus in year in garden waste income to reserves unless further unfunded emerging pressures in Waste Services arise.

- 1.4 The costs of Local elections in May for the County Council and the Police and Crime Commissioner, are part funded from central government grant of £30,000 with the remaining balance due from those organisations. These costs are expected to be settled in year, and at present the elections claims are ongoing. The small cost of the Wirksworth and Masson by-election is to be funded from the Elections Reserve and the Ashbourne, Brailsford and Kirk Ireton Neighbourhood Plan referendums from Revenue Grants Unapplied. Appropriate virements will be processed once the election claims are finalised.
- 1.5 The original budget allowed for expenditure of £5,000 to assist with the delivery of the Local Plan which was to be funded from the Local Plan Reserve (£50,000). The current situation is that this is unlikely to be required in full during 2021/22. The original budget also anticipated grant funding of £40,000 relating to the neighbourhood plans at Brailsford and Ashbourne which progressed and was recognised during 2020/21 within the outturn position. The Regeneration & Policy and Transfers to / (from) Reserves budgets have been updated to reflect the current position. If delivery of these schemes subsequently progress during 2021/22 then the funding will be drawn down from reserves as initially intended and this will not have any impact on the total surplus / (deficit) for the year.
- 1.6 The overall impact of all budget amendments to date results in a net revenue expenditure of £11,517,357 and an expected deficit of £32,150 for the year to be funded from the General Reserve. The updated rolling revised budget is included in appendix 2.
- 1.7 The full year forecast to March 2022 based on budget monitoring to quarter 2 (September 2021) and decisions of full Council to 14th October 2021 indicates an underspend of £391,327 attributable across services to vacancies against the establishment. These arise where services are carrying vacancies. The forecast assumes a 1.75% pay award, however it is uncertain what pay award for 2021/22 will be awarded.

| | Original Budget 2021/22 £ | Total in year | | Forecast Outturn | Forecast Variance |
|---------------------------------------|---------------------------------|---------------------------|---------------------------------|-------------------|-------------------|
| | | Budget Amendments £ | Proposed Revised Budget £ | | |
| Chief Executive | 371,397 | 10,310 | 381,707 | 393,292 | 11,585 |
| Community and Environmental Services* | 3,221,396 | 200,316 | 3,421,712 | 3,354,515 | (67,197) |
| Corporate Services | 1,972,854 | 19,542 | 1,992,396 | 1,914,912 | (77,484) |
| Housing | 586,350 | 0 | 586,350 | 540,877 | (45,473) |
| Regeneration and Policy | 610,792 | 37,640 | 648,432 | 624,271 | (24,161) |
| Regulatory Services* | 1,174,825 | 178,195 | 1,353,020 | 1,321,847 | (31,173) |
| Resources | 2,780,575 | 64,797 | 2,845,372 | 2,687,948 | (157,424) |
| Net cost of Services | 10,718,189 | 510,801 | 11,228,990 | 10,837,663 | (391,327) |

- 1.8 It is proposed that any further cost pressures which cannot be met from existing reserves be financed within the current total budget by virement against forecast underspend. Contributions from the General Reserve should only be required if the forecast outturn position is an overspend.

2 MEDIUM TERM FINANCIAL PLAN

- 2.1 The budget amendments highlighted in section 1 have been introduced into an in-year update of the Medium Term Financial Plan. Any one-off costs or income impacting the 2021/22 Revised Budget have been reversed in 2022/23 so that no recurring impact is embedded.
- 2.2 The updated Medium Term Financial Plan is summarised in the table below and shown in detail in Appendix 3.

| | Original Budget 2021/22 £000s | Revised Budget 2021/22 £000s | Forecast 2022/23 £000s | Forecast 2023/24 £000s | Forecast 2024/25 £000s | Forecast 2025/26 £000s |
|-------------------------------|--------------------------------------------------|-------------------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Net Spending Requirement | 6,596 | 6,629 | 10,019 | 10,251 | 10,435 | 10,440 |
| Funding | (6,596) | (6,596) | (9,699) | (9,715) | (9,967) | (10,215) |
| Savings to be achieved | 0 | 33 | 320 | 536 | 468 | 225 |

- 2.3 A number of revisions relating to financial years 2022/23 to 2025/26 that impact Council's financial position have been included. The most significant impact relates to the Council Housing Update Report which was presented to Community & Environment Committee on 22nd September 2021. This highlights the expectation of £200,000 p.a. income once the current programme of 52 homes is completed, with a proportion set aside each year in a Housing Major Repairs Reserve, to finance future works. This will be considered more fully as part of the 2022/23 budget.
- 2.4 At the Council meeting in March 2021 it was agreed "That service reductions to achieve the Corporate Savings Target be put on hold pending the outcome of the government review of Council funding".
- 2.5 The Chancellor's Spending Review 2021 was delivered on the 27th October, with initial analysis indicating a more favourable position for local government than in recent years. However, details of funding allocations will not be announced until the provisional settlement in December 2021, with the final settlement in late January 2022. There has been no announcement about local government funding reforms (Fair Funding Review or business rates changes) and we assume that they have been pushed back to at least 2023/24 if not later.
- 2.6 Local government will receive an additional £4.8bn in "core" grant funding over the next 3 years (roughly an additional £1.6bn in each year). The increase in grant funding is front-loaded, with almost all the increase in grant in 2022/23, and very little increase in the two later years. We await confirmation on the details of this for Derbyshire Dales District Council within the settlement, and clarity on the grants within Core Spending Power, such as (negative) Revenue Support Grant, Rural Services Delivery Grant, Lower Tier Services Grant and New Homes Bonus. Accordingly, at this stage no changes have been made in the MTFP to update funding.

3 RISK ASSESSMENT

3.1 Legal

The Council has a legal duty to set a balanced budget and has a general duty to act in the public interest in managing the custody of public funds. The accounts have been prepared by qualified personnel using accepted principles to ensure proper accountability. The legal risk is therefore low.

3.2 Financial

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

Significant risks within the revenue budget include:-

- Uncertainty about the level of Government funding (especially New Homes Bonus, Rural services Delivery Grant and Negative RSG) and the business rates retention scheme, especially from 2023/24 onwards for the latter. This financial risk is assessed as High.
- Uncertainties relating to business rates income, which can be very volatile, especially since the coronavirus pandemic. This risk is assessed as High.
- Uncertainties relating to collection of council tax income and growth in the tax-base, which has been impacted by the coronavirus pandemic. This risk is assessed as Medium to High.
- Income from sales, fees and charges not being achieved. The Council has no direct control over, for example, the level of car parking income, which is affected by factors such as the weather. Some income streams, notably stall market income, have been impacted during the coronavirus pandemic. Income from fees and charges is significant to the Council's financial position and, therefore, this financial risk is assessed as Medium to High.
- Uncertainty due to the value of income from disposal of recycling material (though this is mitigated somewhat by the establishment of a reserve). Given the volatility in the current markets for recyclable materials, this financial risk is assessed as High.
- Targeted savings not being achieved. The updated Medium Term Financial Plan indicates that, without an improved Local Government Finance Settlement, Corporate Savings of around £320,000 will be required in 2022/23, rising to around £500,000 a year in 2023/24 and 2024/25 (though reducing to £225,000 in 2025/26). While it is hoped that additional government funding will be received to help to close this gap, if there is no increase in funding it will be a significant challenge to identify savings of that magnitude on top of savings that have already been made. This financial risk is therefore currently considered to be High.

The financial risk in respect of the Council's long-term financial position is assessed as "High".

3.3 Corporate Risk

The key risks result from the need to make savings in the medium term. This risk is considered to be High; it has been reflected on the Council's Strategic Risk Register, together with some mitigating actions.

4 OTHER CONSIDERATIONS

- 4.1 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.
- 4.2 Recommendation 1 - No detailed climate change assessment required on the increase to the revenue budget. The amendments to the budget have already been approved by members (as per the minute numbers shown in Appendix One) and include two items related to positive Council action around climate change.
- 4.3 Recommendation 2 - No detailed climate change assessment required on reporting outcomes/outputs. The MTFP is an update on decisions already taken.

5 CONTACT INFORMATION

- 5.1 Karen Henriksen (Director of Resources) Karen.henriksen@derbyshiredales.gov.uk
- 5.2 Paul Frith (Financial Services Manager) Paul.frith@derbyshiredales.gov.uk

6 BACKGROUND PAPERS

- 6.1 None

7 ATTACHMENTS

Appendix 1: Approved Budget Changes since Revenue Monitoring Report (8th July 2021)

Appendix 2 – Updated Revised Budget 2021/22

Appendix 3 – Medium Term Financial Plan

Appendix 1 – Approved Budget Changes since Revenue Monitoring Report (8th July 2021)

| Sum of Amount | | | Type | Supplemental | |
|---------------------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------------------------------------|------------------|---------------|------------------|
| Directorate | Member Approval | Reason for Virement | Virements | Budget | Grand Total |
| Community and Environmental Services | | | | | |
| ☐ Environmental Services | ☐ 2 Council 27/7/2021 | Waste Services increased HGV Pay | 150,848 | | 150,848 |
| | 2 Council 27/7/2021 | Reduction in recycling credits | 55,000 | | 55,000 |
| | 2 Council 27/7/2021 | Free parking after 2pm (Sept 21) | 45,325 | | 45,325 |
| | ☐ 3 Council 14/10/2021 | Independent review into the waste contract | | 20,000 | 20,000 |
| | ☐ Delegated Authority 28/09/2021 | Settlement of 20/21 Covid Freedom Leisure | 8,691 | | 8,691 |
| Community and Environmental Services Total | | | 259,864 | 20,000 | 279,864 |
| Regeneration and Policy | | | | | |
| ☐ Regeneration and Policy | ☐ 1 Council 8/7/2021 a | Contribution towards vision Derbyshire | | 32,350 | 32,350 |
| Regeneration and Policy Total | | | | 32,350 | 32,350 |
| Regulatory Services | | | | | |
| ☐ Regulatory Services | ☐ 3 Council 14/10/2021 | Feasibility study into the technical and financial viability of ground mounted solar photovoltaic arrays on Council land | 30,000 | | 30,000 |
| | 3 Council 14/10/2021 | Activities in relation to supporting area wide emissions reductions | 11,700 | | 11,700 |
| Regulatory Services Total | | | 41,700 | | 41,700 |
| Transfer from Reserves | | | | | |
| ☐ Transfer from Reserves | ☐ 2 Council 27/7/2021 | Waste Services increased HGV Pay | (150,848) | | (150,848) |
| | 2 Council 27/7/2021 | Reduction in recycling credits | (55,000) | | (55,000) |
| | 2 Council 27/7/2021 | Free parking after 2pm (Sept 21) | (45,325) | | (45,325) |
| | ☐ 3 Council 14/10/2021 | Climate Change activity funded from General Reserve (Council 14/10/21 AI10) | (41,700) | | (41,700) |
| | ☐ Delegated Authority 28/09/2021 | Settlement of 20/21 Covid Freedom Leisure | (8,691) | | (8,691) |
| Transfer from Reserves Total | | | (301,564) | | (301,564) |
| Grand Total | | | 0 | 52,350 | 52,350 |

Appendix 2 – Updated Revised Budget 2021/22

| | Original Budget 2021/22 £ | Total in year Budget Amendments £ | Proposed Revised Budget £ | Forecast Outturn | Forecast Variance |
|---------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------|---------------------------------|--------------------|-------------------|
| Chief Executive | 371,397 | 10,310 | 381,707 | 393,292 | 11,585 |
| Community and Environmental Services* | 3,221,396 | 200,316 | 3,421,712 | 3,354,515 | (67,197) |
| Corporate Services | 1,972,854 | 19,542 | 1,992,396 | 1,914,912 | (77,484) |
| Housing | 586,350 | 0 | 586,350 | 540,877 | (45,473) |
| Regeneration and Policy | 610,792 | 37,640 | 648,432 | 624,271 | (24,161) |
| Regulatory Services* | 1,174,825 | 178,195 | 1,353,020 | 1,321,847 | (31,173) |
| Resources | 2,780,575 | 55,797 | 2,836,372 | 2,678,948 | (157,424) |
| Net cost of Services | 10,718,189 | 501,801 | 11,219,990 | 10,828,663 | (391,327) |
| Non Service Items: | | | | | |
| Interest on Balances | (37,000) | 0 | (37,000) | (37,000) | 0 |
| Borrowing Interest Paid | 225,150 | 0 | 225,150 | 225,150 | 0 |
| Statutory Debt Repayment | 100,849 | 0 | 100,849 | 100,849 | 0 |
| Loan Premium Due | 110,924 | 0 | 110,924 | 110,924 | 0 |
| Income from Investment Properties | (102,556) | 0 | (102,556) | (102,556) | 0 |
| Net Revenue Expenditure | 11,015,556 | 501,801 | 11,517,357 | 11,126,030 | (391,327) |
| Transfers to / (from) Reserves (as detailed in Appendix 6) | (4,419,167) | (469,651) | (4,888,818) | (4,888,818) | 0 |
| Funding Requirement | 6,596,389 | 32,150 | 6,628,539 | 6,237,212 | (391,327) |
| Funded by External Funding | | | | | |
| Retained Business Rates including S31 | | | | | |
| Grant Payments to and from Pool | (2,868,832) | 0 | (2,868,832) | (2,868,832) | 0 |
| Business Rate Collection Fund (Surplus)/ Deficit | 3,949,040 | 0 | 3,949,040 | 3,949,040 | 0 |
| CT Collection Fund (Surplus)/ Deficit | 80,418 | 0 | 80,418 | 80,418 | 0 |
| New Homes Bonus | (397,613) | 0 | (397,613) | (397,613) | 0 |
| Rural Services Delivery Grant | (420,990) | 0 | (420,990) | (420,990) | 0 |
| Lower Tier Services Grant | (71,358) | 0 | (71,358) | (71,358) | 0 |
| Other Government Grants | (294,083) | 0 | (294,083) | (294,083) | 0 |
| Total External Funding | (23,418) | 0 | (23,418) | (23,418) | 0 |
| Total Council Tax Requirement (inc Parishes) | (8,399,207) | 0 | (8,399,207) | (8,399,207) | 0 |
| Town and Parish Precepts (As detailed in Appendix 9) | 1,826,236 | 0 | 1,826,236 | 1,826,236 | 0 |
| District Council Tax Requirement | (6,572,971) | 0 | (6,572,971) | (6,572,971) | 0 |
| Total (Surplus)/Deficit | 0 | 32,150 | 32,150 | (359,177) | (391,327) |
| Projected Surplus/ (Deficit) Recommended Transferred to / (from) General Reserve | | (32,150) | (32,150) | 0 | 32,150 |
| Projected Surplus/ (Deficit) Transferred to / (from) Funding Uncertainties Reserve | | 0 | 0 | 359,177 | 359,177 |
| Total | 0 | 0 | 0 | 0 | 0 |

Appendix 3 – Medium Term Financial Plan

| | Note | Original Budget | Revised Budget | Forecast | Forecast | Forecast | Forecast |
|----------------------------------------------------------------------|------|-----------------|----------------|----------------|----------------|----------------|-----------------|
| | | 2021/22 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| | | £000s | £000s | £000s | £000s | £000s | £000s |
| Service Funding Requirement | | 10,718 | 10,718 | 11,126 | 9,572 | 9,856 | 9,895 |
| Adjustment for Service Costs Funded from Strategic Reserves | | | 571 | (1,358) | 55 | (142) | 0 |
| Inflation | | | | | | | |
| Pay Awards | | | | 163 | 166 | 170 | 174 |
| Contracts | | | | 49 | 51 | 52 | 54 |
| Fees and Charges | | | | (97) | (100) | (103) | (106) |
| General Inflation | | | | 0 | 0 | 0 | 0 |
| Waste Management Contract | | | | 225 | 106 | 110 | 113 |
| Gas | | | | 8 | 5 | 2 | 2 |
| Electricity | | | | 32 | 19 | 6 | 7 |
| Water | | | | 5 | 6 | 6 | 6 |
| Fuel | | | | 16 | 4 | 4 | 4 |
| Pressures / Savings - Recurring | | | | | | | |
| Increasing savings from leisure review | | | | (300) | (50) | 0 | 0 |
| Additional income garden waste collections (full fee of £50) | | | | (156) | 0 | 0 | 0 |
| Potential increase in pension contributions following revaluation | | | | 0 | 150 | 0 | 0 |
| Vision Derbyshire Partnership Working | | | | (20) | 0 | 0 | 0 |
| Ice Cream Concession Installation of Electric Points | | | | (8) | (14) | 0 | 0 |
| Ice Cream Concession Increased Income | | | | (70) | 0 | 0 | 0 |
| Bakewell Road Development (cinema) rental income | | | | (48) | (15) | (15) | (2) |
| Climate Change revenue income / savings from capital investments | | | | (23) | (65) | 0 | (198) |
| Increased Building Control Partnership Income | | | (5) | 0 | 0 | 0 | 0 |
| Decreased Building Control Partnership Fee | | | (15) | 0 | 0 | 0 | 0 |
| Council House Building Programme | | | 0 | (50) | (50) | (50) | (50) |
| PSPO Enforcement Costs | | | 0 | 2 | 0 | 0 | 0 |
| Employers NI increase | | | 0 | 76 | 0 | 0 | 0 |
| PSDS - Gas to Electricity Impact | | | 0 | 0 | 16 | 0 | 0 |
| Additional Garden Waste Income | | | (142) | 0 | 0 | 0 | 0 |
| Updated Base Service Funding Requirement for Next Year | | 10,718 | 11,127 | 9,572 | 9,856 | 9,895 | 9,898 |
| Pressures / Savings - One off | | | | | | | |
| Legal Costs for Virtual Council Meetings | | | 0 | | | | |
| Additional Vision Derbyshire Expenditure | | | 32 | | | | |
| Feasibility for Solar PV arrays (from General Reserve) | | | 30 | | | | |
| Activities in relation to supporting area wide emissions reductions | | | 12 | | | | |
| Independent review of Leisure Contract | | | 20 | | | | |
| Net Cost of Services | | 10,718 | 11,221 | 9,572 | 9,856 | 9,895 | 9,898 |
| Non Service Items: Debt Repayment etc. | | 297 | 297 | 300 | 302 | 304 | 307 |
| Net Revenue Expenditure | | 11,015 | 11,518 | 9,871 | 10,158 | 10,200 | 10,205 |
| Transfers to /(from) reserves relating to Collection Fund Accounting | 3 | (3,958) | (3,958) | 0 | 0 | 0 | 0 |
| Transfers to/(from) reserves for current year | | (874) | (1,445) | (87) | (142) | 0 | 0 |
| Contributions to reserves for future years costs | | | | | | | |
| Election reserve annual contribution | | 30 | 30 | 30 | 30 | 30 | 30 |
| Local plan reserve | | 50 | 50 | 50 | 50 | 50 | 50 |
| Revenue Grants Unapplied | | 183 | 143 | 0 | 0 | 0 | 0 |
| Vehicle renewal fund | | 150 | 150 | 150 | 150 | 150 | 150 |
| Major Repairs Reserve | | | | 5 | 5 | 5 | 5 |
| Waste Vehicle Reserve | | 0 | 142 | 0 | 0 | 0 | 0 |
| Total Net Spending Requirements | | 6,596 | 6,630 | 10,019 | 10,251 | 10,435 | 10,440 |
| Funded By: | | | | | | | |
| Revenue Support Grant | 1 | 0 | 0 | 390 | 400 | 410 | 420 |
| Business Rates Baseline Funding | 2 | (1,675) | (1,675) | (1,709) | (1,743) | (1,778) | (1,814) |
| Settlement Funding Assessment | | (1,675) | (1,675) | (1,319) | (1,343) | (1,368) | (1,394) |
| Other business rates income, net of payment to pool | 3 | (1,193) | (1,193) | (1,165) | (1,187) | (1,211) | (1,235) |
| NDR Collection Fund (surplus)/deficit | 3 | 3,949 | 3,949 | 0 | 0 | 0 | 0 |
| Council Tax Collection Fund (surplus) / deficit | | 80 | 80 | 9 | 9 | 0 | 0 |
| New Homes Bonus | 6 | (398) | (398) | (218) | 0 | 0 | 0 |
| Rural Services Delivery Grant | 4 | (421) | (421) | (200) | (200) | (200) | (200) |
| Lower Tier Services Grant | | (71) | (71) | (72) | (73) | (74) | (75) |
| Covid 19 Grants & Contributions | | (294) | (294) | 0 | 0 | 0 | 0 |
| Financing from Council Tax | 5 | (6,573) | (6,573) | (6,734) | (6,921) | (7,114) | (7,311) |
| Total Income | | (6,596) | (6,596) | (9,699) | (9,715) | (9,967) | (10,215) |
| Corporate Saving Target | | 0 | 34 | 320 | 536 | 468 | 225 |