

13th September 2013

The Arc
High Street
Clowne
Derbyshire
S43 4JY

Dear Sir or Madam

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held in Chamber Suite 1 on Tuesday 24th September 2013 at 1400 hours at The Arc, Clowne.

Register of Members' Interest - Members are reminded that a Member must within 28 days of becoming aware of any changes to their Disclosable Pecuniary Interests provide written notification to the Authority's Monitoring Officer.

You will find the contents of the agenda itemised on pages 2 and 3.

Yours faithfully,



Chief Executive Officer

To: Chairman & Members of the Audit Committee

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Chief Executive Officer: Wes Lumley, B.Sc. F.C.C.A.



The Government Standard

AUDIT COMMITTEE

AGENDA

Tuesday 24th September 2013 at 1400 hours in Chamber Suite 1, The Arc, Clowne

Item No.		Page No.(s)
PART 1 – OPEN ITEMS		
1.	To receive apologies for absence, if any.	
2.	To note any urgent items of business which the Chairman has consented to being considered under the provisions of Section 100(B) 4 (b) of the Local Government Act 1972.	
3.	Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of: a) any business on the agenda b) any urgent additional items to be considered c) any matters arising out of those items and if appropriate, withdraw from the meeting at the relevant time.	
4.	Minutes of a meeting held on 26 th June 2013.	4 to 10
5.	Reports of the External Auditor (KPMG) Report to those charged with governance (ISA 260) 2012/13.	To Follow
6.	Reports of the Director of Corporate Resources Bolsover District Council Statement of Accounts 2012/13.	11 to 66
7.	Reports of the Internal Audit Consortium; Internal Audit Improvement Plan.	67 to 87
8.	Reports of the Internal Audit Consortium; Internal Audit Charter.	88 to 97
9.	Reports of the Internal Audit Consortium; Internal Audit Consortium – Summary of Progress on the Internal Audit Plan 2013/14.	98 to 102
10.	Reports of the Internal Audit Consortium and the Director of Corporate Resources Update on Audit Work in respect of Gas Servicing and Contracts.	To Follow
11.	Reports of the Director of Corporate Resources Key Issues of Financial Governance.	To Follow

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| 12. | Reports of the Director of Corporate Resources
Medium Term Financial Plan. | 103 to 158 |
| 13. | Reports of the Director of Corporate Resources
Strategic Risk Register. | To Follow |

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in Chamber Suite 1, The Arc, Clowne, on Wednesday 26th June 2013 at 1400 hours.

PRESENT:-

Members: - Councillors J.A. Clifton, S.W. Fritchley, D. McGregor, K. Reid and A.F. Tomlinson.

Coopteers: - J. Yates.

Officers: - B. Mason (Director of Corporate Resources), G. Bagnall (Assistant Director Resources), K. Hopkinson (Director of Development) (to Minute Number 0137), M. Broughton (Commercial Property and Developments Manager) (to Minute Number 0137), S. Brunt (Streetscene Manager) (to part Minute Number 0136), P. Campbell (Head of Housing) (to part Minute Number 0136), J. Williams (Interim Head of Internal Audit Consortium) (to Minute Number 0141) and A. Bluff (Democratic Services Officer).

J. Yates in the Chair

0131. APOLOGIES

Apologies for absence were submitted on behalf of Councillor E. Watts, S. Tomlinson (Director of Neighbourhoods), S. Sunderland (Audit Team Lead, KPMG) and P. Hutchins (KPMG).

0132. URGENT ITEMS

There were no urgent items of business to consider.

0133. DECLARATIONS OF INTEREST

There were no declarations of interest made.

0134. MINUTES – 21st MAY 2013

Minute Number 23 – Audit Committee – Self Assessment

The Director of Corporate Resources advised the meeting that a further self assessment exercise with respect to Risk Management and Value for Money arrangements would now be presented to the Audit Committee meeting in September 2013.

Moved by Councillor K. Reid, seconded by Councillor D. McGregor
RESOLVED that the minutes of an Audit Committee meeting held on 21st May 2013 be approved as a correct record.

AUDIT COMMITTEE

0135. CHANGE TO ORDER OF BUSINESS ON AGENDA

The Chair consented to a change in order of business on the agenda to alleviate waiting time for the Streetscene Manager, the Director of Development, the Commercial Property and Developments Manager and the Head of Housing; agenda item 9, Update from Directors concerning Internal Audit Recommendations, would be discussed as the next item on the agenda. The Chair also advised the meeting of an error on the agenda in that agenda item 8, report on Internal Audit Annual Report 2012/13 was the covering report for agenda item 6, Internal Audit Consortium Annual Report.

Further, agenda item 12, Medium Term Financial Plan would be discussed before Agenda Item 11, Draft Statement of Accounts including Annual Governance Statement 2012/13.

0136. UPDATE FROM DIRECTORS CONCERNING INTERNAL AUDIT RECOMMENDATIONS

Driving at Work Policy

The Streetscene Manager advised the Committee that the Council's 'Driving at Work' Policy was currently being reviewed in conjunction with North East Derbyshire District Council with the intention of having a common Policy and process across both councils.

At the time of adopting the current Policy the need for regular driving licence checks only included drivers of Council owned vehicles. The revised Policy will include a procedure to check "grey fleet" drivers' licences also, (people who drive their own vehicle for work purposes).

The annual licence checks of Council owned vehicle drivers is time consuming and generally takes up to 6 weeks. As part of the revised Policy it is intended to undertake these checks twice each year. A full driving licence check will be carried out and completed during the month of August and this will enable information to be updated for the vehicle tracking system which should reduce some of the extra work involved in the 6 monthly checks.

The grey fleet poses different issues for drivers' licence checks in that there may be staff changes on a frequent basis. This will create another strand of administration requiring access to other systems which also currently hold information on individual employees and are subject to Data Protection. As part of the consideration of the revised Policy, the Assistant Director of Human Resources (HR) has confirmed that her department will absorb this work to mitigate the amount of resources required. However, the HR Team is currently undergoing reorganisation and the undertaking of drivers' licence checks may not be complete until October 2013 latest.

A lengthy discussion took place.

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Members raised concern regarding the timescale and felt that the issue should be dealt with more urgently. The Streetscene Manager acknowledged Members concerns and would make enquiries to see if the process could be accelerated.

The Streetscene Manager left the meeting.

Gas Servicing to Council Owned Properties

The Head of Housing acknowledged that some gas servicing had been carried out late and this was due to tenants not being given sufficient prior notice. To address the issues and make the process more transparent, working arrangements had been changed.

The current spread sheet had been enhanced to flag up properties requiring a gas service and also logged when a service had been completed. Members were advised that 100% of Council properties now had a gas service certificate.

The new process was more labour intensive and a gas engineers post had been created as part of the new working arrangements.

Reports would be presented to Executive and Council on a quarterly basis to keep Members updated and a further report from Internal Audit would be presented to Audit Committee in September 2013.

Members raised concern at the significance of the issue.

The Director of Corporate Resources advised Members that if any further significant concerns were raised by Internal Audit these would be reported to Strategic Alliance Management Team and an extraordinary meeting of Audit Committee arranged to take place before the scheduled September meeting.

In response to a question raised, the Head of Housing advised Members that on receipt of the Internal Audit report, immediate changes had been put in place to the working arrangements for gas servicing.

A discussion took place.

The Head of Housing left the meeting.

Pleasley Mills Rent Collection

The Director of Development and the Commercial Property and Developments Manager attended the meeting to update Committee with regard to the above Audit report which had resulted in a marginal assessment.

Following a discussion Members agreed that this item be deferred until the next Audit Committee meeting and a full report be presented.

The Director of Development and the Commercial Property and Developments Manager left the meeting.

AUDIT COMMITTEE

0137. INTERNAL AUDIT CONSORTIUM – PUBLIC SECTOR INTERNAL AUDIT STANDARDS

Committee considered a report which gave a summary of the new Public Sector Internal Audit Standards (PSIAS), developed by the Chartered Institute of Public Finance and Accountancy (CIPFA), in collaboration with the Chartered Institute of Internal Auditors (CIIA) and a range of other public bodies.

The PSIAS replaced the Code of Practice for Internal Audit in Local Government and were intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

The PSIAS came in to force on 1st April 2013 and are mandatory.

There was also a requirement for an internal audit “Charter” which the Interim Head of Internal Audit Consortium is currently developing.

The compliance of the Internal Audit Consortium with the new requirements would be assessed against the PSIAS checklist and its findings reported back to Audit Committee in September.

Moved by Councillor D. McGregor, seconded by Councillor J. Clifton

RESOLVED that (1) the introduction of the new Public Sector Internal Audit Standards be noted,

(2) the adoption of the PSIAS be agreed,

(3) the compliance of the Internal Audit Consortium be assessed against the PSIAS checklist and its findings reported back to Audit Committee in September.

(Interim Head of Internal Audit Consortium/Governance Manager)

0138. INTERNAL AUDIT CONSORTIUM – ANNUAL REPORT

Committee considered the Annual Report for the Internal Audit Consortium in respect of 2012 / 2013.

The Annual Report had been prepared comparing actual performance of Internal Audit against the internal audit plan for 2012/13. The report also provided an opinion on the overall adequacy and effectiveness of the Council’s control environment, based on the audits undertaken.

Moved by Councillor D. McGregor, seconded by Councillor J. Clifton

RESOLVED that the Internal Audit Consortium Annual Report for 2012/13 be noted.

AUDIT COMMITTEE

0139. INTERNAL AUDIT CONSORTIUM – SUMMARY OF PROGRESS ON THE INTERNAL AUDIT PLAN 2012/13 & 2013/14

Members considered a report which informed Committee of progress made by the Audit Consortium during the period 4th May 2013 to 7th June 2013, in relation to the 2012/13 and 2013/14 Annual Internal Audit Plan. The report included a summary of Internal Audit Reports issued during the period and Work in Progress.

Moved by Councillor J. Clifton, seconded by Councillor D. McGregor
RESOLVED that the report be noted.

0140. INTERNAL AUDIT CONSORTIUM – REPORT ON INTERNAL AUDIT ANNUAL REPORT 2012/2013

Members had been advised earlier in the meeting that agenda item 8, Report on Internal Audit Annual Report 2012/13 was the covering report for agenda item 6, Internal Audit Consortium Annual Report.

The Interim Head of Internal Audit Consortium left the meeting.

0141. ANNUAL REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

Committee were asked to consider a report which provided Members with the Chief Financial Officer's, (The Director of Corporate Resources), views on his annual assessment of the effectiveness of the Internal Audit Service during the 2012/13 financial year.

The conclusion of the Chief Financial Officer was that he was satisfied that during 2012/13 the Joint Internal Audit Service had provided an effective service upon which he could place reliance.

A short discussion took place.

Members agreed that the Internal Audit team provided an effective service and expressed their support for the work undertaken by Internal Audit.

Moved by Councillor D. McGregor, seconded by Councillor A. F. Tomlinson
RESOLVED that the views of the Chief Financial Officer in his assessment of the Internal Audit Service during the 2012/13 financial year be approved.

AUDIT COMMITTEE

0142. MEDIUM TERM FINANCIAL PLAN

Committee considered a detailed report of the Director of Corporate Resources in relation to the Council's Medium Term Financial Plan (MTFP). It was noted that the report had been previously presented to the Executive on 10th June 2013. That MTFP had continued to be developed against the background of the Government's Comprehensive Spending Review of Autumn 2010 which set a clear target of reducing the level of government grant provided to local authorities. This reduction in the level of central government support had been the central factor in the ongoing requirement to secure significant year on year budget saving. The savings requirement in respect of the previous two financial years along with that in respect of the current and next financial year were set out in the report.

A lengthy discussion took place around the Efficiency Grant, welfare reform, stock condition survey, growth strategy, re-paying debt and the Peer Review challenge.

The Director of Corporate Resources advised the meeting that a report on the Capital Programme and Housing would be presented to Executive in July as part of the detailed outturn report.

(Director of Corporate Resources/Governance Manager)

0143. DRAFT STATEMENT OF ACCOUNTS INCLUDING ANNUAL GOVERNANCE STATEMENT 2012/13

Committee considered a report in respect of the Draft Statement of Accounts and the Annual Governance Statement 2012/13. An updated version of the Annual Governance Statement was circulated to the meeting and Committees approval was sought.

Members were reminded that in line with the Accounts and Audit Regulations 2011, the Chief Financial Officer would sign off the draft Statement of Accounts on behalf of the Council. The draft Statement of Accounts would also be submitted for External Audit on the 30th June 2013.

The Assistant Director of Resources took Committee through the Draft Statement of Accounts.

Lengthy discussion took place during which Members raised various questions.

Members thanked the Director of Corporate Resources and the Assistant Director of Resources for a comprehensive and understandable report and commented that they had a good team.

The Director of Corporate Resources stated that he wished to thank the Accountancy Team who had produced the Statement of Accounts in line with the statutory timescale.

AUDIT COMMITTEE

Moved by Councillor D. McGregor, seconded by Councillor A. F. Tomlinson

RESOLVED that (1) the Director of Corporate Resources in his capacity as Chief Financial Officer be authorised to sign off the draft 2012/13 accounts on behalf of the Council,

(2) the Audited Statement of Accounts 2012/13 be presented to Audit Committee at its meeting on 24th September 2013 for approval on behalf of the Council,

(3) the final version of the Annual Governance Statement in respect of 2012/13 which was attached as **Appendix 2** to the report be approved,

(4) the Explanatory Foreword from the Chief Financial Officer which was intended to be incorporated within the Council's Statement of Accounts be noted.

(Director of Corporate Resources/Governance Manager)

The meeting concluded at 1600 hours.

Committee:	Audit Committee	Agenda Item No.:	6.
Date:	24 th September 2013	Status	Open
Subject:	Statement of Accounts 2012/13		
Report by:	Assistant Director Finance and IT		
Other Officers Involved	Chief Accountant / Principal Accountant		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council and Portfolio Holder for Finance and Policy		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

None

VALUE FOR MONEY

Good financial management and reporting is essential to securing Value for Money

1. Background Information

- 1.1 The outturn position for the Council's Accounts has previously been reported to and agreed by both the Executive and by this Committee. The work undertaken by the External Audit team on the accounts does not require the Council to make any amendments in respect of the overall outturn position on either the General Fund Revenue Account, Housing Revenue Account or on the Capital Programme. The outcomes of the external audit work are set out by KPMG (the Council's External Auditors) in their "Report to those charged with Governance (ISA 260) 2012/13" which constitutes an item elsewhere on this agenda.
- 1.2 Attached as **Appendix 1** to this report is the Council's Audited Statement of Accounts in respect of 2012/13. It is possible that some minor final changes may still be necessary between the version attached and the Final recommended Statement of Accounts for 2012/13. Given that there may be some late minor changes required by KPMG our External Auditors prior to the

final sign off of the Statement of Accounts it is recommended that delegated powers be given to the Chief Financial Officer in consultation with the Chair or Deputy Chair of this Committee to agree any final changes to the Council's Statement of Accounts 2012/13. It should be noted that the only changes that will be made under these delegated powers will relate to amendments agreed with the Council's external auditors KPMG.

2 Issues for Consideration

- 2.1 The Committee is asked to approve the audited Statement of Accounts for 2012/13, as attached to this report.

3 Implications

3.1 Legal

The process has been undertaken in accordance with the requirements of the Accounts and Audit Regulations 2011. It should be noted that the Council is required to complete and approve the audited Statement of Accounts by the end of September.

3.2 Financial

There are no additional financial implications arising from this report.

4 RECOMMENDATION

- 4.1 **That the Audit Committee approves the audited Statement of Accounts in respect of 2012/13.**
- 4.2 **That delegated powers are granted to the Chief Financial Officer in consultation with the Chair or Deputy Chair of the Audit Committee to agree any changes which may be necessary in order to ensure the finalisation of the external audit currently being concluded by the Council's external auditors KPMG to ensure completion of the Statement of Accounts by 30 September 2013.**

**INTERNAL AUDIT PUBLIC SECTOR INTERNAL AUDIT
STANDARDS - IMPROVEMENT PLAN**

**MEETING: BOLSOVER DISTRICT COUNCIL – AUDIT
COMMITTEE**

DATE: 24TH SEPTEMBER 2013

**REPORT BY: INTERIM HEAD OF INTERNAL AUDIT
CONSORTIUM**

**FOR PUBLICATION
BACKGROUND PAPERS: Public Sector Internal Audit
Standards**

1 Purpose of Report

1.1 To report to Members the results of an internal audit self assessment that has been undertaken to review compliance with the Public Sector Internal Audit Standards.

2 Recommendations

2.1 That the results of the self assessment and resultant improvement plan be noted.

2.2 That progress against the improvement plan is reported back to this Committee as part of the internal audit annual report for 2013/14.

3 Background

3.1 The Public Sector Internal Audit Standards (PSIAS) which took effect from the 1 April 2013 require that the Head of Internal Audit develop and maintain a quality assurance and improvement programme to enable the internal audit activity to be assessed against the PSIAS. CIPFA recommend that

in order to undertake a self assessment the checklist for assessing conformance included within the application note to the PSIAS be used.

4 The Improvement Plan

- 4.1 The checklist recommended for undertaking a self assessment against the PSIAS has been completed and is held at Appendix A.
- 4.2 The checklist has three columns indicating compliance with the PSIAS, partial compliance or non compliance. Where it is deemed there is only partial or non compliance the relevant standard has been extracted and placed in to the improvement plan held at Appendix B.
- 4.3 In respect of an external assessment of internal audit, the requirement is for this to be undertaken within 5 years of the PSIAS being introduced. It is felt that this exercise may be best undertaken in year 3 or 4 in order that it can be considered in the light of experience of other authorities who commission this work. The approach will be discussed with the Director of Corporate Resources and the Audit Committee nearer the time.
- 4.4 Whilst a number of improvements have been identified it is considered that the exercise has demonstrated that in the main the Internal Audit Consortium is compliant with the PSIAS.

5 Considerations

- 5.1 Risk Management – The Improvement Plan will ensure that the Internal Audit Consortium continues to provide a quality service in line with the PSIAS.
- 5.2 Financial – The implementation of the improvement plan can be met from the Internal Audit Consortium's existing budget.

6 Recommendations

- 6.1 That the results of the self assessment and resultant improvement plan be noted.

6.2 That progress against the improvement plan is reported back to this Committee as part of the internal audit annual report for 2013/14.

7.0 Reason for Recommendations

7.1 To comply with the requirements of the PSIAS.

**Jenny Williams
Interim Head of Internal Audit
Consortium**

**Public Sector Internal Audit Standards – Internal Audit Consortium
Improvement Plan August 2013**

Standards	Compliance	Current	Action Required	Action By	Date
Does the Chief Executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Audit Executive (Head of the Internal Audit Consortium)?	N	Currently undertaken by the Head of Finance. Indirectly actioned via the annual review of the effectiveness of Internal Audit	None at this time	N/A	N/A
Is feedback sought from the Chair of the Audit Committee for the Chief Audit Executive's (Head of Internal Audit) performance appraisal?	N	Currently undertaken by the Head of Finance. Indirectly via the annual review of the effectiveness of Internal Audit	The Head of Finance to discuss with the Chair of the Audit Committee if there are any issues that require raising prior to the Head of Audit's EPD	Head of Finance	Prior to EPD
Does the Chief Audit Executive (CAE) ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	P	There are job descriptions etc for all posts however following a grading appeal by Auditors the Auditor job description is being reviewed.	Auditors job description to be reviewed	HR/Head of Finance/Head of Internal Audit	December 2013

Standards	Compliance	Current	Action Required	Action By	Date
Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS?	P	The audit manual guides staff in performing their duties in a consistent way with the CIPFA code of practice 2006. Last reviewed June 2010.	Audit manual to be reviewed and updated to reflect the PSIAS	HOIAC	December 13
Has the CAE developed and implemented retention requirements for all types of engagement records?	P	The audit manual defines retention requirements which are reviewed on an ongoing basis to ensure they remain in line with current good practice.	Retention requirements in respect of audit documents need to be subject to regular review. All staff will be reminded of the requirement to review their manual and electronic records to ensure that they are retained in accordance with retention requirements	Consortium staff	December 2013
Has an external assessment been carried out, or is planned to be carried out at least once every five years?	Y/N	Not undertaken as yet	An external assessment must be carried out by April 2018	HOIAC /Head of Finance	April 2018
Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	P	System of following up at quarterly directorate and service head meetings is being trialled	To embed a system of following up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action	HOIAC/Head of Finance/Director of Corporate Resources	Ongoing

INTERNAL AUDIT CHARTER

MEETING: BOLSOVER DISTRICT COUNCIL AUDIT COMMITTEE

DATE: 24TH SEPTEMBER 2013

REPORT BY: INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM

FOR PUBLICATION
BACKGROUND PAPERS: Public Sector Internal Audit Standards

1 Purpose of Report

1.1 To report to Members for information and approval the Internal Audit Charter. The Charter replaces the previously adopted Terms of Reference and Policy.

2 Recommendations

2.1 That, subject to any comments Members may wish to make, that the Internal Audit Charter be agreed.

2.2 That the agreed Internal Audit Charter be reviewed in 2 years time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards.

3 Background

3.1 The Public Sector Internal Audit Standards (PSIAS) which took effect from the 1 April 2013 require that the purpose, authority and responsibility of internal audit must be formally defined in an internal audit charter.

3.2 The PSIAS requires the Head of Internal Audit to review the charter periodically but final approval rests with the Audit Committee.

4 The Internal Audit Charter

4.1 The Internal Audit Charter is attached as Appendix 1.

4.2 The internal audit charter is a formal document and the PSIAS require that it should:

- Recognise the mandatory nature of the PSIAS.
- Define the scope of internal audit activities.
- Establish the responsibilities and objectives of internal audit.
- Establish the organisational independence of internal audit.
- Establish the accountability, reporting lines and relationships between the Head of Internal Audit and the Audit Committee and those to whom the Head of Internal Audit reports to functionally and administratively.
- Set out the responsibility of the Audit Committee and other officers with regards to internal audit.
- Set out the arrangements that exist within the organisations anti-fraud and anti-corruption policies, requiring the Head of Internal Audit to be notified of all suspected or detected fraud, corruption or impropriety, to inform the annual internal audit opinion and the risk-based plan.
- Recognise that internal audit's remit extends to the entire control environment of the organisation and not just financial controls.
- Establish internal audits right of access to all records, assets, personnel and premises, including those of partner organisations where appropriate, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

The PSIAS also specifies that the charter must:

- Define the terms “board” and “senior management” for the purpose of internal audit activity.
- Cover the arrangements for appropriate resourcing.
- Define the role of internal audit in any fraud related work and
- Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

4.3 The charter has been formulated to adequately cover the above issues and take into account the arrangements for the Internal Audit Consortium set down in the Consortium Agreement.

5 Considerations

5.1 Risk Management – The adoption of an Internal Audit Charter will ensure that the Internal Audit Consortium continues to provide a quality service in line with the PSIAS.

6 Recommendations

6.1 That, subject to any comments Members may wish to make, that the Internal Audit Charter be agreed.

6.2 That the agreed Internal Audit Charter be reviewed in 2 years time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards.

7.0 Reason for Recommendations

6.1 To comply with the requirements of the PSIAS.

**Jenny Williams
Interim Head of Internal Audit
Consortium**

**BOLSOVER, CHESTERFIELD AND NORTH EAST
DERBYSHIRE DISTRICT COUNCILS'**

INTERNAL AUDIT CHARTER

INTRODUCTION

1. The Public Sector Internal Audit Standards (PSIAS) which took effect from 1 April 2013 require the adoption of an Internal Audit Charter. The Internal Audit Consortium's Charter describes the purpose, authority and principal responsibilities of the Internal Audit Consortium that have been established to provide the internal audit service to the three Councils'.

PSIAS/REGULATORY BASIS OF OPERATION

2. The adoption of the PSIAS is mandatory and includes a
 - Definition of Internal Auditing
 - Code of ethics
 - International Standards for the Professional Practice of Internal Auditing

3. The Internal Audit Consortium adopts the PSIAS and the purpose and definition of Internal Audit as specified by the PSIAS:-

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

4. The requirement for an internal audit function in local government is specified within the Accounts and Audit (England) Regulations 2011, which state:

A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

5. The Consortium agreement details how the Consortium will operate in terms of finance, staffing, reporting and independence.
6. Internal Audit is also governed by policies, procedures, rules and regulations established by the host Council. These include Financial Regulations, Conditions of Service, Codes of Conduct and Anti-Fraud and Corruption strategies.

7. Where key services are to be provided to one of the partner Councils' by other contractors or through a partnership, in order for internal audit to form an opinion on the controls operating, a right of access to relevant information and documents should be included in contracts or agreements concerned.

DEFINITIONS

8. The PSIAS require that the Charter must define the terms "Board" and "Senior Management" for the purposes of internal audit activity.
9. The PSIAS glossary defines the board as:

The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically this includes an independent group of directors (e.g. a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the "board" may refer to the head of the organisation, "Board" may refer to an audit committee to which the governing body has delegated certain functions.
10. At Chesterfield Borough Council the "Board" will be the Standards and Audit Committee.
At Bolsover District Council the "Board" will be the Audit Committee
At North East Derbyshire District Council the "Board" will be the Corporate Governance and Audit Committee.
11. In addition to this the Joint Board will approve and monitor the annual business plan and financial position of the Consortium.
12. "Senior Management" – those responsible for the leadership and direction of the Council. This will be each Council's Senior Management Team.
13. The PSIAS adopt the term "Chief Audit Executive", this role is met by the Head of the Internal Audit Consortium.

SCOPE AND OBJECTIVES OF INTERNAL AUDIT

14. The scope of the Internal Audit Consortium encompasses the examination and evaluation of the adequacy and effectiveness of each organisation's governance, risk management and internal control processes in relation to each organisation's defined goals and objectives.
15. The Audit Consortium's remit covers all functions and services for which the Council's are responsible and this extends to the entire control environment of the organisations and not just financial controls.
16. The Consortium will objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

17. The internal audit service will be delivered on the basis of a risk assessment of auditable areas at each of the partner authorities. A predominantly systems based approach to most audits will be adopted.
18. The internal control system comprises the whole network of systems established within each partner authority to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:
 - Consistency of operations with established objectives and goals,
 - The reliability and integrity of financial and operational information,
 - The effectiveness and efficiency of operations and programmes,
 - Safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption,
 - Compliance with laws, regulations, policies, procedures and contracts,
 - The economic and efficient use of resources (value for money) and effective monitoring systems and optimum use of performance management information.
19. With the introduction of the PSIAS, internal audit may also provide “consultancy” services. This work could take any form, provided that the independence of the service is not compromised, but will typically include special reviews or assignments where requested by management, which fall outside the approved plan and for which a contingency is included in the audit plan. There will be no significant consultancy work undertaken without the approval of the relevant Audit Committee.

RESPONSIBILITIES AND REPORTING

20. The PSIAS requires that the Internal Audit Charter should establish the responsibilities and reporting arrangements of internal audit.
21. The Head of Internal Audit reports directly to each Council’s Audit Committee and to each Chief Financial Officer. The Head of Audit also has direct access to each Council’s Chief Executive, Monitoring Officer and where necessary elected Members
22. The Head of Internal Audit will manage the provision of the Internal Audit service to each Council by: -
 - Preparing each year in advance a risk based audit plan for discussion and agreement by each council's Client Officer and approval by the Audit Committee. Any in-year significant changes to the audit plan shall be agreed by the respective Client Officers and Audit Committees,
 - Preparing the internal audit budget and resource plan for approval by the Joint Board,
 - Presenting an annual report to each Council’s Audit Committee that meets the requirements of the PSIAS and includes:-

- An overall opinion on the adequacy and effectiveness of the organisation's control environment (including any qualifications to that opinion),
- Presents a summary of the audit work from which the opinion is derived, including reliance placed on the work by other assurance bodies,
- Draws attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement,
- Compares work actually undertaken with work that was planned and to report relevant performance measures and targets.
- Presenting periodic reports to each Audit Committee summarising all internal audit reports issued and if considered necessary providing copies of the reports,
- Formally report the findings and recommendations of audit work to senior management and the respective Audit Committee throughout the year. Audit reports will:-
 - Include an audit opinion on the reliability of the internal controls in the system or area audited,
 - Identify inadequately addressed risks and non-effective control processes,
 - Detail management's response and timescale for corrective action,
 - Identify issues of good practice.
- Ensuring audit work is supervised, reviewed, recorded and reported,
- Implementing a follow up process for ensuring the effective implementation of audit recommendations or ensuring senior management are aware of the consequences of not implementing a recommendation and are prepared to accept the risk,
- Liaising as needed with the External Auditor for each Council and with other regulators,
- Maintaining and managing a risk assessment in relation to the functions of the Consortium,
- Ensuring that there is an up to date Audit Manual in place setting out expected standards for the service, and monitoring compliance with these standards, including in relation to the planning, conduct, quality assurance and reporting of audit assignments.

23. Senior managers should assist audit to discharge their duties by:

- The prompt provision of information and explanations,
- Providing input to the audit plan to ensure attention is focused on areas of greatest risk,
- Informing the Audit Consortium of any plans for change, including new systems,
- Responding to the draft internal audit report, including provision of management responses to recommendations, within the timescale requested by the audit team,
- Implementing agreed management actions in accordance with agreed timescales,

24. The respective Audit Committees must:

- Approve the Internal Audit Charter,
 - Approve the risk based internal audit plan,
 - Receive progress reports and an annual report from the Head of the Audit Consortium in respect of the audit plan,
 - Approve any large variances or consulting services not already included in the audit plan.
25. The Joint Board will:
- Approve the internal audit budget and outturn.

AUDIT RESOURCES

26. The Chief Financial Officer at each Council will ensure that the Audit Consortium has the necessary resource to enable the Head of the Audit Consortium to be able to give an annual evidence-based opinion.
27. The staffing and budget of the Internal Audit Consortium will be kept under review by the Head of Internal Audit, bearing in mind the resource requirements identified in the audit plan process. Where resources available do not match the resource requirements identified by the annual audit plans, the Head of the Internal Audit Consortium will report to the Joint Board.
28. The Head of Internal Audit will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience. The Head of Internal Audit will ensure that the internal audit service is appropriately skilled in terms of qualifications, knowledge and experience.

QUALITY AND ASSURANCE PROGRAMME

29. The PSIAS state that a quality assurance and improvement programme must include both internal and external assessments. Internal assessments should be ongoing and periodical and external assessments must be undertaken at least once every 5 years.
30. All internal audits are subject to a management quality review. Policies and procedures to guide staff in performing their duties have been established within the audit manual.
31. The internal periodic self assessment of internal audit will be undertaken by completing the checklist for assessing conformance with the PSIAS included within the PSIAS Application Note.
32. External assessment can be satisfied by either arranging a full external assessment or by undertaking a self assessment with independent validation. External assessments must be by a qualified, independent assessor from outside the organisations. The Head of the Audit Consortium must discuss the format of the external assessments and

the qualifications and independence of the assessor with the Audit Committee.

33. An external assessment of the internal audit function will take place at least once every 5 years and the results reported back to the Audit Committee of each Council.
34. The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

INDEPENDENCE AND AUTHORITY

35. In order to achieve its objectives effectively, Internal Audit must be seen to be independent. Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that no quality compromises are made.
36. The scope of internal audit allows for unrestricted access at each partner authority to all records, personnel, premises and assets deemed necessary to obtain information and explanations as it considers necessary to fulfil its responsibilities in the course of the audit. Such access shall be granted on demand and not subject to prior notice.
37. This right of access is included in the agreement signed by the three authorities establishing the Internal Audit Consortium and in each authority's Financial Regulations. In addition, where necessary, the Head of the Internal Audit Consortium will have unrestricted access at each authority to:
 - The Chief / Deputy Chief Executive
 - The Chief Financial Officer
 - Members
 - The Chair and Members of the Audit Committee
 - Individual Directors / Heads of Service
 - All Other Employees
 - The External Auditor
38. The Head of the Internal Audit Consortium will confirm to the Audit Committees' at least annually, the organisational independence of the internal audit activity.
39. Independence is further achieved by:
 - Reporting to the Audit Committee and senior management at each authority,
 - Not being part of system and procedures being audited,
 - Rotating responsibility for audit assignments within the audit team,
 - Completing declaration of interest forms on an annual basis,
 - Internal Audit staff not undertaking an audit in an area where they have had operational roles for at least two years.

40. If any member of the Internal Audit Consortium considers there is or could be a conflict of interest, this must be declared to the Head of Internal Audit who will direct alternative and independent resources to the audit.
41. Where internal audit staff are required to undertake non-audit duties, the Head of Audit will make it clear that those audit staff are not fulfilling those duties as internal auditors. The Head of Audit will ensure that within the service there remains sufficient impartiality to enable the actions and activities of those internal audit staff to be subject to audit by those independent from the activity.

FRAUD AND CORRUPTION

42. Managing the risk of fraud and corruption is the responsibility of management. Each Council has an Anti Fraud and Corruption strategy and a zero tolerance towards fraud.
43. The Head of the Internal Audit Consortium should be notified of all suspected or detected fraud, corruption or impropriety in accordance with each Council's Financial Regulations and Anti Fraud and Corruption strategies, in order to inform their opinion of the internal control environment.
44. Subject to availability of resources with the internal audit plan, internal audit may assist management in the investigation of suspected fraud and corruption.
45. The Head of the Internal Audit Consortium will report any instances of fraud detected as a result of audits undertaken to the Audit Committee.

REVIEW OF THE INTERNAL AUDIT CHARTER

46. The Internal Audit Charter will be reviewed every 2 years by the Head of the Internal Audit Consortium and will be reported to each Council's Audit Committee for approval.

**INTERNAL AUDIT CONSORTIUM - SUMMARY OF PROGRESS ON THE
INTERNAL AUDIT PLAN 2013/14**

MEETING: **BOLSOVER DISTRICT COUNCIL
AUDIT COMMITTEE**

DATE: **24TH SEPTEMBER 2013**

REPORT BY: **INTERIM HEAD OF INTERNAL AUDIT
CONSORTIUM**

1.0 PURPOSE OF REPORT

1.1 To present, for members' information, progress made by the Audit Consortium, during the period 8th June 2013 to 6th September 2013, in relation to the 2013/14 Internal Audit Plan. The report includes a summary of internal audit reports issued during the period and work in progress.

2.0 BACKGROUND

2.1 The 2013/14 Consortium Internal Audit Plan for Bolsover was reported to the Audit Committee on the 12th March 2013. The Consortium Agreement in paragraph 9.3 requires that the Head of the Internal Audit Consortium (HIAC) or his or her nominee will report quarterly (or at such intervals as the HIAC may agree with the Committee) to the Audit Committee of each Council on progress made in relation to their Annual Audit Plan.

3.0 SUMMARY OF REPORTS ISSUED

3.1 Attached, as Appendix 1, is a summary of reports issued covering the period 8th June 2013 to 6th September 2013 for audits included in the 2013/14 Bolsover District Council Internal Audit Plan.

3.2 Internal Audit Reports are issued as drafts with five working days being allowed for the submission of any factual changes, after which time the report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.

- 3.3 The Appendix shows for each report a summary of the Overall Audit Opinion on the audit and the number of recommendations made / agreed where a full response has been received. The overall opinion column of Appendix 1 gives an assessment of the reliability of the internal controls examined in accordance with the following classifications:

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

- 3.4 In respect of the audits being reported, it is confirmed that there were no issues arising relating to fraud that need to be brought to the Committee's attention.

4.0 **OTHER WORK IN PROGRESS**

- 4.1 Work currently in progress in relation to other audits in the 2013/14 internal audit plan includes:

- Housing Rents
- Stores
- Council Tax
- Right to Buy Sales
- Cash and Bank
- Procurement

5.0 **RECOMMENDATION**

- 5.1 That the report be noted.

6.0 **REASON FOR RECOMMENDATION**

- 6.1 To inform Members of progress on the Internal Audit Plan for 2013/14 and the Audit Reports issued.

JENNY WILLIAMS
INTERIM HEAD OF INTERNAL AUDIT CONSORTIUM

BOLSOVER DISTRICT COUNCIL

Appendix 1

Internal Audit Consortium - Report to Audit Committee

Summary of Internal Audit Reports Issued 8th June – 6th September relating to the 2013/14 Internal Audit Plan

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B001	Sickness Absence Monitoring	To ensure that the policy and procedures are being followed and adequately documented	Satisfactory	20/06/13	11/07/13	2 (1M, 1L)	2
B002	Corporate Targets	To review a sample of Corporate Targets to ensure their accurate calculation	Satisfactory	1/07/13	22/07/13	3H	3
B003	Clowne Leisure Centre	To review the controls and procedures in place	Marginal	12/07/13	2/08/13	8 (4H 4M)	8
B004	Planning Fees	To ensure all fees are correctly applied and collected	Good	23/07/13	13/08/13	0	0
B005	Land Charges	To ensure all fees are correctly applied and collected	Good	26/07/13	16/08/13	0	0
B006	Disaster Recovery	To ensure that the IT Disaster Recovery arrangements are adequate and tested	Satisfactory	31/07/13	21/08/13	1H	1
B007	Working Neighbourhoods Fund	To review the controls and procedures in place	Good	12/08/13	2/09/13	1M	1

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B008	Gas Servicing	To ensure that the Council's gas servicing arrangements comply with legislation and are comprehensive	Fit for purpose	9/09/13	30/09/13	5 (2H 3M)	Note 1

For recommendations, H = High priority, M = Medium priority and L = Low Priority.

Note 1: Response not due at the time of report preparation

Committee:	Audit Committee	Agenda Item No.:	12.
Date:	24 th September 2013	Status	Open
Subject:	Financial Outturn 2012/2013, Medium Term Financial Plan and Budget Monitoring report Quarter 1 – April to June 2013		
Report by:	Assistant Director Finance and IT		
Other Officers Involved	Chief Accountant, Principal Accountant		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council and Portfolio Holder for Finance and Policy.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

All.

VALUE FOR MONEY

Effective financial reporting is an essential element of the governance arrangements within a local authority which are necessary in order to secure Value for Money.

1 Executive Summary

- 1.1 To update Members of the Audit Committee concerning the current position in respect of the Financial Outturn 2012/2013, the Council's Medium Term Financial Plan and first Quarter April to June 2013 Budget Monitoring.
- 1.2 The reports taken to the Council's Executive on 5th August, 2nd September and 30th September 2013 respectively are accordingly now brought to the Audit Committee for its consideration.

2 Issues/Options for Consideration

- 2.1 These are detailed in the attached report as **Appendix 1, 2 and 3.**

3 Other Supporting Information

- 3.1 **Appendix 1** Executive 5th August '13 - Detailed Financial Outturn 2012/13 (pages 105 to 128),
Appendix 2 Executive 2nd September '13 - Medium Term Financial Plan (pages 129 to 143),
Appendix 3 Executive 30th September '13 - Budget Monitoring Report Quarter 1 – April to June 2013 (pages 144 to 157).

4 Financial Implications

- 4.1 These are detailed in the attached reports.

5 Other Considerations (eg Legal, Human Resources, Environmental, Crime and Disorder, Design and Community Safety)

- 5.1 These are detailed in the attached reports.

6 Equalities Issues

- 6.1 These are detailed in the attached reports.

7 Risk Management and Policy and Performance Issues

- 7.1 These are detailed in the attached reports.

8 Reason for Recommendations

- 8.1 To ensure that the Audit Committee are kept informed of the Council's latest financial position.

9 Recommendations that :

(1) the Audit Committee note the Financial Outturn 2012/2013 report and make any comments that they believe to be appropriate with regards to the position which was reported to Executive on 5th August 2013.

(2) the Audit Committee note the Medium Term Financial Plan report and make any comments that they believe to be appropriate with regards to the position which was reported to Executive on 2nd September 2013.

(3) the Audit Committee note the Budget Monitoring report and make any comments that they believe to be appropriate with regards to the position which will be reported to Executive on 30th September 2013.

Committee:	Executive	Agenda Item No.:	10
Date:	5 th August 2013	Status	Open
Category	2. Decision within the functions of Executive		
Subject:	Financial Outturn 2012/13		
Report by:	Assistant Director of Financial Services		
Other Officers Involved	Chief Accountant		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources

TARGETS

All

VALUE FOR MONEY

Good financial management and reporting is essential to securing Value for Money.

THE REPORT

1. Purpose of Report

- 1.1 To inform Cabinet of the outturn position in respect of the 2012/13 financial year and to undertake a detailed assessment of the impact of that outturn upon the Council's financial position and in particular the Medium Term Financial Plan 2013 – 2016.

2. Background Information

- 2.1 The Council has closed its financial accounts for 2012/13 in line with the required deadline of 30 June 2013. The Draft Statement of Accounts is now subject to independent audit by the Council's external auditors, KPMG. Until the accounts have been agreed by our external auditors - which will take place before 30 September 2013 - there remains the possibility that they will be subject to amendment.

- 2.2 Members should note that the Council's Draft Statement of Accounts in respect of 2012/13 was signed as complete by the Council's Chief Financial Officer (Director of Corporate Resources) at the end of June 2013. The final audited accounts will be reported to and approved by the Audit Committee at its meeting of 26th September 2013.
- 2.3 With the introduction of the International Financial Reporting Standards (IFRS) the main focus of the Statement of Accounts is on reporting to the public in a format which is directly comparable with every country that has adopted IFRS i.e. not just UK or even other local authorities. In contrast the focus of this report is on providing management information to Members and other stakeholders to assist in the financial management of the Council.
- 2.4 The following sections of this report will consider the 2012/13 outturn position in respect of the General Fund Revenue Account, the Housing Revenue Account (HRA), the Council's Capital Investment Programme and Treasury Management activities. Within the report consideration is given to the level of balances at the year end, to any impact on the Council's Medium Term Financial Plan of the outturn position, together with an assessment of the impact which the closing position has upon the Council's budgets in respect of the current financial year.

ISSUES/OPTIONS FOR CONSIDERATION

3. General Fund Revenue Account

- 3.1 The position in respect of the General Fund outturn is outlined in **Appendix A** attached to this report. In summary there has been an under spend in the year on the net cost of services of £910,727 (column E). After taking into account the variances on capital financing transactions the under spend is reduced to £796,292 (column E). This overall position has arisen from under spending on budgets, additional income and efficiency savings. **Appendix A** shows that the incidence of the under spend is spread across all Directorates of the Council.
- 3.2 To present a clearer outturn position to Members it has been necessary to make an adjustment to the revised budget for expenditure that was planned to have been financed from resources held in grant accounts, from holding accounts and from certain reserves. The adjustments reflect where this expenditure has not been incurred and therefore the use of the associated financing is not required. While these variances do not impact on the bottom line for the Council if these adjustments were not made then the underlying variance position would be distorted. Officers in Accountancy are seeking to improve the controls in place over the use of such resources and would recommend the following approach to Executive:
- That for 2013/14 and future years budget managers are required to seek approval from SAMT to use any resources held in grants

unapplied accounts or holding accounts. The budget manager would be required to complete a standard form and submit their proposal for approval to SAMT. In this way there is a transparent approval process that ensures that the Directors and Chief Executive are aware of the proposal and can evaluate it against the Original Approval, the Corporate Aims of the Council, the resources available and the needs of the relevant Section. The approvals concerned will be reported to Executive within a summary appendix as part of the Quarterly Budget Monitoring process.

- 3.3 With respect to the detailed variances behind the summary figures these are presented at **Appendix B**. Comments have been added to show the reasons for the main variances on each cost centre.
- 3.4 In a small number of service areas work that was planned to be undertaken in the 2012/13 financial year has been delayed and there has been a request from the cost centre managers to carry forward the approved budgets for this work into 2013/14. The total cost of these carry forward budget requests comes to £62,390. It is proposed that the carry forward requests are transferred from the “General” earmarked reserve and placed into a carry forward budget reserve so that the approved and committed work can be continued in 2013/14. The reserve will be managed by the Accountancy Section and be drawn down into the 2013/14 budget as the expenditure on these schemes is undertaken by the relevant cost centre manager.
- 3.5 Transition Grant – 2011/12
The Council qualified to receive £2.311m of transition grant in 2011/12 in order to enable it to adjust to the impact of the Comprehensive Spending Review reductions in Government Grant. At the 31 March 2012 a balance of £0.527m remained available to support appropriate Council expenditure. During 2012/13 a total amount of £0.522m has been expended of which £0.059m was transferred to support capital expenditure and the balance £0.463m to support approved expenditure within the General Fund. Therefore the balance remaining from the 2011/12 grant allocation is £0.005m.
- 3.6 Transition Grant – 2012/13
The Council also received a Transition Grant of £1.929m in 2012/13 to support transition arrangements within the Council. In setting the 2012/13 budget a sum of £0.521m was approved as General Fund support. However, the overall under spend position in 2012/13 has meant that no call has been made on the Transition Grant allocation in the year and as such the full allocation of £1.929m has been transferred to a separate reserve. There are some approved allocations from this balance that have not yet been drawn down – officers in Accountancy are currently assessing these individual approvals and holding discussions with the relevant budget manager to

determine a clear picture of the likely commitment. These details will be reported back to a future meeting.

- 3.7 The improvement in the Council's financial position was achieved by a combination of factors but principally by all budget managers exercising tight management control over their budgets. Expenditure has only been incurred where the services had a genuine need to incur the costs to provide the services required. Other factors that may have contributed to the favourable outturn position is in relation to the significant changes brought about by the restructuring of the Assistant Directors in the organisation through the Strategic Alliance with the new officers obtaining an understanding of the previous spending patterns of each Directorate and also challenging these patterns when required. There is also the issue that the reduced managerial capacity within the Council has reduced the ability to deliver services at the same level as in previous years.
- 3.8 The total net expenditure position for the Council in the year shows a net gain of £77,953. This is offset by a net reduction from the revised budget in the level of funding streams of £24,470 (New Homes Bonus £25,178 less additional Council Tax Freeze Grant £708). The remainder provides a small gain to the General Fund of £53,483 which has been transferred to General Fund balances.
- 3.9 While the improvement in our balances and reserves is welcome the main feature of the 2012/13 financial year is that the Council successfully achieved in full savings that covered the savings target of £1.496m. These savings have served to reduce the underlying level of expenditure and will continue to benefit the Council in future financial years.
- 3.10 The position on the level of the Council's General Fund balances is set out in the table given below:

GENERAL FUND	Revised Budget £,000	Outturn 2012/13 £,000	Variance £,000
Opening Balance as at 1/04/12	1,389	1,389	0
Transfer in year	0	53	0
Closing Balance as at 31/03/13	1,389	1,442	0

- 3.11 The level of General Fund Reserves has improved by £0.053m which clearly represents an improved financial position for the Council. This position is welcome but Members should note that the balances are now considered to be at a more appropriate level for a District Council rather than at a generous level. It needs to be recognised that the current level of balances needs to be set against the background of ongoing reductions in the level of Government funding. Against this background it is crucial that the Council continues to maintain robust budgetary control while securing its ongoing savings targets.

- 3.12 Given the current level of balances should either an over spend or an under achievement of income occur then the Council would have a period of time in which to recover the situation. By contrast in a situation in which the Council were operating with the minimum level of balances and an overspend or an under achievement of income occurred which took balances to below minimum level then immediate 'crisis' remedial action would need to be considered. Such a response would not be 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. The continued gradual improvement in the level of balances needs to be welcomed as providing the Council with the financial resilience necessary to safeguard services to local residents against a background of ongoing reductions in Government grant funding. However, Executive will recognise that given a level of General Fund balances of £1.442m, against a requirement to secure some £0.832m of financial savings for 2014/15 (next year) that there is effectively no other option for the Council other than to continue to tackle the underlying budget deficit that it is facing in future financial years.
- 3.13 With regard to the general under spend throughout the Directorates in 2012/13 officers in the Accountancy Section have carefully examined every cost centre of the General Fund and looked at the outturn position of 2012/13 to determine if the under spend is a "one off" or is a saving of an ongoing nature. In conjunction with the service managers a number of ongoing budget reductions are proposed to the budgets in respect of 2013/14 and future years. These budget savings are detailed in a separate column of **Appendix B**. This exercise has determined that a net budget reduction of £178,210 should be achievable in 2013/14. A recommendation is made to Members to approve these budget changes in 2013/14 and the MTFP for future years. This adjustment will clearly help to address the shortfall in respect of 2013/14 and future years.
- 3.14 It should be noted that the proposed budget reductions do not relate to salary adjustments. This is because there are a number of changes being implemented throughout the Council in respect of joint secondment working or where reviews of working arrangements are underway or planned within the Directorates. It is planned that detailed budget monitoring of the salary budgets will be undertaken and reported on as part of the quarterly budget monitoring process.

4 Housing Revenue Account (HRA)

- 4.1 The Housing Revenue Account is summarised in **Appendix C** to this report. This shows overall expenditure was £0.249m below the revised budget (column C) and income some £0.101m better than anticipated, giving a net cost of services favourable variance of £0.350m. Further savings on interest costs and depreciation charges bring the net favourable variance on the account to £0.445m. The favourable variance position takes account of the approved transfer to balances of

£0.752m indicating that the overall position would have been a surplus on the account of £1.197m. It is proposed to distribute the £1.197m as follows:

- An increase in the transfer to the Major Repairs Reserve of £0.445m from £1.118m to £1.563m. With this proposed transfer the Major Repairs reserve will have a balance of £1.885m at 31 March 2013. The transfer is proposed to provide the additional resources to address the anticipated repairs and refurbishment requirements that are identified following the full stock condition survey. This balance will effectively enable the Council to address the works required without having to undertake any capital borrowing.
- The remainder will consist of a transfer to HRA balances of £0.752m as planned within the revised budget for 2012/13.

4.3 While the improving position is welcomed Members should note that the level of balances are now considered to be at an adequate level based on the level of financial risks facing the HRA following the HRA reform. The Council is continuing to work on delivering the HRA business plan to assist in the overall management of the Housing Revenue Account. Ensuring that the Council manages the resources within these plans will assist in protecting the underlying financial position in respect of future years.

4.4 **Impact on Housing Revenue Account Balance**

The impact on the Housing Revenue Account balance is as follows:-

HRA Balances	Budget	Outturn	Variance
	£,000	£,000	£,000
Opening Balance as at 1/04/11	(1,023)	(1,023)	0
Surplus in year	(752)	(752)	0
Closing Balance as at 31/03/12	(1,775)	(1,775)	0

4.5 While that the level of balances held in respect of the HRA have increased as a result of the 2012/13 outturn the Chief Financial Officer remains of the view that they continue in line with the level of balances that is necessary for the financial stability of the HRA in the light of the HRA Financial Risk Register.

5 **Capital Investment Programme**

5.1 The capital expenditure incurred by the Council in 2012/13 is attached on a scheme by scheme basis in **Appendix D**. It can be seen from the appendix that the Council's capital spend in the financial year was £10.932m.

5.2 Overall expenditure was some £4.022m below the revised budget. There are many reasons for the under spend during the year:

- Tighter controls exercised on capital expenditure
- Impact of one major scheme (Project Horizon) on other smaller schemes.
- Timing delays on projects
- Capacity of staff
- Desire to ensure expenditure only committed where absolutely necessary
- Expenditure purposely delayed pending outcome of asset condition surveys
- Schemes held back pending receipt of income from sale of assets (capital receipts).
- Schemes delivered at a cost below the revised budget.

The impact of the under spend is that many of the schemes are included in the proposed carry forward budget requests which are detailed on **Appendix D**. The total of these requests is £3.006m. This is for individual schemes that are still in progress, where there are outstanding commitments or where the scheme has been delayed.

Capital Financing

- 5.3 The Capital Programme financing is also detailed on **Appendix D**. In summary officers utilised the under spend to minimise the amount of prudential borrowing required by the Council. The end result is that prudential borrowing of £4.907m was undertaken which effectively meets the unfinanced costs from Project Horizon. In line with the position previously approved by Council this borrowing will be repaid as soon as the planned asset sales are completed in the current year and the capital receipt becomes available.

6 Reserves and Balances

- 6.1 The summary position with respect to the level of Reserves and Balances at 31 March 2013 is set out in **Appendix E** to this report. The level of both General Fund and HRA balances have increased during the course of the 2012/13 financial year which has strengthened the Council's financial position. This position places the Council in a better position to continue to provide high quality services to local residents against a background of ongoing grant reductions as set out in the Comprehensive Spending Review of Autumn 2010. While the increase in the level of balances has improved the Council's financial resilience it needs to be recognised that ongoing efficiency and other savings will be necessary in order to protect the delivery of priority services to local residents.

7 Treasury Management

- 7.1 At **Appendix F** is a brief report on the Treasury Management activity of the Council for 2012/13. In summary the Council operated throughout

2012/13 within the Authorised Limit and Operational Boundary limits approved in the Treasury Management strategy approved by the Council in March 2012 and as updated in the report to Council on 15 February 2013.

- 7.2 The key facts from the brief report are:
- The overall borrowing requirement of the Council is £115.840m at 31 March 2013.
 - The PWLB debt is £107.100m
 - The finance lease debt is £0.173m
 - Effective internal borrowing is £8.567m
 - No new PWLB borrowing was undertaken in 2012/13
 - The HRA headroom at 31 March 2013 is £12.845m
 - PWLB interest in 2012/13 was £3.696m
 - Interest received on investments was £0.034m

8 Legal Aspects

- 8.1 The Statement of Accounts is required to be prepared by the 30 June each year. The Council has now completed the accounts and they have been signed off by the Chief Financial Officer as at the 30 June 2013 which secures compliance with the Council's legal obligations. There are no legal issues arising directly from this report.

9 Risk Management

- 9.1 The issue of Financial Risk is covered throughout the report. The risk of not achieving a balanced budget, together with the risk that the Council's level of financial balances will be eroded are currently key corporate risks identified on the Council's Strategic Risk Register. The outturn report shows that the Council's approach to mitigating these risks during 2012/13 has been successful, with our budgets balanced and the level of financial reserves improved.
- 9.2 While the Council has effectively addressed its Strategic Financial Risks during 2012/13 it needs to be recognised that the Council will need to continue to meet a range of challenging savings targets if it is to operate effectively within the financial environment established by the Comprehensive Spending Review.

10 Policy and Performance

- 10.1 This report is intended to monitor progress in achieving the objectives set out within the Medium Term Financial Plan, which in turn is linked to the full range of the Council's Corporate Strategies. The achievement of the targets set out in the Medium Term Financial Plan has therefore a key role in ensuring that the Council achieves its corporate priorities.

11 Financial Implications

- 11.1 The financial implications are set out within the body of the report.
- 11.2 Members should note that the budgets against which we have monitored the 2012/13 provisional outturn were those agreed within the Council's Medium Term Financial Plan. The Medium Term Financial Plan gave careful consideration to both the affordability of the budgets that were approved, and to ensuring that the level of balances remained adequate for purposes of enabling sound financial management. The fact that the outturn position for 2012/13 indicates that these financial targets have been achieved, gives the Council a firm foundation from which to achieve the service delivery and financial targets approved within the current Medium Term Financial Plan.

12 IMPLICATIONS

- 12.1 Financial: As outlined in the report
Legal: None
Human Resources: None

13 RECOMMENDATIONS

- 13.1 That Members note the report and in particular the financial outturn position in respect of 2012/13

General Fund

- 13.2 It is recommended that for 2013/14 and future years that budget managers are required to seek approval from SAMT to use any resources held in earmarked reserves, grants unapplied accounts or holding accounts. The budget manager will be required to complete a standard form and submit their proposal for approval to the Strategic Alliance Management Team (SAMT). As part of each quarterly budget monitoring the amounts approved by SAMT will be reported to Executive in a summary appendix.
- 13.3 That the budget carry forward requests totalling £62,390 as detailed on Appendix B are approved as a transfer from the "General" earmarked reserve to a "budget carry forward" earmarked reserve and be drawn down into the 2013/14 budget by the Accountancy Section as required by the relevant budget manager.
- 13.4 That Executive agree and refer to Council for approval the proposed reductions set out in detail on Appendix B to the base budget in 2013/14 and future years of the current MTFP of £178,210 which reflects ongoing savings that may be made as identified from the outturn position of 2012/13.

Housing Revenue Account

- 13.5 That Executive approves the proposed HRA transfers to earmarked reserves and balances:
- An increase in the transfer to the Major Repairs Reserve of £0.445m from £1.118m to £1.563m. With this proposed transfer the Major Repairs reserve will have a balance of £1.885m at 31 March 2013.
 - An amount of £0.752m is transferred to the HRA balances.

Capital Programme

- 13.6 That Members approve the proposed carry forward of capital budgets detailed in Appendix D totalling £3.006m.

Treasury Management

- 13.7 That Members note the prudential borrowing undertaken in 2012/13 of £4.907m to meet the temporary financing arrangements for Project Horizon and that the borrowing will be repaid as soon as the budgeted capital receipts are received in 2013/14.

Further Reporting

- 13.8 That this report is forwarded to the Audit and Budget Scrutiny Committees for their consideration.

REASON FOR DECISION TO BE GIVEN IN ACCORDANCE WITH THE CONSTITUTION

To inform Cabinet of the outturn position in respect of the 2012/13 financial year

ATTACHMENTS: Y
FILE REFERENCE:
SOURCE DOCUMENT: Held in Finance

**BOLSOVER DISTRICT COUNCIL
GENERAL FUND 2012/13**

APPENDIX A

Description	A	B	C	D	E	F	G
	Revised Budget £	Grant and Reserve Adjustments £	Adjusted Revised Budget £	Actual £	Variance £	Budget Carry Forward Request £	Budget Savings Proposed £
General Fund							
Chief Executive	2,217,843	-72,174	2,145,669	2,027,362	-118,307	2,630	-10,000
Corporate Resources	3,694,006	0	3,694,006	3,475,472	-218,534	0	-42,000
Development	2,069,509	-302,335	1,767,174	1,548,577	-218,597	0	-47,510
Health and Wellbeing	1,790,610	-22,715	1,767,895	1,615,315	-152,580	23,360	-22,700
Neighbourhood	3,756,069	-4,482	3,751,587	3,548,878	-202,709	36,400	-56,000
Recharges to HRA and Capital	-3,331,320	0	-3,331,320	-3,331,320	0	0	0
Total Net Expenditure	10,196,717	-401,706	9,795,011	8,884,284	-910,727	62,390	-178,210
Minimum Revenue Provision (MRP)	403,617		403,617	399,574	-4,043		
Interest	184,672		184,672	251,093	66,421		
Financial Asset Impairment - Iceland	0		0	52,057	52,057		
	10,785,006	-401,706	10,383,300	9,587,008	-796,292		
<u>Contributions to Reserves</u>							
General Reserve	112,211		112,211	112,211	0		
ICT Reserve	75,000		75,000	75,000	0		
Insurance Reserve	110,000		110,000	110,000	0		
Local Development Scheme	50,000		50,000	50,000	0		
Vehicle & Plant Reserve	36,000		36,000	36,000	0		
Transition Grant Reserve	1,408,693		1,408,693	1,929,596	520,903		
<u>Contributions from Reserves</u>							
General Reserve	-30,000		-30,000	-30,000	0		
Insurance Reserve	-75,000		-75,000	-75,000	0		
Local Development Scheme	-56,336		-56,336	-56,336	0		
Planning Delivery Grant Reserve	-35,701		-35,701	-35,701	0		
Transformational Reserve	-26,265		-26,265	-26,265	0		
Transition Grant Reserve	-463,000		-463,000	-463,000	0		
Vehicle and Plant Reserve	-4,000		-4,000	-4,000	0		
Transfer to unapplied grant accounts	-280,964	401,706	120,742	232,596	111,854		
Transfer re S106 (net movement)	-93,909		-93,909	-8,327	85,582		
	11,511,735	0	11,511,735	11,433,782	-77,953		
Parish Precepts	2,549,389		2,549,389	2,549,389	0		
Total Net Expenditure	14,061,124	0	14,061,124	13,983,171	-77,953		
Formula Grant	-5,531,336		-5,531,336	-5,531,336	0		
New Homes Bonus	-310,658		-310,658	-285,480	25,178		
Council Tax Freeze Grant	-180,052		-180,052	-180,760	-708		
Transition Grant	-1,929,596		-1,929,596	-1,929,596	0		
Council Tax	-6,174,854		-6,174,854	-6,174,854	0		
Misc Grants	-13,420		-13,420	-13,420	0		
Collection Fund Deficit	78,792		78,792	78,792	0		
Transfer to/(from) General Fund Balance	0		0	53,483	53,483		
Total Financing	-14,061,124	0	-14,061,124	-13,983,171	77,953		
Transfer to/(from) General Fund Balances	0	0	0	0	0		
General Fund Balances							
Balance brought forward 1 April	-1,389,250			-1,389,250			
Movement in Year	0			-53,483			
Balance carried forward	-1,389,250			-1,442,733			

BOLSOVER DISTRICT COUNCIL APPENDIX B
GENERAL FUND SUMMARY 2012/13

Code	Description	Revised Budget £	Actual £	Variance £	Main Variance	Budget Carry Forward	Identified Savings	Reason
Chief Executive Directorate								
G003	Reprographics (printing)	93,974	89,460	-4,514				
G005	Joint Chief Executive Officer	78,397	76,654	-1,743	Chairmans Duties (£2k)	2,630		
					Additional Grant Income (£95k), Salaries (£8k),			
G006	CEPT	266,231	140,355	-125,876	Operating costs (£16k), Grant Related (£6k)			
					Salaries (£19k), grant related (£5k), operating costs			Youth Parliament -£1k, Hired
G015	Strategy and Performance	270,438	230,856	-39,582	(£15k)			-9,000 Services -£5k, Publicity -£3k
G052	Human Resources & Payroll	339,709	311,003	-28,706	Training Expenses (£25k)			-1,000 overtime
G054	Electoral Registration	40,741	38,645	-2,096				
G055	Democratic Representation & Management	524,684	517,775	-6,909				
G056	Land Charges	5,284	6,769	1,485				
G057	District Council Elections	0	0	0				
G058	Democratic Services	275,677	294,664	18,987	Redundancy Pay +£34k, Salaries (£12k)			
G059	Solicitor to the Council	33,071	33,247	176				
G060	Legal Services	248,855	248,520	-335				
G086	Alliance	9,250	7,810	-1,440				
G116	Parish Council Elections	0	-213	-213				
G119	County Council Elections	0	15	15				
G129	Bolsover Apprenticeship Programme	31,532	31,432	-100				
G141	Bolsover Apprenticeship Prog - Phase 2	0	0	0				
G134	Referendum	0	370	370				
G154	ERDF Work for yourself	0	0	0				
G158	Police Commissioners Elections	0	0	0				
G168	Multi Functional Printers	0	0	0	Costs within reprographics			
		2,217,843	2,027,362	-190,481		2,630	-10,000	

BOLSOVER DISTRICT COUNCIL APPENDIX B
GENERAL FUND SUMMARY 2012/13

Code	Description	Revised Budget £	Actual £	Variance £	Main Variance	Budget Carry Forward	Identified Savings	Reason
Corporate Resources								
G001	Internal Audit Services	121,010	121,250	240				
G002	I.C.T.	708,835	669,926	-38,909	Software costs (£13k), Op costs (£19k)			software -£4k, Hired -£2k, leased
G014	Customer Contact Service	715,533	698,309	-17,224	salaries (£11k) Op costs (£6k)			-10,000 lines -£4k
G038	Concessionary Fares & TV Licenses	500	-8,397	-8,897	Overtime (£8k)			
G040	Corporate Management	146,025	140,491	-5,534	External Audit Fees			-2,000 External Audit Fees
G041	Non Distributed Costs	1,272,330	1,253,208	-19,122	contrib from other auths			
G042	Miscellaneous Expenses	9,000	43,862	34,862	Doubtful debt provisions			
G043	Joint Director of Corporate Resources	47,340	48,981	1,641				
G044	Financial Services	320,244	308,991	-11,253	Software cost (£4k) Op costs (£6k)			
G100	Benefits	27,504	19,054	-8,450	salaries (£20k) Op costs (£17k) grants £28k			-5,000 Misc exps
G103	Council Tax / NNDR	249,974	225,500	-24,474	salaries (£19k) Op costs (£5k)			
G104	Sundry Debtors	81,136	77,123	-4,013	Hired services agents fees			-3,000 Hired Services
G111	Shared Procurement Unit	25,506	21,084	-4,422	Operational costs			
G155	Customer Services	55,219	55,354	135				
G159	Council Tax Benefit Reforms	0	-69,118	-69,118	Grant not spent			
G161	Rent Rebates	-43,180	-56,810	-13,630	Subsidy settlement			-4,000 Subsidy
G162	Rent Allowances	5,620	-21,108	-26,728	Subsidy settlement / see G100 re grants			-18,000 OPHB
G163	Council Tax Benefits	-67,590	-68,455	-865				
G164	Support Recharges	-3,331,320	-3,331,320	0				
G165	The Arc ICT	19,000	16,227	-2,773				
		362,686	144,152	-218,534		0	-42,000	

BOLSOVER DISTRICT COUNCIL APPENDIX B
GENERAL FUND SUMMARY 2012/13

Code	Description	Revised Budget £	Actual £	Variance £	Main Variance	Budget Carry Forward	Identified Savings	Reason
Development								
G018	Public Conveniences	24,620	25,040	420				
G029	Markets	2,659	1,940	-719				
G034	Depot - South Normanton	0	0	0				
G035	Depot - Bolsover	0	0	0				
G050	Joint Director of Development	38,678	38,824	146				
G073	Planning Policy	303,773	235,053	-68,720	Local Plan Exps (£68k)			
G074	Planning Development Control	1,743	1,130	-613				
G076	Planning Enforcement	77,304	77,347	43				
G077	Planning Environmental Initiatives	0	0	0				
G079	Planning Services Mgmt & Admin	63,135	60,038	-3,097	Stationery and Postage		-1,010	Stationery -£760,Postage -£250
G080	Engineering Services (ESRM)	70,155	72,136	1,981				
G081	Drainage Services	3,300	2,710	-590				
G082	Tourism Promotion & Development	29,094	29,350	256				
G083	Building Control Consortium	117,490	128,584	11,094	Cleared deficit in year			
					Grant related (£21k), Grant Adj re 11/12 (£100k),			
G085	Economic Development	-45,160	-205,884	-160,724	Misc Receipts (£36k)			
G088	Derbyshire Economic Partnership	15,000	15,000	0				
G089	Premises Development	-18,540	-27,424	-8,884	Op costs (£6k), Rents (£2k)		-1,500	Electricity -£1k Advertising -£500
G090	Pleasley Vale Mills	-56,715	-106,848	-50,133	R&M (£8k) NNDR (£5k) Rents (£29k)		-22,000	NNDR -£2k Rental Income -£20k
G092	Pleasley Vale Electricity Trading	-6,440	-60,169	-53,729	Elec Costs (£13k), Equip (£4k), Income (37k)		-33,000	Equip £4k, Income £29k
G093	Sherwood Lodge	216,619	215,877	-742				
G095	Regeneration Mgmt & Admin	583,650	589,536	5,886				
G096	Building Cleaning (General)	64,036	57,047	-6,989	Salaries (£6k)			
G098	Security Services	0	0	0				
G099	Catering	6,000	4,946	-1,054				
G120	Strategic Housing Projects	0	0	0				
G121	Feasibility Studies / Development Briefs	33,660	33,660	0				
G127	Development Management & Admin	51,733	49,690	-2,043				
G131	Econ Dev - Project Off (Infrastructure)	184	0	-184				
G132	Planning Conservation	68,060	69,398	1,338				
G133	The Tangent Business Centre	-11,820	828	12,648				
G136	Econ Dev - Enterprise Coaching	0	0	0				
G137	Enterprise Academy	0	0	0				
G138	Sherwood Lodge Development	217,605	159,219	-58,386	Grant Related re disposal of site £58k			
G143	Housing Strategy	32,491	32,616	125				
G144	Enabling (Housing)	9,591	9,680	89				
G151	Street Lighting	3,000	1,554	-1,446				
G156	The Arc - Council Offices	75,528	21,951	-53,577	Overestimated operating costs for part year (£53k)			
G167	Facilities Management	43,690	5,728	-37,962	New cost centre - expenditure on FM not used			

**BOLSOVER DISTRICT COUNCIL
GENERAL FUND SUMMARY 2012/13**

APPENDIX B

Code	Description	Revised Budget £	Actual £	Variance £	Main Variance	Budget Carry Forward	Identified Savings	Reason
G169	Closed Churchyards	0	10,020	10,020	No budget. Exp had been charged to capital			No General Fund budget. Exp had 10,000 previously been charged to capital
G171	S106 Contributions	55,386	0	-55,386	Grant received to meet exp (£55k)			
		2,069,509	1,548,577	-520,932		0	-47,510	
Health and Wellbeing								
G010	Neighbourhood Management	124,745	113,487	-11,258	Grant related exp (£7k)			
G017	Private Sector Housing Renewal	102,800	90,952	-11,848	Operating Costs			
G020	Public Health	38,670	9,226	-29,444	Hardware (£10k)	12,500		
G021	Pollution Reduction	231,440	197,963	-33,477	Contaminated land grant related (£15k)			
G022	Health & Safety	64,260	58,646	-5,614				
G023	Pest Control	53,910	50,327	-3,583				
G025	Food Safety	145,780	142,090	-3,690				
G026	Animal Welfare	68,210	72,932	4,722				
G027	Emergency Planning	14,900	14,000	-900				-700 -£300 misc, -£400 telephones
G030	Street Trading	-50	-50	0				
G036	Environmental Health Management & Admin	95,716	155,408	59,692	Redundancy Payments +£58k			
G053	Licensing	-30,320	-44,721	-14,401				-4,000 -£4000 veh licences inc
G061	Bolsover Wellness Programme	-2,570	-8,862	-6,292	salaries (£23k), Op costs +£3, grants +£14k			
G062	Extreme Wheels	-3,438	-4,343	-905				
G063	Go Football	10,305	9,235	-1,070				
G064	Bolsover Community Sports Coach Scheme	40,561	28,248	-12,313	salaries (7k)			
G065	Parks, Playgrounds & Open Spaces	57,329	53,872	-3,457	R&M (£3k)			-3,000 -£3000 R&M
G066	Sports Development	122,162	102,788	-19,374	Op costs (£22k), Income £3k			-10,000 Individual schemes
G067	Culture and Heritage	44,203	25,005	-19,198	additional Income (£14k) Op costs (5k)			
G069	Kissingate Leisure Centre	115,116	116,502	1,386				
G070	Outdoor Sports & Recreation Facilities	30,229	28,386	-1,843				
G071	Creswell Leisure Centre	119,728	126,035	6,307				
G072	Leisure Services Mgmt & Admin	169,902	171,180	1,278				
G107	Home Improvement Agency	7,320	8,818	1,498				
G112	Frederick Gents School Community Use	-4,993	-10,862	-5,869		10,860		
G125	S106 - Percent for Art	38,523	8,328	-30,195	S106 grants utilised			
G126	S106 - Formal & Informal Recreation	0	0	0				
G139	Director of Health and Wellbeing	47,220	48,556	1,336				
G145	Handy Van Service	-800	-17,953	-17,153	Op Costs (£17k) Grant related exp (£20k), Op costs (£7k), Income			-5,000 misc exps
G146	Pleasley Vale Outdoor Activity Centre	66,849	55,719	-11,130	£16k			
G160	Clowne Leisure Centre	22,903	22,403	-500				
G170	S106 Outdoor Sports	0	-8,000	-8,000	Additional S106 income			
G172	S106 Affordable Warmth	0	0	0				
		1,790,610	1,615,315	-175,295		23,360	-22,700	

BOLSOVER DISTRICT COUNCIL APPENDIX B
GENERAL FUND SUMMARY 2012/13

Code	Description	Revised Budget £	Actual £	Variance £	Main Variance	Budget Carry Forward	Identified Savings	Reason
Neighbourhoods								
G007	Community Safety - Crime Reduction	52,848	51,656	-1,192	Misc exps		-500	Misc Exps
G008	Safer Stronger Communities	0	0	0				
G013	Community Action Network	228,606	214,417	-14,189	salaries (£4k), Op costs (6k), Income (£4k)		-2,500	Equip -1000k, Hired -£500, Inc -£1k
G024	Street Cleansing	384,573	358,224	-26,349	salaries (£19k) Op cost (£22k). Income adj £14k		-5,000	Var op codes
G028	Waste Collection	589,462	588,134	-1,328				
G032	Grounds Maintenance	535,844	509,702	-26,142	Equip (£27k)			
G033	Vehicle Fleet	740,168	714,614	-25,554	Fuel (£10k) Income (£16k)			
G045	Welfare Services	0	0	0				
G046	Homelessness	89,302	79,526	-9,776	Prevention (£5k) op costs (£4k)			
G048	Town Centre Housing	-19,000	-24,167	-5,167	Rents (£4k)		-3,000	Rents
G049	Repairs & Maintenance - GF	0	0	0				
G094	Joint Director of Neighbourhood Services	47,530	47,122	-408				
G097	Groundwork and Drainage Operations	46,571	42,456	-4,115	Misc Income			
G106	Housing Anti Social Behaviour	66,753	66,999	246				
G113	Parenting Practitioner	41,859	43,684	1,825				
G123	Riverside Depot	160,637	158,561	-2,076				
G124	Street Servs Mgmt & Admin	98,206	82,168	-16,038	contrib other auths (£15k)		-15,000	contrib other auths (£15k)
G128	Neighbourhoods Management & Admin	98,593	89,309	-9,284	salaries (£7k)			
G135	Domestic Violence Worker	13,391	13,400	9				
G142	Community Safety - CCTV	33,370	-3,063	-36,433	Additional contributions/op costs	36,400		Approved Carry Forward
G147	Waste Disposal	2,900	2,886	-14				
G148	Trade Waste	-18,746	4,652	23,398	£10k Income, Adj £13k			
G149	Recycling	-3,250	-43,368	-40,118	Op cost £18k, Income (£58k)		-30,000	Hired Services, Recycling Credits
G150	Waste Minimisation	2,000	510	-1,490				
G153	Housing Advice	7,886	8,518	632				
G166	Green Waste	556,566	542,938	-13,628	Salaries (£11k)			
		3,756,069	3,548,878	-207,191		36,400	-56,000	

BOLSOVER DISTRICT COUNCIL APPENDIX B
GENERAL FUND SUMMARY 2012/13

Code	Description	Revised Budget £	Actual £	Variance £	Main Variance	Budget Carry Forward	Identified Savings	Reason
Appropriations								
G953	Impairment of Financial Assets	0	52,057	52,057				
G911	Provision for Repayment of External Loan Interest	403,617	399,574	-4,043				
		184,672	251,093	66,421				
G909	General Reserve	112,211	112,211	0				
	ICT Reserve	75,000	75,000	0				
	Insurance Reserve	110,000	110,000	0				
	Local Development Scheme	50,000	50,000	0				
G909	Vehicle & Plant Reserve	36,000	36,000	0				
G909	Transition Grant Reserve	1,408,693	1,929,596	520,903				
	From Reserves							
	General Reserve	-30,000	-30,000	0				
	Insurance Reserve	-75,000	-75,000	0				
G909	Local Development Scheme	-56,336	-56,336	0				
G909	Planning Delivery Grant Reserve	-35,701	-35,701	0				
G909	Transformational Reserve	-26,265	-26,265	0				
	Transition Grant Reserve	-463,000	-463,000	0				
	Vehicle and Plant Reserve	-4,000	-4,000	0				
	Revenue Grants							
G937	SMGFB - Grant Movement	0	1,861,067	1,861,067				
G937	SMGFB - Grant Movement	0	-1,853,067	-1,853,067				
G909	Transfers to Reserves Grants etc	-65,481	224,596	290,077				
G909	Transfer from Reserves - Grants etc	-215,483	0	215,483				
G909	S106 Transfers to Reserves	0	7,044	7,044				
G909	S106 Transfers from Reserves	-93,909	-15,371	78,538				
G914	Revenue Support Grant	-16,775	-16,775	0				
G914	New Homes Bonus	-310,658	-285,480	25,178				
G914	Council Tax Freeze Grant	-180,052	-180,760	-708				
G914	Transition Grant	-1,929,596	-1,929,596	0				
G914	Right to Bid and Challenge Grants	-13,420	-13,420	0				
G915	Cont. from NNDR Pool	-5,514,561	-5,514,561	0				
G906	Collection Fund Deficit	78,792	78,792	0				
G913	Precept Demand from Collection Fund	-6,174,854	-6,174,854	0				
G928	Local Precepts	2,549,389	2,549,389	0				
G930	Transfer to/(from) General Fund Balance	0	53,483	53,483				
		-10,196,717	-8,884,284	1,312,433		0	0	
TOTAL		0	0	0		62,390	-178,210	

Housing Revenue Account

APPENDIX C

Description	A Revised Budget £	B Actual £	C Variance £
Expenditure			
Repairs and Maintenance	4,388,490	4,414,073	25,583
Supervision and Management	4,099,720	3,990,074	(109,646)
Special Services	653,350	538,764	(114,586)
Supporting People	775,980	726,490	(49,490)
Tenants Participation	89,320	84,268	(5,052)
Provision for Doubtful Debts	150,000	155,566	5,566
Housing Subsidy settlement for 2011/12	(5,390)	(5,389)	1
Debt Management Expenses	12,000	10,488	(1,512)
Total Expenditure	10,163,470	9,914,334	(249,136)
Income			
Rents	(18,371,000)	(18,345,756)	25,244
Garage Rents	(330,000)	(367,307)	(37,307)
Supporting People	(605,500)	(630,431)	(24,931)
Special Services	(264,040)	(322,026)	(57,986)
Leasehold Flats and Shops Income	(12,650)	(15,641)	(2,991)
Income - Repairs and Maintenance	(29,080)	(28,772)	308
Income - Supervision & Management/Rents/Rates/Taxes	(910)	(2,497)	(1,587)
Other Income	(250)	(1,714)	(1,464)
Total Income	(19,613,430)	(19,714,145)	(100,715)
Net Cost of Services	(9,449,960)	(9,799,811)	(349,851)
Appropriations			
Voluntary Debt Repayment	1,000,000	1,000,000	0
Interest Costs	3,410,190	3,331,700	(78,490)
Interest Income	(13,530)	(12,197)	1,333
Depreciation	2,132,600	2,114,672	(17,928)
Transfer to Major Repairs Reserve	1,118,600	1,563,536	444,936
Contribution to Insurance Reserve	50,000	50,000	0
Contribution from Insurance Reserve	0	0	0
Contribution to Capital Project Reserve	1,000,000	1,000,000	0
Net Operating (Surplus) / Deficit	(752,100)	(752,100)	0
HRA Balances			
Balance brought forward 1 April	(1,023,549)	(1,023,549)	
Movement in year	(752,100)	(752,100)	
Working Balance at End of Year	(1,775,649)	(1,775,649)	

APPENDIX D

Fund	CAPITAL PROGRAMME SUMMARY	Approved Programme 2012/13 £	Actual Outturn 2012/13 £	Variance 2012/13 £	Carried Forward requests 2013/14. £
	General Fund				
	Assets				
ASS	AMP - Riverside Depot	21,932	2,560	(19,372)	0
ASS	Taxi / Fleet Vehicle Testing	38,680	38,680	(0)	0
ASS	Clune Street Recreation Ground	15,004	2,378	(12,626)	0
ASS	AMP - Engineers	19,500	19,359	(141)	0
ASS	AMP - Sherwood Lodge	25,730	3,915	(21,815)	0
ASS	AMP - PV Lodges	99,918	71,722	(28,196)	72,700
ASS	AMP - Community Houses	2,049	0	(2,049)	0
ASS	Former South Norm CC - Land Purchase	20,000	20,300	300	0
ASS	AMP - Leisure Buildings	22,475	6,124	(16,351)	0
ASS	CCTV - Riverside Depot	23,350	23,311	(39)	0
		288,638	188,348	(100,290)	72,700
	Project Horizon				
HOR	ICT infrastructure - Project Horizon	445,500	363,483	(82,017)	82,000
HOR	Property Acquisitions	309,940	0	(309,940)	0
HOR	Clowne Campus - Acquisition Costs	3,848,000	3,848,000	0	0
HOR	Clowne Campus - Refurbishment	1,461,000	765,619	(695,381)	657,000
HOR	Sherwood Lodge Disposal	533,000	79,655	(453,345)	453,000
		6,597,440	5,056,756	(1,540,684)	1,192,000
	The Tangent				
SHI	Shirebrook Enterprise Centre	2,164,711	1,867,145	(297,566)	59,000
		2,164,711	1,867,145	(297,566)	59,000
	ICT Schemes				
ICT	ICT infrastructure	83,000	39,201	(43,799)	43,800
ICT	Fleet Management System	21,320	0	(21,320)	21,300
		104,320	39,201	(65,119)	65,100
	Leisure Schemes				
LEI	Playbuilder	8,000	0	(8,000)	8,000
LEI	Clowne Youth Focused Play Area	14,405	0	(14,405)	0
LEI	P Vale Outdoor Education Centre Ph 2	53,485	0	(53,485)	53,500
LEI	Pleasley Vale - retention amount	0	0	0	11,250
LEI	Gym Equipment - Creswell Leisure Centre	48,600	48,586	(14)	0
LEI	Bols Improv Play Pitches Initiative	8,693	0	(8,693)	0
		133,183	48,586	(84,597)	72,750
	Private Sector Schemes				
PS	Disabled Facility Grants	495,505	182,034	(313,471)	140,000
PS	Private Sector Decent Homes	36,334	19,598	(16,736)	16,700
PS	Portland Street Group Repair	236,905	107,005	(129,900)	27,600
PS	Group Repair (WT)	108,796	77,689	(31,107)	25,600
PS	Carr Vale Group Repair	0	1,919	1,919	2,400
PS	Group Repair New Houghton	15,003	109,705	94,702	6,000
PS	Byron Street Shirebrook	114,458	0	(114,458)	0
PS	Empty Property Grants	37,796	0	(37,796)	9,600
PS	New Houghton Renewal Area	202,309	0	(202,309)	202,300
PS	Pte Sector Project Officer	38,984	27,174	(11,810)	0
PS	Station Road Shirebrook	147,858	0	(147,858)	147,800
PS	Clowne Incubation Centre - 2 Station Rd	0	7,890	7,890	12,600
PS	Fuel Poverty Fund	0	2,150	2,150	0
PS	Shirebrook Master Plan - Premlin	29,500	14,240	(15,260)	0
PS	Regeneration Mgmt & Admin	19,320	0	(19,320)	0
		1,482,768	549,403	(933,365)	590,600
	Vehicles and Plant				
VEH	Van (OC) FD55 NMJ	22,367	22,097	(270)	0
VEH	Van (GM) FP55 VRV	21,637	21,367	(270)	0
VEH	Van (CAN AG05 LYW)	12,000	0	(12,000)	12,000
VEH	Van (Health FY53 DEU)	12,000	0	(12,000)	12,000
VEH	Van (Health FL05 JFE)	12,000	0	(12,000)	12,000
VEH	4 x Warden Cars FE06 KHU,KHW,KHV,KHT	7,280	7,205	(75)	0
VEH	3 Swingos	200,000	197,265	(2,735)	0
VEH	Refuse Vehicle VX55 CVA	140,000	0	(140,000)	140,000
VEH	Refuse Vehicle VX55 CVB	140,000	143,990	3,990	0
VEH	Tractor FJ55 UAL	35,000	0	(35,000)	35,000
VEH	8 x Hedgecutters (GM)	4,000	0	(4,000)	0
VEH	10 x Strimmers (GM)	5,000	0	(5,000)	0
VEH	1 x Luton Van (Leisure)	12,500	11,647	(853)	850
		623,784	403,571	(220,213)	211,850
	Total General Fund	11,394,844	8,153,011	(3,241,833)	2,264,000

APPENDIX D

Fund	CAPITAL PROGRAMME SUMMARY	Approved	Actual	Variance	Carried
		Programme	Outturn		Forward
		2012/13	2012/13	2012/13	requests
		£	£	£	2013/14.
					£
Housing Revenue Account					
HRA	Group Dwellings Safety Work	159,892	130,432	(29,460)	29,400
HRA	Housing Asset Management	42,950	31,171	(11,779)	0
HRA	External Wall Insulation	670,000	573,218	(96,782)	69,900
HRA	Window Replacement	12,113	7,365	(4,748)	4,700
HRA	Electrical Rewiring Decent Homes	171,885	95,081	(76,804)	76,800
HRA	Cavity Wall + Loft Insulation	60,000	35,644	(24,356)	21,100
HRA	External Door Replacements	221,167	221,351	184	0
HRA	Heating Upgrades	290,892	264,264	(26,628)	19,300
HRA	Environmental Works	65,818	15,798	(50,020)	50,000
HRA	Decent Homes - External	130,000	113,303	(16,697)	22,500
HRA	Kitchen Replacements - Decent Homes	320,000	283,239	(36,761)	36,700
HRA	Improvement towards tenants' aspirations	0	5,668	5,668	0
HRA	Tarran Preliminary Costs	18,935	0	(18,935)	18,900
HRA	Mobile Working	11,624	0	(11,624)	11,600
HRA	HRA New Build - Lang Junction	1,000,808	648,275	(352,533)	352,500
HRA	Regeneration Mgmt & Admin	200,000	200,000	0	0
HRA	Choice based lettings IT Scheme	50,000	47,344	(2,656)	2,600
HRA	1 Rose Ave Clowne - Fire	33,800	33,167	(633)	0
HRA	HRA New Build - Disturb Pyrms Lang J	100,000	73,926	(26,074)	26,000
Total HRA		3,559,884	2,779,245	(780,639)	742,000
TOTAL CAPITAL EXPENDITURE		14,954,728	10,932,256	(4,022,472)	3,006,000
Capital Financing					
General Fund					
	Specified Capital Grant	(507,691)	(380,079)	127,612	(140,000)
	Direct Revenue Financing	(21,175)	(23,311)	(2,136)	0
	Private Sector Contributions	(222,347)	(204,632)	17,715	(94,900)
	GOEM	(108,796)	(77,689)	31,107	(25,600)
	Prudential Borrowing	(7,865,582)	(4,907,500)	2,958,082	(211,000)
	Leasing	(99,884)	(99,255)	629	0
	Reserves	(285,500)	(286,681)	(1,181)	(65,780)
	External Grant	(2,249,169)	(1,869,295)	379,874	(8,000)
	Capital Receipts	(34,700)	(304,569)	(269,869)	(1,718,720)
		(11,394,844)	(8,153,011)	3,241,833	(2,264,000)
HRA					
	Major Repairs Allowance	(3,395,985)	(2,599,426)	796,559	(742,000)
	Insurance Reserve	(33,800)	(33,167)	633	0
	Private Sector Contributions	(130,099)	(146,652)	(16,553)	0
		(3,559,884)	(2,779,245)	780,639	(742,000)
TOTAL CAPITAL FINANCING		(14,954,728)	(10,932,256)	4,022,472	(3,006,000)
Checks		0	0	0	0

APPENDIX E

<u>Reserves and Balances</u>	Balance at 31 March 2012 £'000	Transfers Out 2012/13 £'000	Transfers In 2012/13 £'000	Balance at 31 March 2013 £'000
General Fund Balance	(1,389)	0	(54)	(1,443)
HRA Balance	(1,024)	0	(752)	(1,776)
Capital Receipts Reserve	0	0	(19)	(19)
Major Repairs Reserve	(805)	3,599	(4,679)	(1,885)
Revenue Grants Unapplied	(1,687)	444	(391)	(1,634)
Capital Grants Unapplied	(1,164)	302	0	(862)
<u>Earmarked Reserves</u>				
Area Based Grant/Working Neighbourhoods Fund	(2,055)	1,165	0	(890)
General	(346)	30	(113)	(429)
Historic Building	(9)	0	0	(9)
Insurance - GF	(250)	75	(110)	(285)
Insurance - HRA	(50)	44	(50)	(56)
IT and Office Equipment	(107)	138	(75)	(44)
Legal Costs	(33)	0	0	(33)
Local Development Scheme	(271)	57	(50)	(264)
New Build Reserve - HRA	0	0	(1,000)	(1,000)
Planning Delivery - Revenue	(168)	36	0	(132)
Transformational Reserve	(367)	26	0	(341)
Transition Grant Reserve	(527)	522	(1,929)	(1,934)
Vehicle Repair and Renewal	(103)	94	(36)	(45)
CD Joint Crematorium Reserve	(143)	40	0	(103)
Total Earmarked Reserves	(4,429)	2,227	(3,363)	(5,565)
TOTAL RESERVES	(10,498)	6,572	(9,258)	(13,184)

Treasury Management**Activity 2012/13****Capital Financing Requirement**

The key area of Treasury Management is the measurement and control of the overall debt position of the Council. This is calculated through the Capital Financing Requirement (CFR). The CFR calculates the Council's underlying need to borrow in order to finance its capital expenditure. The revised estimate of the CFR for 2012/13 and the actual outturn CFR are shown in the table below:

	Revised Budget 2012/13 £000	Actual Outturn 2012/13 £000
Capital Financing Requirement 1 April	112,713	112,713
Prudential Borrowing Gen Fund – Project Horizon	6,288	4,907
Prudential Borrowing General Fund Other Schemes	1,577	0
Prudential Borrowing HRA	0	0
Leasing Repayments	(110)	(132)
New Leasing Arrangements	0	101
Minimum Revenue Provision (MRP)	(404)	(399)
Movement on other debt – retentions	0	42
HRA Debt Repayment per business plan	(1,000)	(1,000)
Repayment of Allowable Debt	0	(392)
Capital Financing Requirement 31 March 2013	119,064	115,840

The overall position shows a net increase of outstanding debt of £3,127m in 2012/13. The increase relates to the temporary prudential borrowing required for Project Horizon £4.907m (until forecast capital receipts are received) and new finance leases for replacement vehicles £0.101m. The debt repayments are for finance leases £0.132m, minimum revenue provision £0.399m, the commencement of the repayment of the HRA settlement debt £1.0m and a repayment of Allowable debt £0.392m.

This last item relates to the Sale of Council Houses. Under the new HRA reforms when a Council dwelling is sold the Council is allowed to retain some of the capital receipts because it is carrying debt on each property following the HRA reforms settlement. It is called the Allowable Debt calculation. It is advisable that the retained receipt element for Allowable Debt is actually utilised to repay the debt outstanding on the sold houses otherwise the Council is carrying debt where it has no asset.

The Capital Financing requirement is split between the HRA and General Fund the balance of each is shown below:

Capital Financing Requirement at 31 March 2013	£000
General Fund	16,294
Housing Revenue Account	99,505
Other debt – retentions	41
Total CFR	115,840

From the HRA CFR the Council is able to calculate the “headroom” available which is the gap between the HRA debt ceiling set by the Government when the HRA reforms were introduced. This is shown in the table below:

HRA “Headroom” calculation	£000
Housing Revenue Account – Debt Ceiling	112,350
Housing Revenue Account CFR 31 March	99,505
Headroom at 31 March 2013 =	12,845

The above table shows that the Council’s HRA has a headroom figure of £12.845m at 31 March 2013.

How the CFR is funded.

As mentioned above the CFR is the Council’s underlying need to borrow to finance capital expenditure. To finance the CFR the Council utilises external borrowing, finance leases and its own reserves and balances. The position as at 31 March 2013 is as follows:

	£000
Capital Financing Requirement 31 March 2013	115,840
Financed from	
External Borrowing via PWLB	107,100
External Borrowing via Leasing arrangements	173
Use of internal balances and reserves	8,567
Total Financing of CFR	115,840

The table above shows that the Council is effectively under borrowing by £8.6m at 31 March 2013. This means that no debt charges are being incurred on £8.6m of borrowing but also means that the £8.6m is not invested in the money market. However, the cost of borrowing from the PWLB would incur interest charges that are higher than the investment interest foregone.

PWLB Borrowing

The Council’s total outstanding PWLB debt amounted to £107,100,000 at 1 April 2012. During 2012/13 no principal repayments were made nor were any new loans taken out with the PWLB. The profile of the outstanding debt is analysed as follows:

PWLB BORROWING Term	Maturity Profile 31 March 2012 £	Maturity Profile 31 March 2013 £
12 Months	0	2,000,000
1 - 2 years	3,000,000	1,000,000
2 - 5 years	2,000,000	2,000,000
5 - 10 years	12,700,000	12,700,000
Over 10 year	89,400,000	89,400,000
Total PWLB Debt	107,100,000	107,100,000

PWLB Interest

The interest cost to the Council of the PWLB debt for 2012/13 is £3,696,450. The cost is split within the accounts between the HRA and General Fund based on the level of debt outstanding.

Temporary Borrowing

Cash flow monitoring and management serves to identify the need for short term borrowing to cover delays in the receipt of income during the course of the year. During 2012/13 no short term borrowing was undertaken by the Council and therefore no interest charges were incurred.

Temporary Investments

The table below details the short term investments made at various times during the year of 2012/13. Please note the Iceland investment is not included in the table below:

Bank Name	Amount Invested 2012/13 £000	Amount Returned 2012/13 £000	Balance Invested 31 March 13 £000
Santander	3,200	(3,200)	0
Bank of Scotland	32,500	(27,600)	4,900
Money Market Funds	31,350	(31,150)	200
Total	67,050	(61,950)	5,100

From the table above it can be seen that the balance invested by the Council at 31 March 2013 is £5.1m. Interest earned from temporary investments during 2012/13 amounted to £33,932.45.

Iceland Investment update

The Council invested £2m in the Icelandic bank Landsbanki on 18 December 2007 and a further £1m in the same bank on 16 May 2008. In October 2008 the Icelandic banking system collapsed and the Landsbanki bank along with others went into administration. Since then the Association of District Councils have undertaken action on behalf of the UK Councils to recover the funds for all UK Councils who had invested in Iceland. The Council qualifies as a priority creditor and as such is expected to see the return of the full investment plus interest in due course. To date the Council has received payments that equate to 49.65% of the principal and interest due and the remaining 50.35% is currently anticipated to be received in instalments over the next 7 years (2013 to 2019).

Overnight Balances

The balance of any daily funds is retained in the Council's general account with the Co-Operative Bank. Following the Treasury Management advice received from Sector, officers aim to minimise the balance retained in this account each day. No interest is received on the balances held in this account.

Compliance with Treasury Limits

During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

	Actual in year 2012/13 £000	Set Limits 2012/13 £000
Authorised Limit (total Council external borrowing limit)	117,008	125,426
Operational Boundary	112,008	120,426

Committee:	Executive	Agenda Item No.:	8
Date:	2 nd September 2013	Status	Open
Subject:	Medium Term Financial Plan		
Report by:	Director of Corporate Resources,		
Other Officers Involved	Assistant Director – Accountancy and IT. Chief Accountant		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

All.

VALUE FOR MONEY

This report is intended to ensure that the Council has in place an appropriate framework for agreeing and managing the budget. A robust budget process is an essential foundation for securing Value for Money.

1 Purpose of Report

- 1.1 To update the Council's Medium Term Financial Plan to reflect development since the Plan was agreed in the February of 2013. While the information provided within this report effectively serves to commence the budget process in respect of 2014/15 it should be noted that further work will be necessary before Members are in a position to agree the detailed budget in respect of next year. Although further work on developing and agreeing budgets remains to be undertaken the overall level of resources that will be available to fund the 2014/15 budget is relatively clear and is sufficiently robust to utilise as the basis for decision making.

2 Background.

- 2.1 The Council has successfully completed its financial accounts in respect of 2012/13 although the outcome of the external audit will not be known until the end of September. The Council has again secured a balanced budget in respect of 2012/13 while delivering a small improvement in the level of general balances. Although the Council has successfully protected and improved its financial

position over the last few years it will need to continue to operate against the background of significant reductions in the level of central government funding. The recent announcements by central government concerning the level of funding that will be available in future years under the 2013 Comprehensive Spending Review has confirmed that pressure will continue to reduce local government funding on an ongoing basis. One of the purposes of this report is to update the Council's MTFP to reflect the latest details regarding future levels of government funding. The details include some indicative figures concerning the level of grant for individual local authorities in respect of 2015/16.

- 2.2 Since February 2013 the Council has taken further steps to reduce its underlying level of expenditure and to increase the income available to support expenditure. These steps have included a reduction in budgets in the light of the 2012/13 outturn, together with the implementation of a number of efficiency measures previously agreed by Executive. Officers have continued to manage the position in respect of vacancies and it is recommended that where savings are identified whilst posts are in the process of being recruited to etc that the resultant savings should be removed from budgets. In the first instance such savings will be removed from operational budgets by the Accountancy team subject to the agreement of SAMT with any resultant savings being reported to Executive through the budget monitoring process.
- 2.3. While the Council's financial position has been successfully managed over the initial period of government expenditure cuts arising from the Comprehensive Spending Review of Autumn 2010 Members have consistently recognised that the position needs to be actively managed. In particular to protect the Council's financial position it would be a significant advantage if the Council were able to implement the majority of its savings measures prior to the commencement of the financial year in which the savings concerned are required. This both allows the in year savings to be achieved in full while the savings in the previous financial year are available to assist in funding the costs of restructuring such as redundancy. In agreeing the current MTFP Executive took the view that the Council should by September 2013 have plans agreed that would ensure that by the end of the 2013 calendar year all the measures necessary to secure a balanced budget in respect of 2014/15 were fully implemented. This approach is in line with that set out in the Council's Business Plan to support its case for retaining Efficiency Grant. This report summarises the progress in achieving that objective.

3. Comprehensive Spending Review 2013.

- 3.1. While on the basis of the currently approved MTFP the Council faces a difficult financial position that position has become more challenging following a range of developments since the agreement of the current MTFP in the February 2013. While work is ongoing to secure the required level of savings officers are of the view that on the basis of progress made to date that the budget will be balanced by the year end. There is, however, an increase in the level of savings that needs to be secured from that detailed in the current MTFP over the following two financial years. While a considerable amount of further work needs to be completed before a budget can be agreed in respect of future financial years the table given below does give a realistic indication at a summary level of the scale of the issues that Bolsover District Council is facing:

	2013/14	2014/15	2015/16
	£000's	£000's	£000's
Current Approved Position (Cumulative Shortfall see 2.4 above)	884	1,608	1,726
Projected Financial Position (Cumulative shortfall see Appendix 1)	0	810	1,560

The table provided in Appendix 1 to this report sets out the detail underlying the summary position as outlined above.

- 3.2. One of the key factors underlying this revision of the Council's position is that a consultation process around the Local Government Finance Settlement 2014-15 and 2015-16 has been commenced with the end date for responses set at 2nd October. Within this consultation the following indicative details have been provided:
- The Government has provided exemplifications concerning the level of Revenue Support Grant and Non Domestic Rate funding in respect of both 2014/15 and 2015/16. While these are not final figures it is not anticipated that they will change significantly from those which the Government are consulting on.
 - With regard to 2014/15 the Consultation documentation indicates that the Council will see a reduction in Government funding through grant and non domestic Business rates of some £60,000. This reflects the Government's decision in the budget of 2012 to reduce local government expenditure by a further 1% in respect of next year. In respect of 2015/16 there is a more significant reduction amounting to £0.622m. In overall terms District Councils have seen a central funding reduction of some 15% with the position at Bolsover reflecting the national situation. Within the February 2013 version of the MTFP the grant loss had been assumed as one of 5%. Although the overall reduction in funding for local authorities is one of just in excess of 10% the position in respect of the actual level of Government funding has been compounded by the fact that the Government has recognised a range of new burdens facing local government which have been funded from within the existing grant pool. These new burdens are essentially all County Council and Unitary authority functions therefore this reallocation of funding does not result in any benefit for District Council's.
- 3.3. Another Government Consultation paper has been issued in respect of New Homes Bonus with consultation concluding on the 19th September. The main principle which has been outlined in the consultation paper is that part of the funding arising from New Homes Bonus should be transferred to the Local Economic Partnership (LEP) with effect from 2015/16. Given that Bolsover is a Member of two LEP's the funding would be split between the Sheffield and the Nottinghamshire – Derby LEP (N2D2). In addition to consulting on this proposed redistribution of New Homes Bonus to LEP's the Government is also consulting on the method of calculating the basis on which NHB funding will be transferred. Under one alternative the first 20% of the funding would come entirely from County Council's with all County Council's losing their current allocation. In this case District Council's would lose approaching 20% of their

total NHB which would amount to some £0.150m in respect of Bolsover. In the second exemplification the transfer of NHB to the LEP would come from both County and District's in a two tier area. On the basis of this mechanism Bolsover would lose some 35% of its NHB amounting to some £0.270m. Given that these proposals are currently only out to consultation the figures provided within this report assume a reduction in funding of £0.150m which is at the lower scale of the potential loss.

- 3.4. Finally, there is a third consultation paper "Proposals for the Use of Capital Receipts from Asset Sales to Invest in Reforming Services" which consults on the principle that in certain cases it be allowed that capital receipts be used to pay for the revenue costs of reforming, integrating or restructuring services, provided that the receipts are used to implement measures which will secure long term revenue savings. Having considered this particular consultation paper officers views are that it is unlikely if implemented to have any significant practical impact upon Bolsover District Council.
- 3.5. With regard to the Council's response to these consultation processes it is proposed that we support national lobbying – including responses – from bodies such as the Local Government Association and the Association of District Councils. Accordingly it is proposed that delegated powers are granted to the Chief Executive in consultation with the Leader of the Council to determine an appropriate response to the Governments consultation papers in the light of interests of Bolsover District Council and the lobbying that is undertaken by the wider local government sector.

4. National Non Domestic Rates.

- 4.1. One of the reforms introduced at the outset of the current financial year concerned the localisation of National Non Domestic Rates. At the time of setting the budget in respect of 2013/14 the Council adopted a prudent policy in its assumptions regarding the level of income that would arise in respect of 2013/14. Further work has suggested that the current budget assumption could be increased by a figure of some £100,000 in respect of this year, with a similar increase being factored in for future financial years. In addition it would seem reasonable to assume a further uplift of £50,000 in respect of both 2014/15 and 2015/16. While there are clearly significant opportunities for increasing income as a result of growing business rate income the majority of the growth continues to go to central government with 20% going to both the District County and to the County Council (including Fire Authority). It also needs to be understood that while business rate income does tend to be buoyant over time as a result of economic growth and inflation these positive factors are offset by decline in certain sectors of the economy, by applications for empty property or small business rate relief and by factors such as increases in the number of premises which are eligible for charitable relief, etc.
- 4.2. While Non Domestic Rates will be an increasingly important part of the Council's revenue streams it needs to be noted that – as outlined above – it is quite a volatile source of income. In addition to the issues outlined above there is a large volume of outstanding appeals nationally by the commercial sector against the current valuation back to the date of the commencement of the current valuation list (2010). While part of the costs of any successful valuation

appeal will go back to the Government and the County Council, some will fall upon the District Council. Officers have made an appropriate provision within the Non Domestic Rates collection account for the anticipated impact of such appeals. Given the volatility of the NDR income stream officers have been working over the last few months in order to secure a better understanding of the potential risks and opportunities. As part of this work we have identified several organisations who are offering to provide software to both help to analyse the valuation list in order to improve forecasting, and to identify opportunities from within the valuation database to increase NDR revenue. The improvement in the level of revenues would flow from helping the authority to encourage growth (eg by providing easily accessible details of empty properties), by ensuring that the rating list is accurate and contains every hereditament while it reflects and reflecting the correct values of existing commercial properties in the District. Executive should, however, note that this will entail increasing the charge to some local businesses which is likely to generate some concerns amongst those adversely affected. It will, however, help to ensure a level playing field for all local businesses.

- 4.3. Having considered the options which are available to the Council officers have come to the view that the most appropriate way forward would be to utilise a solution offered by the Institute of Revenues Rating and Valuation IRRV) in partnership with a software company Inform. This partnership is offering a Revenue Forecasting and Retention Software solution at an initial cost of £5,000 per annum. Where the analysis is able to identify an uplift in the rateable values then the Council would pay 10% of the first year's savings to the IRRV / Inform Partnership. Given that this Council only receives some 20% of the increase in rateable value this is a significant cost, however, without the software officers are of the view that it is unlikely that this potential increase in revenue would be secured. While the increased revenue is anticipated to exceed the associated costs in certain cases, however, particularly those relating to Small Business Rate Relief the Council would be required to grant rate relief which would offset any additional income arising from the uplift in Rateable Value. Despite these potential offsetting reductions in income officers are of the view that overall the proposals will increase the level of income to both this Council and to the preceptors such as Derbyshire County Council.
- 4.4 Acquisition of this software would provide the Council with improved information on which to base its future assumptions concerning the level of business rate income. Accordingly once the software is in place we will revise our forecast level of Non Domestic Rating income accordingly. Given that the utilisation of this software will improve the Council's income stream from Non Domestic rates it is recommended that this be funded from Efficiency Grant.

5. Update on Savings Target 2013/14

- 5.1. In agreeing the Council's budget in respect of the current financial year (2013/14) the Council was seeking to address a savings target of some £0.884m. Of this £0.884m some £0.615m of savings opportunities were agreed by Council for implementation. A further £0.269m consisted of savings opportunities which still needed to be identified. Progress in achieving the agreed savings targets is set out in the sections below.

5.2. The savings that were agreed in respect of 2013/14 are set out in the table below with the second column detailing the savings achieved to date. In the sections below the table a brief narrative outlining the progress that has been made in each of the areas concerned is provided:

	2013/14 £000's	Achieved to Date £000's	Forecast Year End £000's	2014/15 £000's	2015/16 £000's
Anticipated Budget Shortfall	884	884	884	1,608	1,726
Vacancy Management	(100)	(55)	(100)	(75)	(75)
Leisure Services	(60)	(15)	(30)	(60)	(60)
Street Scene (Green Bins and Garage)	(75)	(60)	(69)	(75)	(75)
BDC / NEDDC Secondments	(100)	(85)	(110)	(150)	(200)
One Off Director Secondment Income	(100)	-	(100)	(0)	(0)
Property Rationalisation Savings	(100)	(19)	(40)	(100)	(80)
Fees and Charges Review	(80)		(20)	(80)	(80)
Reductions in Budgets (2012/13 Year End Exercise)	-	(168)	(168)	(168)	(168)
Increase in NDR Income	-	(100)	(100)	(100)	(100)
Government Funding reduced in line with Consultation proposals	-	-	-	10	672
Savings to be Achieved	(269)	(382)	(147)	(810)	(1,560)

- Vacancy Management:** With regard to vacancy management a target of some £0.1m has been agreed for 2013/14. Given that the Council is also seeking to save a significant sum by way of secondments and managers are increasingly of the view that every post needs to be filled, these savings are being achieved by way of options such as vacancy 'drag', by maternity leave and by individual members of staff seeking periods of unpaid leave. At this stage of the financial year Officers are of the view that some £55,000 of savings have been identified and can be removed from budgets. Officers are currently in the process of implementing a process which will remove these savings from management budgets as they are achieved thus safeguarding such savings in order to meet corporate targets.
- Leisure Services:** The Leisure Services team are currently in the process of developing and delivering a strategy to reduce the level of subsidy provided by the Council that is necessary to support Leisure facilities in order for them to break even. At this stage Leisure have measures in place which should achieve the agreed target of £60,000 savings in a full financial year, although the savings achieved in the current financial year will fall below this figure.
- Street Scene:** The savings from Green Bins and Garage reorganisation had been approved by Council and have been implemented. At this point in time it is anticipated that the proposals will deliver on going savings of some £69k initially with the full target of £75k secured over time.
- BDC/ NEDDC Secondments:** A report that was agreed by the Council at its meeting of March 2013 provided formal agreement to proposals to secure a

range of secondments between this Council and our Strategic Alliance Partner North East Derbyshire. The measures already in place will secure savings of some £85,000 and it is anticipated that further measures will be identified during the course of the year which will as a minimum achieve the full £100,000 of targeted savings.

- **One Off Director Secondment Income:** This is performance related income to be earned by the Director of Development in respect of work for a neighbouring authority. While Bolsover District Council has successfully completed its element of the work the other authority involved needs to successfully complete its role before payment is secured. The position will be kept under review. While this particular income is a one off Executive should note that officers will pursue similar opportunities for income generation should they arise.
- **Property Rationalisation Savings:** This is the final element of the £200k savings to be achieved in respect of the move from Sherwood Lodge to Clowne. Officers are currently working to secure these savings from a combination of further income together with the identification of efficiencies.
- **Strategic Income Review:** The work in respect of the Strategic Income review has now largely been completed and the position is set out elsewhere within this report.

5.3. The table above summarises that progress that has been made in securing the original targeted £0.615m of savings. While further savings of some £0.117m remain to be identified in respect of the current financial year this essentially reflects the delays and the costs of implementing the necessary changes and it would be appropriate to change some of the associated restructuring costs against efficiency grant. In addition the Council has identified opportunities from reducing budgets as a result of the 2012/13 outturn and from recognising an increased level of income from Non Domestic Rates. While further work is necessary the majority of the measures necessary to balance the 2013/14 budget are in place and it would be reasonable to assume that a balanced budget will be secured by the year end. Executive should, however, note that it will be necessary to charge the costs of the associated restructuring against the Efficiency Grant in 2013/14. Given that these costs are essentially related to redundancy payments and thus will secure on going savings for the Council in respect of both 2013/14 and future financial years this is considered to be an appropriate use of Efficiency Grant which is intended to assist the Council make the transition to operating within the context of a significant reduction in the level of central government financial support.

5.4. As outlined above work on the spending patterns in respect of 2012/13 undertaken as part of the process of closing that year's accounts has identified some £0.178m where it has proved possible to reduce budgets. Detailed work by officers subsequent to the Executive report has indicated that the actual level of savings that can be removed from budgets has been reduced slightly to one of £0.168m. These budget changes have been implemented across the period of the MTFP. As part of the process of preparing the 2014/15 detailed budgets officers will seek to identify further potential budget reductions for consideration by Members. While the ongoing reductions in non employee budgets has proved to be an important means of securing financial savings over the past few years it

needs to be recognised that there is now very little slack in the Approved Budget, and that if a situation arises where either expenditure increases or income falls in year then it will be very difficult to find offsetting budget savings without the use of financial reserves.

- 5.5. The anticipated financial impact of the changes outlined above is incorporated within the financial summary table provided at Appendix 1.

6. Addressing the Identified Shortfall in Respect of the Medium Term Financial Plan.

- 6.1. While this report represents the first stage of updating the Council's MTFP in order to allow Members to agree a budget in respect of 2014/15 the work undertaken to date confirms the understanding of the position as set out in the MTFP of February 2013. While further work will clearly refine the financial forecasts there is a well established and robust picture that emerges. In the first place the budget in respect of 2013/14 should be balanced by the end of the financial year with the full savings target of £0.884m secured. Executive will, however, recognise that the forecast position in respect of both 2014/15 and 2015/16 will require some restructuring of the Council during the current financial year. It is anticipated that these costs of restructuring will be met from Efficiency Grant.
- 6.2. In respect of both 2014/15 and 2015/16 there is, however, an overall projected shortfall of some £1.6m over the two years. Given the scale of the issues which face the Council there is an agreed strategy of implementing the necessary measures to balance the 2014/15 budget by the end of the 2015 calendar year. This requires that Members agree a programme of measures for implementation over the next two months. The measures that are recommended at this stage are set out below.
- 6.3. The Council's Chief Executive will be taking a report to a future meeting of the Strategic Alliance Joint Board. That report will set out a range of options for achieving further savings from the Strategic Alliance. Subject to the agreement of the Joint Committee, the Chief Executive's proposals will then be referred to the Council at both Authorities for consideration.
- 6.4. Arising out of the underspends it is proposed that a piece of work be undertaken to review all budgets. This will be undertaken in a similar format to the Quarterly Directorate meetings with an enhanced element of independent challenge. The purpose of these meetings will be to identify and agree potential options for reducing non staffing budgets. Although significant savings have already been secured from non staffing budgets these savings have only been taken where there is evidence that the budgets have not been spent in previous financial years. This approach will provide a changed emphasis with a challenge to the reasonableness of budgets even when those budgets have been fully utilised in previous financial years. In effect it will enable a light touch base budget review.
- 6.5. Officers have commenced work to complete a stock condition survey of the Council's non housing assets and will seek to use this as a means of reducing the revenue burden on the Council. Efforts will be made to reduce the number of properties held by the Council while where it is intended to retain assets officers

will seek to maximise the associated rental income. One area where the first quarters monitoring process has identified some potential adverse financial costs is in respect of the Tangent where the current economic situation has left demand below the level assumed within the Business Plan. Further work is currently underway to optimise income and to reduce expenditure in order to minimise any potential impact upon the budget in future financial years.

- 6.7. The Council in conjunction with our Strategic Alliance partner North East Derbyshire District Council has undertaken a significant level of work in the development of an Income Strategy. It is anticipated that specific proposals arising from this project aimed at increasing the level of income to the Council will be brought to the next meeting of this Executive. While it is anticipated that an increase in the budgeted levels of income of £80,000 can be achieved this is unlikely to be fully achieved until future financial years. In addition Officers are of the view that a further increase of some £50,000 can be achieved in respect of future financial years.
- 6.8. While there are a range of options that can be pursued it does need to be recognised that the Council has already secured over the past few years the easier options as a means of achieving its savings targets and accordingly it will be extremely difficult to deliver the range of savings that are necessary to meet the target over the next two financial years. Given that the Council needs to achieve savings of some £0.844m to balance next years budget the following targets give an indication of the level of savings that will need to be achieved.

Options to be Pursued	£000's
Strategic Alliance / Budget Reviews	500
Asset Rationalisation	50
Income Generation	50
Potential Savings	600

While the options indicated above do not deliver the scale of savings that are required they do make a major contribution to that target and accordingly it would seem appropriate that they are pursued at this stage with further measures to be considered as appropriate. Given that both the Strategic Alliance savings and the Budget Reviews are likely to be aimed at securing savings predominantly from back office services it would seem appropriate that a combined target is set in respect of this area of work.

7 Risk Management

- 7.1 The recommendations outlined within the report are intended to promote cost effective Council services and as such will help to mitigate the Strategic Risks of service deterioration / failure, whilst supporting the Council's drive to maintain its underlying level of expenditure within the declining level of resources available to the Council.
- 7.2. A key issue which has been covered both during this report and previous reports is that of the increasing level of risk associated with the financial position and operation of local authorities. This increased level of risk impacts upon both the income and expenditure of local authorities. These are set out below:

- In the first place the Government is implementing a programme of reducing the level of central government funding for local authorities. The scale of these reductions is such that the Council is unlikely to be in a position to identify new or additional income streams to compensate for the loss of Government Grant. As a result the Council has and will be required for a number of years to reduce its underlying level of expenditure every year. The associated restructurings and reorganisation inevitably bring with them an increased risk of service failure or the weakening of internal control arrangements.
- With regard to income the Government's localism agenda places increasing emphasis upon local authorities generating their own income from Non Domestic Rates, New Homes Bonus or other locally raised income. While these income streams are capable of generating additional income to offset the reduction in Government Grant they are all potentially volatile sources of income. To the extent to which local authorities are depended upon these income streams there is clearly a greater risk of income levels falling below agreed budgets.

7.3. Given the link between the level of risk and the level of financial balances it has been considered appropriate to review the Council's financial Risk Register and this is set out in Appendix 2. On the basis of the issues identified within this report the Financial Risk Register indicates a level of risk in the region of £2.0m. This is a significant increase over the level of £1.6m identified in the February of 2013 while the level of risk is in excess of the Council's level of General Fund balances which stand at a figure of £1.4m.

7.4. Although the level of financial risk is above the level of General Fund balances the only realistic approach is to mitigate the risk by reducing the level of deficit that the Council is facing in respect of the 2014/15 and 2015/16 financial year. The projected level of the 2014/15 deficit would take our level of General Fund balances to a less than £0.5m which is significantly below the Council's agreed minimum level of balances at £1m. In reality a level of balances at that level when further savings are required in 2015/16 is an unsustainable position. While this is clearly a difficult financial situation it should be recognised that this is no worse than the position which has faced the Council over the last three to four financial years.

8 Policy and Performance

8.1 The recommendations within this report are aimed at ensuring the effective operation of Council services against a background of an ongoing reduction in the level of central government resources.

9 Issues for Consideration

9.1 These are set out in section 3 to 6 above.

10 Implications

Legal Implications

The Council has a legal duty to secure a balanced budget in each financial year. Given that this report seeks to improve the accuracy of our current forecast in respects of both 2014/15 and 2015/16 and to recommend approaches to address the identified deficit it is part of the process of ensuring that the Council continues to comply with its requirement to balance the budget.

Financial Implications

Financial issues and implications are covered throughout the report.

Human Resources

None

Recommendations

1. That Executive note the position as set out within the report and refer the report to Audit and Governance Committee for its consideration.
2. That Executive notes that the Director of Corporate Resources in consultation with SAMT will reduce management budgets to reflect vacancy delays and other employee savings with such reductions to be reported to Executive as part of the budget monitoring process.
3. That the Chief Executive in consultation with the Leader of the Council be given delegated authority to respond to the Government consultation papers in respect of the Local Government Finance Settlement 2014/15 and 2015/16 and that in respect of New Homes Bonus.
4. That the Council acquires the IRRV / Inform "Analyse Local" package at a cost of £5,000 plus 10% of the additional income arising from the analysis undertaken of the valuation list within the District, with the fixed element of the costs to be met from Efficiency grant.
5. That Executive agree to amend the forecast shortfall in respect of both 2014/15 and 2015/16 to reflect the position as set out within this report.
6. That Executive endorses the approaches set out in section 6 above as appropriate measures to secure financial savings to address the identified budget shortfall in respect of 2014/15 and 2015/16.

Reasons for Recommendations

To ensure that the Council is in a position to operate its services effectively within the context of approved budgets.

SUMMARY OF CHANGES IMPACTING ON MTFP.

	2013/14	2014/15	2015/16
	£000's	£000's	£000's
Currently Approved Position – Shortfall	884	1,608	1,726
2013/14 Savings Measures inc ongoing impact	(499)	(540)	(570)
Reduction in Budgets	(168)	(168)	(168)
Increase in Locally Generated NNDR	(100)	(100)	(100)
Savings to be Achieved	(117)	0	0
Current Position – Shortfall	0	800	888
Other Issues			
Reduction in Government Grant		60	622
Further Increase in Locally Generated NNDR (Growth Agenda)		(50)	(100)
Transfer of New Homes Bonus to LEP's		-	150
Forecast Position Shortfall / (Surplus)	0	810	1,560

GENERAL FUND RISK REGISTER

Risk and Mitigation in Place	Gross Value of Risk £000's	Probability	Potential Impact £000's
<p>1. Overspend on challenging revenue budgets.</p> <ul style="list-style-type: none"> ➤ The financial information system and budget monitoring arrangements are robust. The Council has a good record of managing spending against budgets. ➤ Regular monitoring reports will be taken to Cabinet and Audit Committee. ➤ Elected Members have a good awareness of the Council's budget position. ➤ The development of the current budgets has been based upon the active engagement of cost centre managers. 	1,000	25%	250
<p>2. Reduction in Government Grant, NNDR or loss of other income above the budgeted level incorporated within the MTFP</p> <ul style="list-style-type: none"> ➤ Income Budgets have been established on a prudent basis. ➤ The position on income levels will be monitored as part of the Council's routine monitoring procedures. 	500	40%	200
<p>3. Inability to achieve assumed level of savings for 2014/15 to 2015/16.</p> <ul style="list-style-type: none"> ➤ Regular reports will be taken to Executive, Council and Audit Committee. ➤ The Council has a good record of achieving savings during both 2011/12 and 2012/13. 	810	40%	320

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £000's
<p>4. Overspend on Capital Programme or underachievement of capital receipts leads to a charge against the Revenue Position</p> <ul style="list-style-type: none"> ➤ The revenue framework outlined above will also govern the position in respect of the Capital Programme. ➤ The Council has agreed a general principle of not entering into capital commitments unless the resources required to fund those commitments have been secured. 	1,000	25%	250
<p>4. Developers will have discretion to go the Planning Inspectorate rather than submit major planning applications to the Council should the Council be unable to meet timescales on major planning applications, or as a result of successful appeals against refusal to grant planning permission</p> <ul style="list-style-type: none"> ➤ Officers will strengthen processes to minimise the risk of major planning applications being determined outside of targeted dates. ➤ Work will be undertaken with the Planning Committee to further strengthen the decision making process. 	200	20%	40
<p>5. Costs of Restructuring the Organisation to achieve budget savings necessary to continue to operate within our underlying level of resources.</p> <ul style="list-style-type: none"> ➤ The Council has a good record of minimising costs by using natural wastage / turnover wherever appropriate. ➤ The Council has access to Efficiency Grant to cover such costs. 	2,000	25%	500
<p>6. A major Business Continuity Issue arises.</p> <ul style="list-style-type: none"> ➤ The Council has in place Business Continuity Plans and Insurance Arrangements which are intended to address these risks. ➤ Previously in exceptional 	2,000	5%	100

circumstances Central Government has provided financial support to authorities in these circumstances.			
Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £000's
7. Increased cost of Welfare Reform including Council Tax Benefit as a result of increasing costs not being fully covered by additional government grant, or from the proposed reforms to the service. <ul style="list-style-type: none"> ➤ Budgets have been established on a prudent basis. ➤ The Council has taken a proactive role in respect of welfare reform and should be in a good position to identify issues as soon as they emerge. 	500	50%	250
8. An increase in employee costs associated with a national pay award or with changes in local terms and conditions. <ul style="list-style-type: none"> ➤ The Council is of the view that its budget includes appropriate provision for any pay award or other increase in employee costs. 	500	20%	100
Calculated Potential Financial Impact of Identified Risks			2,010

Committee:	Executive	Agenda Item No.:	
Date:	30 th September 2013	Status	Open
Subject:	Budget Monitoring Report, Quarter 1 – April to June 2013		
Report by:	Assistant Director – Accountancy and IT.		
Other Officers Involved	Chief Accountant, Principal Accountant.		
Director	Director of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

All.

VALUE FOR MONEY

This report is intended to demonstrate that the Council has in place an appropriate framework for managing the budget. Robust budget management is an essential foundation for securing Value for Money.

1 Purpose of Report

- 1.1 To update the Executive Committee on 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.

2 Background Information

- 2.1 Officers have continued the integrated approach to budget monitoring in the first quarter with Performance, Risk and Finance being considered together at Directorate meetings held during July 2013. The scope of this report is therefore to report the current financial position following the 2013/14 quarter one monitoring exercise as part of the wider exercise which has considered Finance, Performance and Risk.

3 Issues for Consideration

General Fund Revenue Account

3.1. The General Fund Revenue Account summary is shown as **Appendix 1**. The original budget for 2013/14 included a savings target of £0.884m. The current budget now shows that this target is reduced to £0.347m which means that the Council has secured budget savings of £0.537m in the first quarter of the year. The budget savings which have been secured of £0.537m are distributed to the appropriate services where they are now part of the service budgets. With regard to the £0.347m where further work is ongoing that remains separately identified as part of the Savings Programme. It should be noted that the approved budget reductions arising from the under spend recorded in 2012/13 (£0.168m) have now been fed into the budget as well as the updated retained NNDR figure (£0.155m). Officers have also reduced the salary budgets where savings in the first quarter have been identified (£0.037m). All these measures have helped to secure the required level of savings. The MTFP report of 2 September 2013 provided a detailed update against each of the savings programme items.

3.2. Within the main Directorates there is a mixed picture to report.

- The Chief Executives Directorate shows a favourable variance of £0.017m. This relates mainly to some additional grant income received for Individual Electoral Registration (£0.006m) and under spends in the training budget (£0.015m). There are a number of other small variances throughout the Directorate. There are no budget pressures to report.
- The Corporate Resources Directorate shows a favourable variance of £0.028m. These favourable variances are spread over a number of cost centres throughout the Directorate. There are no budget pressures to report.
- The Development Directorate has a favourable variance at quarter 1 of £0.018m. This figure is a net position and reflects the following:
 1. Planning Fee income is above the profiled budget by £0.085m.
 2. Pleasley Vale facilities maintenance expenditure is £0.024m below the profiled budget.
 3. Sherwood Lodge – net cost £0.010m above the profiled budget (general running costs are above the estimated position – reflecting that the sale of the asset was anticipated to be completed earlier in the financial year). Any further delays to the sale will increase the operating cost to the Council.
 4. The Tangent Business Hub – expenditure is £0.047m above the profiled budget. The Council's current NNDR liability for the year on the Tangent is £0.093m which is £0.057m above the budgeted amount for the year. The actual rental income for quarter one is £0.003m some £0.019m below the forecast sum for the first quarter. These increased costs reflect the low number of tenants occupying the building at the end of the first quarter. Officers are seeking a rating revaluation and additional tenants have been secured since the first quarter. The position will continue to be closely monitored. In addition there is some mitigation in the current year as a proportion of the net running costs is grant funded however this

grant funding expires in December and the Council will have to meet the full running costs from that point onward.

5. Other variances within the Directorate are not significant nor considered a budget pressure to the Council.

- The Health and Wellbeing Directorate shows an adverse variance of £0.030m. The Environmental Health service shows as an over spend of £0.020m at the end of the first quarter. Officers are working to address a small number of identified issues and are anticipating that a balanced position will be secured by the year end. There are a few areas within the leisure budgets where income is behind the profiled budget and officers are carefully monitoring this position. At this stage officers within leisure do not anticipate that these areas will develop into budget pressures for the Council.
- The Neighbourhoods Directorate shows a favourable variance of £0.004m which is spread over a number of cost centres. There are no budget pressures to report.

3.3 Interest rates are remaining very low which is impacting on the level of interest earned on invested balances. On the basis of current interest rates Members should note there is an anticipated reduction of actual investment income received against the budgeted income position. Officers are continuing to monitor the position and will update Members regarding these potential cost pressures as part of the next quarters monitoring report.

3.4 Section 106

In order to improve the monitoring and control of Section 106 monies received by the Council the sums due to be utilised in a financial year are now recorded within the General Fund directorate budgets and the expenditure against these sums is recorded as part of the monitoring of service expenditure. The sums due for utilisation in 2013/14 amount to £0.800m and expenditure at the first quarter is £0.240m.

General Fund Summary

3.5 The overall position at the end of quarter 1 shows that there is a small overall adverse variance of £0.014m which at this stage of the year is very positive and indicates that the Council is in a good position to deliver the necessary savings in order to balance its budget for 2013/14. A limited number of budget pressures have been identified and officers will continue to monitor and address the position on these during the next quarter.

Housing Revenue Account (HRA)

3.6. The Housing Revenue Account in respect of the first quarter of 2013/14 is set out in **Appendix 2** to this report.

Income

3.7. The quarter 1 income figures do not show any significant variances. Officers are aware that the supporting people income received is better than estimated (£0.030m qtr 1). The overall HRA income position shows a favourable variance of £0.018m above the budgeted position for quarter 1.

Expenditure

- 3.8. Expenditure within each of the operating areas of the HRA shows under spends in the first quarter. There are therefore no budget pressures to report at this stage of the year on the HRA. It is likely that the under spends will continue during the year until the Stock Condition survey is completed giving detailed property by property information. The Survey is expected to commence in September and will be completed by December 2013. Officers will then be in a position to determine any back log repairs and maintenance issues and plan the long term work schedules for the total stock over the 30 year period of the HRA Business Plan. The only monitoring item to note is in respect of Mobile Working Software support costs where an increased cost of £30k is now anticipated. Consideration will also need to be given to the replacement of the handsets currently being used (cost being investigated). These are, however, relatively small variations and it is anticipated that these costs will be managed within the overall approved budget for the HRA.
- 3.9. Interest costs are anticipated to be lower than the original budget as the HRA borrowing is below the budgeted level at this stage of the year while interest rates remain at a very low level. .
- 3.10 In the light of the above and the expenditure patterns to date – as detailed in Appendix 2 - there are no significant issues to report regarding the overall position for the HRA at the end of the first quarter.

Capital Investment Programme

Capital Expenditure

- 3.11. The first quarter monitoring position in respect of the Capital Programme is provided in **Appendix 3** to this report. The original programme was approved at £9.439m. The capital programme shown in Appendix 3 has only been updated with some of the slippage and carry forwards from 2012/13; this is where contractual obligations have required a budget allocation.
- 3.12 In headline terms the capital programme profiled budget for quarter 1 is £1.384m and the actual spend and known commitments total £0.881m, which is £0.503m behind the planned spend position. The main areas to highlight are listed below:
- Clowne Campus – this scheme is now coming to the end and officers anticipate significant savings against the approved budget.
 - Sherwood Lodge disposal – a delay in forecast disposal date.
 - Disabled Facilities Grants – the actual spend against the approved grants is currently below profile.
 - Fuel Poverty Fund – the scheme was completed at a lower level of expenditure than the grant approval.
 - Vehicle Replacement – the replacement vehicles are on order in many areas and expenditure is anticipated to take place during the second and third quarter of the financial year.
 - HRA – New Houghton – no expenditure has been incurred on this scheme during the first quarter.

- 3.13. The capital programme has been profiled for a low level of expenditure during the first quarter. However, the actual expenditure on schemes in the first quarter is £0.503m below that profile with a number of the budgets carried forward from 2012/13 not yet included within the Approved Programme at this stage. Whilst there are no significant financial issues to report regarding Capital Expenditure at the end of the first quarter it must be noted that the delivery of the approved capital programme is behind the forecast position as at quarter 1. Officers will continue to monitor the position and to the extent to which expenditure cannot be brought back into line with the Programme then it will be necessary to revise the Approved Programme accordingly.

Capital Resources

- 3.14. HRA - The Council has sufficient capital resources in place to finance the HRA actual expenditure and commitments at the end of the first quarter.
General Fund – The financing of the General Fund part of the capital programme is in line with the approved financing arrangements. The lower spend position does mean that lower prudential borrowing has been undertaken than forecast for the first quarter of the financial year. During the first quarter the Council received the outstanding capital receipt in respect of the sale of land at Shirebrook.

Treasury Management

- 3.15. The treasury management function covers the borrowing and investment of Council money. This includes both the management of the Council's day to day cash position and the management of its long term debt. All transactions are conducted in accordance with the Council's approved Treasury Management strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 3.16. The Council approved the 2013/14 Treasury Management Strategy at its meeting in March 2013. **Appendix 4** details the Treasury Management activity undertaken during the first quarter of 2013/14.

4 Legal Aspects

- 5.1 There are no legal issues arising directly from this report.

5 Risk Management

- 5.1 The issue of Financial Risks 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 there are will be pressures on all of the Council's main budgets as these have been or are being reduced to minimum levels, and that these will need to be managed carefully during the course of this financial year if we are to secure a balanced budget and protect the existing levels of financial balances.

6 Policy and Performance

- 6.1 This report is intended to monitor progress in achieving the objectives set out within the Medium Term Financial Plan, this in turn being linked to the full range of the Council's Corporate Strategies. The achievement of the targets set out in the Medium Term Financial Plan is therefore crucial for achieving against a range of key policy issues.

7 Financial Implications

- 7.1 Financial issues and implications are covered in the relevant sections throughout this report. In summary these are:

General Fund

The savings target is now reduced from £0.884m to £0.347m at the end of the first quarter.

The monitoring position shows a small net adverse variance position in the first quarter of £0.014m. There are a number of budget pressures being highlighted which are being carefully monitored and may increase the costs to the Council later in the financial year. In overall terms, however, Officers are of the view that the Council is well placed to secure the full level of General Fund savings of £0.884m by the year end.

HRA

The HRA is showing a net under spend of £0.338m in the first quarter and is expected to outturn in line with the approved budget.

Capital Expenditure

There are no significant areas of concern to report regarding the Capital Programme in the first quarter of 2013/14. The main issue relates to the delivery of the approved programme in the financial year given that a relatively low level of expenditure has been achieved in the first quarter of the year.

Capital Income

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.

Treasury Management

There are no significant areas of concern to report regarding Treasury Management activities in the first quarter of 2013/14.

8 Equalities Issues / Human Resources Implications / Environmental Considerations

8.1 There are no equalities, human resource or environmental implications arising directly out of this report.

9 Crime and Disorder/ Community Safety Implications

9.1 There are no crime and disorder or community safety implications arising directly out of this report.

10. Recommendations

10.1 That Executive notes the monitoring position of the General Fund at the end of the first quarter as detailed on Appendix 1 (A net adverse variance of £0.014m against the profiled budget) and the key issues highlighted within this report.

10.2. That Executive notes the position on the Housing Revenue Account (HRA), the Capital Programme and Treasury Management at the end of the first quarter.

10.3. That Executive requests officers to continue to actively manage all budgets to ensure that savings targets are achieved by the year end and that the Council operates within Approved Budgets in respect of the General Fund, the Housing Revenue Account and the Capital Programme.

11 Reasons for Recommendations

11.1 To inform Executive of the position on the Council's budgets at the end of the first quarter of the 2013/14 financial year.

Background Papers

Location

Held in Accountancy

Room

**BOLSOVER DISTRICT COUNCIL
GENERAL FUND 2013/14**

APPENDIX 1

Description	GF Summary £	Savings Achieved £	Current Budget £	Qtr 1 Budget £	Qtr 1 Actual £	Variance £
General Fund						
Chief Executive	2,178,404	(126,766)	2,117,519	586,763	569,655	(17,108)
Corporate Resources	3,790,423	(19,377)	3,801,115	1,052,552	1,024,615	(27,937)
Development	1,775,817	(67,262)	1,763,183	660,826	642,890	(17,936)
Health and Wellbeing	1,484,697	(38,942)	1,473,516	423,111	453,654	30,543
Neighbourhood	3,716,380	(125,658)	3,640,120	850,354	846,693	(3,661)
Recharges to HRA and Capital	(3,344,400)		(3,344,400)	(836,100)	(836,100)	0
Provision for Pay Award	83,455		83,455	20,864	0	(20,864)
<u>S106 Expenditure due in year</u>						
Development	0		330,136	239,785	239,785	0
Health and Wellbeing	0		469,847	0	0	0
<u>Savings Programme</u>						
Vacancies savings	(100,000)	54,904	(45,096)	0	0	0
Leisure Savings Clowne	(60,000)	0	(60,000)	0	0	0
Street Scene	(50,000)	35,858	(14,142)	0	0	0
Director Secondment	(100,000)	0	(100,000)	(25,000)	0	25,000
Secondments and joint working NEDDC	(100,000)	84,622	(15,378)	0	0	0
Property Rationalisation	(100,000)	0	(100,000)	(25,000)	0	25,000
Garage Fleet Review	(25,000)	25,000	0	0	0	0
Other Savings (inc Leisure)	(80,000)	67,535	(12,465)	0	0	0
Unidentified Savings	(269,342)	269,342	0	0	0	0
Total Net Expenditure	8,800,434	159,256	9,987,410	2,948,154	2,941,192	(6,962)
Minimum Revenue Provision (MRP)	647,516		647,516	161,879	161,879	0
Interest Received	(129,108)		(129,069)	(32,267)	(11,171)	21,096
Interest Paid	347,327		347,289	86,822	86,822	0
						0
	9,666,169	159,256	10,853,146	3,164,588	3,178,722	14,134
<u>Contributions to Reserves</u>	247,850		247,850	61,963	61,963	0
<u>Contributions from Reserves</u>						
General Reserve	39,340		0	0	0	0
Insurance Reserve	-83,455	83,455	(51,430)	(51,430)	(51,430)	0
Local Development Scheme	0		0	0	0	0
Planning Delivery Grant Reserve	0		(50,000)	(12,500)	(12,500)	0
Transformational Reserve	(21,135)		(23,443)	(5,861)	(5,861)	0
Transition Grant Reserve	(28,334)		(28,334)	(7,084)	(7,084)	0
Vehicle and Plant Reserve	(251,567)	19,000	(235,982)	(58,996)	(58,996)	0
	0		0	0	0	0
Transfer to unapplied grant accounts	(12,432)		(91,435)	(22,859)	(22,859)	0
Transfer re S106	0	(24,751)	(826,976)	(239,785)	(239,785)	0
	9,556,436	236,960	9,793,396	2,828,037	2,842,171	14,134
Parish Precepts	2,144,612		2,144,612	536,153	536,153	0
Council Tax Support Grants	434,978		434,978	108,745	108,745	0
Total Net Expenditure	12,136,026	236,960	12,372,986	3,472,935	3,487,069	14,134
Revenue Support Grant	(3,842,732)		(3,842,732)	(960,683)	(960,683)	0
Business Rates Retention	(2,556,500)	(155,079)	(2,711,579)	(677,895)	(677,895)	0
8.5% limitation Grant	(16,359)		(16,359)	(4,090)	(4,090)	0
New Homes Bonus 11/12	(117,312)		(117,312)	(29,328)	(29,328)	0
New Homes Bonus 12/13	(193,346)		(193,346)	(48,337)	(48,337)	0
New Homes Bonus 13/14	(169,639)	(21,669)	(191,308)	(47,827)	(47,827)	0
Council Tax Freeze Grant	0		0	0	0	0
Council Tax Freeze Grant 13/14	(30,649)		(30,649)	(7,662)	(7,662)	0
Transition Grant	0		0	0	0	0
Council Tax - BDC	(3,064,877)		(3,064,877)	(766,219)	(766,219)	0
Council Tax - Parishes	(2,144,612)		(2,144,612)	(536,153)	(536,153)	0
Misc Grants	0		0	0	0	0
Collection Fund Deficit	0		0	0	0	0
New Burdens Grant	0	(60,212)	(60,212)	(60,212)	(60,212)	0
Transfer from General Fund Q1 re - profiling	0		0	(334,529)	(334,529)	0
Total Financing	(12,136,026)	(236,960)	(12,372,986)	(3,472,935)	(3,472,935)	0
Transfer to/(from) General Fund Balances	0	0	0	0	14,134	14,134

Housing Revenue Account

APPENDIX 2

Description	Full Years Budget £	3 months Budget £	3 months Actuals £	3 months Variance £
Expenditure				
Repairs and Maintenance	4,432,250	1,108,063	947,281	(160,782)
Supervision and Management	4,493,010	1,123,253	1,021,351	(101,902)
Special Services	688,210	132,053	99,602	(32,451)
Supporting People	772,470	193,118	181,417	(11,701)
Tenants Participation	88,060	22,015	16,992	(5,023)
Provision for Doubtful Debts	150,000	37,500	37,500	0
Debt Management Expenses	12,000	3,000	3,000	0
Total Expenditure	10,636,000	2,619,000	2,307,143	(311,857)
Income				
Rents	(19,517,400)	(4,879,350)	(4,831,091)	48,259
Garage Rents	(300,000)	(75,000)	(73,477)	1,523
Garage Site Rents	(30,000)	(7,500)	(36,004)	(28,504)
Supporting People	(605,500)	(151,375)	(181,104)	(29,729)
Special Services	(264,000)	(66,000)	(63,269)	2,731
Leasehold Flats and Shops Income	(12,650)	(3,163)	(684)	2,479
Income - Repairs and Maintenance	(14,000)	(3,500)	(18,760)	(15,260)
Income - Supervision & Management/Rents/Rates/Taxes	(400)	(100)	33	133
Other Income	(12,040)	(3,010)	(3,108)	(98)
Total Income	(20,755,990)	(5,188,998)	(5,207,464)	(18,467)
Net Cost of Services	(10,119,990)	(2,569,998)	(2,900,321)	(330,324)
Appropriations				
Voluntary Debt Repayment	2,000,000	500,000	500,000	0
Interest Costs	3,452,580	863,145	855,533	(7,612)
Depreciation	2,132,600	533,150	533,150	0
Transfer to Major Repairs Reserve	1,183,620	295,905	295,905	0
Contingency for Inflation	31,830	7,958	7,958	1
Contribution to Insurance Reserve	50,000	12,500	12,500	0
Contribution to Capital Project Reserve	1,250,000	312,500	312,500	0
Net Operating (Surplus) / Deficit	(19,360)	(44,840)	(382,775)	(337,935)

Fund	CAPITAL PROGRAMME SUMMARY	APPENDIX 3			
		Full Years Budget £	3 months Budget £	3 months Actuals £	3 months Variance £
General Fund					
Assets					
ASS	AMP - PV Lodges	61,820	15,455	38,340	22,885
ASS	Asset Management Plan - Subject to Exec Approval	494,980	0	0	0
ASS	CCTV - Riverside Depot	53,733	25,000	24,411	(589)
		610,533	40,455	62,751	22,296
Project Horizon					
HOR	ICT infrastructure - Project Horizon	23,400	23,400	18,630	(4,770)
HOR	Bolsover Mini Hub	2,433,000	0	480	480
HOR	Clowne Campus - Refurbishment	657,493	250,000	179,823	(70,177)
HOR	Sherwood Lodge Disposal	453,345	113,336	26,521	(86,815)
		3,567,238	386,736	225,455	(161,282)
ICT Schemes					
ICT	ICT infrastructure	158,000	39,500	42,611	3,111
ICT	Fleet Management System	23,560	23,560	23,560	0
		181,560	63,060	66,171	3,111
Leisure Schemes					
LEI	Playbuilder	8,000	8,000	7,505	(495)
LEI	Clune Street Recreation Ground	12,626	3,157	0	(3,157)
LEI	Bols Improv Play Pitches Initiative	34,242	34,242	31,820	(2,422)
		54,868	45,399	39,325	(6,073)
Private Sector Schemes					
PS	Disabled Facility Grants	365,000	91,250	34,635	(56,615)
PS	Private Sector Decent Homes	16,736	4,184	0	(4,184)
PS	Fuel Poverty Fund	152,570	152,570	78,283	(74,287)
		534,306	248,004	112,918	(135,086)
Vehicles and Plant					
VEH	Refuse Vehicle (VX55 CVA)	140,000	140,000	139,002	(998)
VEH	Refuse Vehicle (VE07 ENT)	140,000	0	0	0
VEH	Refuse Vehicle (VE07 ENU)	140,000	0	0	0
VEH	Van Streetscene (YN56 HFW)	60,000	0	0	0
VEH	Van (R & M YP56 VFZ)	18,000	0	0	0
VEH	Van (R & M DY56 OFB)	18,000	0	0	0
VEH	Van (R & M YS56 LYG)	10,000	0	0	0
VEH	Pick up Streetscene	22,000	0	0	0
VEH	8 x Hedgecutters (GM)	4,000	0	0	0
VEH	10 x Strimmers (GM)	5,000	0	0	0
		557,000	140,000	139,002	(998)
Total General Fund		5,505,505	923,654	645,621	(278,032)
Housing Revenue Account					
HRA	Group Dwellings Safety Work	150,000	25,000	0	(25,000)
HRA	Housing Asset Management	38,000	9,500	7,744	(1,756)
HRA	External Wall Insulation	0	0	6,043	6,043
HRA	Window Replacement	5,000	1,250	2,906	1,656
HRA	Electrical Rewiring Decent Homes	210,000	52,500	8,307	(44,193)
HRA	Cavity Wall + Loft Insulation	10,000	2,500	0	(2,500)
HRA	External Door Replacements	1,000,000	50,000	39,230	(10,770)
HRA	Heating Upgrades	35,000	25,000	27,098	2,098
HRA	Environmental Works	50,000	12,500	5,895	(6,605)
HRA	Decent Homes - External	100,000	25,000	39,593	14,593
HRA	Kitchen Replacements - Decent Homes	250,000	62,500	30,291	(32,209)
HRA	Mobile Working	50,000	0	0	0
HRA	Regeneration Mgmt & Admin	200,000	50,000	50,000	0
HRA	HRA New Build - Disturb Pymts Lang J	5,000	1,250	0	(1,250)
HRA	HRA New Build - New Houghton	2,160,000	100,000	0	(100,000)
HRA	Sprinkler Systems	20,000	0	0	0
HRA	Soffit and Facia Replacement	75,000	0	0	0
HRA	Vehicle Tracking Devices	18,525	18,525	18,467	(58)
HRA	HRA New Build - New Houghton -Dist Payments	90,000	25,000	0	(25,000)
	Total HRA	4,466,525	460,525	235,573	(224,952)
TOTAL CAPITAL EXPENDITURE		9,972,030	1,384,179	881,195	(502,984)

Fund	CAPITAL PROGRAMME SUMMARY	APPENDIX 3			
		Full Years Budget £	3 months Budget £	3 months Actuals £	3 months Variance £
Capital Financing					
General Fund					
	Specified Capital Grant	(365,000)	(248,004)	(112,918)	135,086
	Private Sector Contributions	(221,303)	(11,157)	(7,505)	3,652
	Prudential Borrowing	(2,321,788)	(637,541)	(498,247)	139,294
	Section 106	(27,242)	0	0	0
	Reserves	(107,810)	(26,953)	(26,953)	0
	Capital Receipts	(2,462,362)	0	0	0
		(5,505,505)	(923,654)	(645,621)	278,032
HRA					
	Major Repairs Allowance	(2,216,525)	(335,525)	(235,573)	99,952
	Capital Project Reserve	(2,250,000)	(125,000)	0	125,000
		(4,466,525)	(460,525)	(235,573)	224,952
TOTAL CAPITAL FINANCING		(9,972,030)	(1,384,179)	(881,195)	502,984
	Checks	0	0	0	0

BDC Treasury Management update**Activity 2013/14****PWLB Borrowing**

During the current financial year no new loans have been taken out with the PWLB.

As at 1 April 2013 the Authority's total outstanding PWLB debt amounted to £107,100,000. The profile of the outstanding debt is analysed as follows: -

PWLB BORROWING	Maturity Profile 31 March 2013 £	Maturity Profile 30 June 2013 £
12 Months	2,000,000	2,000,000
1 - 2 years	1,000,000	1,000,000
2 - 5 years	2,000,000	2,000,000
5 - 10 years	12,700,000	12,700,000
10 - 15 years	23,400,000	23,400,000
Over 15 years	66,000,000	66,000,000
Total PWLB Debt	107,100,000	107,100,000

At 30 June 2013 no amounts have been repaid to the PWLB.

PWLB Interest

The interest cost to the Council of the PWLB debt for 2013/14 is shown in the table below. The cost is split between the HRA and General Fund based on the level of debt outstanding. Below is a table showing the amount of interest that has been paid to the PWLB for the current financial year.

Date	Amount Paid to PWLB £
Quarter 1 payments	323,187.50
Total Paid	323,187.50

Temporary Borrowing

Cash flow monitoring and management serves to identify the need for short term borrowing to cover delays in the receipt of income during the course of the year. During the current year to date short term borrowing from the Council's own bank incurred interest charges of £53.10. At the 30 June 2013 the Council had no temporary borrowing.

Temporary Investments

The tables below detail the short term investments to 30 June 2013 and interest earned in the first quarter of 2013/14.

Bank of Scotland

Counterparty Rating – 12 months		
Balance as 1 April 2013		4,911,335.1 1
The interest rate for Bank of Scotland is 0.5% until 21 April then 0.4% from 22 April on investments		
Interest Received Q1	5,451.58	
		4,911,335.1
Bank of Scotland balance at 30 June 2013		1

Ignis (Money Market Fund)

Counterparty Rating – 12 months			
Balance as 1 April 2013			200,000.00
Invested			
The interest rate for IGNIS is variable each day	02/04/2013	1,000,000.00	
	05/04/2013	500,000.00	
	10/04/2013	1,000,000.00	
	15/04/2013	2,200,000.00	
			4,700,000.00
Interest received			4,725.23
Withdrawn		0	
		0	
Ignis at 30 June 2013			4,904,725.2 3

BNP Paribas (Money Market Fund)

Counterparty Rating – 12 months			
Balance as 1 April 2013			0.00
Invested			
The interest rate for BNP Paribas is variable each day	17/06/2013	800,000.00	
	28/06/2013	1,600,000.00	
		2,400,000.00	
Interest received			175.34
Withdrawn		0	
		0	
BNP Paribas balance at 30 June 2013			2,400,175.3 4

Blackrock (Money Market Fund)

	Counterparty Rating – 12 months			
Balance as 1 April 2013				0
Invested				
The interest rate for Blackrock is variable each day	15/04/2013	3,700,000.00		
	29/04/2013	1,400,000.00		
	01/05/2013	1,700,000.00		
	13/05/2013	3,000,000.00		
	21/05/2013	1,000,000.00		
	03/06/2013	1,300,000.00		
	13/06/2013	500,000.00		
	17/06/2013	1,900,000.00		
		<hr/>	14,500,000.00	
Interest Received			820.25	
Withdrawn	19/04/2013	(3,000,000.00)		
	26/04/2013	(700,000.00)		
	30/04/2013	(1,400,000.00)		
	17/05/2013	(600,000.00)		
	20/05/2013	(1,500,000.00)		
	23/05/2013	(900,000.00)		
	28/05/2013	(1,500,000.00)		
	19/06/2013	(1,700,000.00)		
	24/06/2013	(200,000.00)		
	26/06/2013	(300,000.00)		
		<hr/>	(11,800,000.00)	
Blackrock at 30 June 2013			<hr/>	2,700,820.25

Interest Received

Below is a table showing the interest received from investments in the first quarter of 2013/14: -

Bank Name	Amount Received
Bank of Scotland	(5,451.58)
Ignis	(4,725.23)
Blackrock	(820.25)
BNP Paribas	(175.34)
Iceland Investments	0
Total	<hr/> (11,171.40)

Compliance with Treasury Limits

During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

	Actual to Date 2013/14	Authorised Limit Q1 2013/14
Authorised Limit (total Council external borrowing limit)	115,676,000	126,673,000
Operational Boundary	115,676,000	121,673,000

17th September 2013



Dear Sir or Madam

The Arc
High Street
Clowne
Derbyshire
S43 4JY

**AUDIT COMMITTEE – TUESDAY 24th SEPTEMBER
2013**

I refer to your recently circulated agenda for the above meeting and now enclose the following item:

Part One – Open Items

Agenda Item 5 - Reports of the External Auditor (KPMG)

Report to those charged with governance (ISA 260) 2012/13.
Pages 159 to 181.

Agenda Item 11- Reports of the Director of Corporate Resources

Key Issues of Financial Governance.
Pages 182 to 200

Agenda Item 13- Reports of the Director of Corporate Resources

Strategic Risk Register
Pages 201 to 210

Yours faithfully,

Chief Executive Officer

To: Chairman & Members of the Audit Committee

ACCESS FOR ALL

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Email enquiries@bolsover.gov.uk **Web** www.bolsover.gov.uk

Chief Executive Officer: Wes Lumley, B.Sc. F.C.C.A.



The Government Standard

Committee:	Audit Committee	Agenda Item No.:	5.
Date:	24 th September 2013	Status	Open
Subject:	Report to those charged with Governance (ISA 260) 2012/13		
Report by:	Director of Corporate Resources		
Other Officers Involved			
Director	Director of Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

All.

VALUE FOR MONEY

Effective financial governance arrangements are a key element in securing value for money across all Council Activities.

1 Executive Summary

- 1.1 The report to those charged with governance (ISA 260) 2012/13 which is attached as **Appendix** summarises the findings of KPMG the Council's External Auditors in respect of their 2012/13 audit.
- 1.2 The Committee are requested to note and consider Appendix 4 in particular, which sets out the Management Representation letter which the Chair of this Committee and the Chief Financial Officer will be required to sign on behalf of the Council.

3 Issues/Options for Consideration

- 3.1 See the attached ISA 260 from KPMG the Council's external auditors.

4 Financial Implications

- 4.1 There are no financial implications arising directly from this report.

5 Other Considerations (e.g. Legal, Human Resources, Environmental, Equalities, Crime and Disorder, Community Safety)

5.1 None arising directly from this report.

6 Recommendation

6.1 That the Audit Committee give its consideration to the attached report.

Committee:	Audit Committee	Agenda Item No.:	11.
Date:	24 th September 2013	Status	Open
Subject:	Key Issues of Financial Governance		
Report by:	Director of Corporate Resources		
Other Officers Involved	Assistant Director Finance and IT		
Director	Director of Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

All.

VALUE FOR MONEY

Effective financial governance arrangements are a key element in securing value for money across all Council Activities.

Executive Summary:

1. The Key Issues of Financial Governance report is intended to track progress in the implementation of previous recommendations from both External and Internal Audit and to inform the Audit Committee of progress in addressing those recommendations. It constitutes a standing item on all agendas of the Audit Committee.

Key Issues of Financial Governance – Main Report

2. The purpose of this report is to update Members of the Audit Committee with progress against the major issues where further progress or ongoing monitoring is required. In particular the report outlines issues raised by both External and Internal Audit in order to monitor progress in resolving any issues that have been identified and for evaluating the overall progress of the Council's financial governance arrangements. Within the body of the report officers have set out four issues which have been agreed by previous meetings to this Audit Committee to constitute Strategic Issues of Financial Government.

3. In addition to the Strategic Issues which are outlined below we now have details of the External Auditors (KPMG) report on the outcome of the 2012/13 Audit. The key messages which appear to emerge from the ISA 260 report are as follows:
- That the authority has significantly improved the quality of its published accounts and accounting arrangements during 2012/13. While the accounts are now clearly fit for purpose it is important that the improvement in our accounting arrangements is maintained and therefore it is recommended that the requirement to maintain and secure continued improvement on current standards remains a key strategic issue for the Audit Committee to monitor. While overall there is clearly a significant improvement in respect of the Council's accounts KPMG have recommended that action is taken to improve the timeliness and operation of existing management review procedures over the draft accounts.
 - The Council whilst maintaining good progress in protecting its financial resilience needs to move to address the identified shortfalls in respect of both 2014/15 and 2015/16. The External Auditors report concludes that "Looking ahead, the financial outlook remains challenging and the authority must continue to develop, implement and monitor savings plans."
 - The Council needs to complete its programme of work in respect of the management of contracts to ensure that all outstanding issues are satisfactorily resolved. While generally good progress has been made in both our accounting and financial management arrangements it remains the case that Internal Audit work has continued to identify too many areas where our existing internal control arrangements are classified as marginal. It is a key priority of the Council that we continue to progress work to secure improvements in Internal Control.
 - Finally, KPMG comment on the fact that the retirement of the Consortium's Head of Internal Audit is currently being addressed under Acting Up arrangements rather than by a permanent solution. The advice of External Audit is that a longer term solution is necessary to ensure that internal audit have adequate capacity.
4. From a review of the Appendices to this report it can be seen that the actions required to address the weaknesses identified in the Annual Governance Letter of September 2012, the Annual Audit Letter of October 2012, and the Interim Governance Report of June 2012 have been effectively addressed. While it is important that the Council continues to seek further improvements in its accountancy and internal control arrangements the major issues identified have been resolved. Accordingly it is important that the Key Issues of Financial Governance Report reflects this fact in order to enable it and the Audit Committee to focus on current risks and weaknesses. It is therefore proposed that Appendices 1 and 2 of this report do not appear on future versions of this report.

5. With regard to the Strategic Issues which are summarised below the table provides an outline of the issue and an update of the current position. Given that these are Strategic Issues the responsibility for addressing them rests with the Director of Corporate Resources and other members of SAMT. Resolution of the issues is also dependent upon securing the support of elected Members. The appropriate role for the Audit Committee would appear to be that of monitoring and evaluating progress and where appropriate securing further action from officers.

Key Issues of Financial Governance - Summary

6. While there remain issues for the Council to address as outlined within the External Auditor's report it is clear that the report is significantly better than those in respect of 2011/12 and 2012/13. There is a clear trend of improvement but it is important that the Council takes steps over the coming financial year to consolidate this improvement, to ensure it is sustainable and to address any outstanding issues. In the view of the Director of Corporate Resources the issues in respect of the Council's accountancy and financial management arrangements have effectively now been addressed. The key area in which further improvement is now necessary is in the area of internal control where in the previous financial year (2012/13) some 10 out of 33 Internal Audit reports were considered to be marginal, with one classified as unsatisfactory. Improvements in this area are clearly necessary and will be a priority during the 2013/14 financial year.
7. In light of the outcome of the year end report provided by KPMG and the Council's own improvement plans there are a range of measures in place or planned designed to address the issues of financial governance faced by the Council. These may be summarised as follows:
 - A training programme will be arranged in the Autumn of 2013 for all cost centre managers which will cover a range of core competencies such as financial management, risk, performance, procurement, data protection, etc. We will also look to organise some more specialist procurement training through the Nottingham and Derby Procurement Unit.
 - We will work with the Nottingham and Derby Procurement Unit in order to review our processes and procedures in respect of procurement.
 - The capacity and resilience of the Accountancy team is being enhanced by supporting a member of staff through a training programme leading to a CCAB accountancy qualification.
 - The Accountancy team will continue to work with cost centre managers in order to secure further improvements in accounting arrangements.
 - The work of Internal Audit will be incorporated into the existing Quarterly Performance and Financial management framework to ensure that recommendations are fully implemented and that the profile of the importance of internal control is raised within the Council. This will both help secure the improvements in internal control required by

the Council whilst helping ensure Internal Audit remain fully compliant with the new United Kingdom Public Sector Internal Audit Standards.

- Finally, we will continue to monitor the position with respect to the impact of the temporary managerial arrangements operating within Internal Audit and will ensure that Internal Audit is adequately resourced.

Future Key Issues of Financial Governance reports will update the Audit Committee in respect of progress against the actions detailed above.

8. The revised Strategic Key Issues of Financial Governance are set out in the table given below:

Issue Raised	Progress to date including target dates.
1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan.	Current indications are that the Council will achieve its full targeted level of savings of some £0.884m in respect of the current financial year (2013/14), which will mean that no call on General Fund balances will be required in order to balance the budget. The latest report on the MTFP taken to Executive on 2 nd September indicated a residual savings requirement of some £0.147m. There are some programmed savings that are being implemented that will deliver against this target and officers are confident the remaining savings will be secured by the year end. The initial budget figures in respect of 2014/15 and 2015/16 indicate a shortfall in respect of each financial year of £0.8m (total £1.6m). Officers will be proposing a budget timetable and a range of indicative savings to the next meeting of Executive which will provide an opportunity to begin the process of securing the savings necessary for future financial years from October 2013 onwards.
2. To secure further improvements in financial reporting with respect to the Council's published accounts and in the Council's financial management arrangements.	The Council has continued to improve the quality of its financial accounts as demonstrated by the External Audit reports in respect of both 2011/12 and 2012/13. The improvements secured to date provide a firm foundation for consolidation of progress and to address a small number of residual issues. After a significant range of changes some 18 months ago the team is now well established and is well placed to secure further improvements especially in respect of work with service managers over the current financial years to deliver the improved financial management required against the increasingly challenging financial position facing local authorities.
3. To improve the Council's Internal Control arrangements, and to strengthen the culture of effective management and budgetary control across the authority.	This Key Issues of Financial Governance report, together with reports from Internal and External Audit should enable the Audit Committee to monitor the progress that is being made in respect of securing improvements in our internal control arrangements. The Directors are required to report back to the Audit Committee on a regular basis concerning Internal Audit reports, and Internal Audit will have a more prominent role in the Council's Performance Management arrangements during 2013/14. A comprehensive training programme will be delivered to all cost centre managers during the Autumn of 2013, and measures will be taken to

	<p>strengthen the communications around the importance of internal control and the Council's wider financial position.</p> <p>We will monitor the position with respect to the managerial arrangements operating within Internal Audit and will ensure that Internal Audit is adequately resourced to meets the new requirements of Public Sector Internal Audit Standards.</p>
<p>4. To ensure that issues around the Council's contractual arrangements are resolved and that good quality arrangements remain in place.</p>	<p>The issues identified within the recent Internal Audit report will be addressed prior to the next Audit Committee and an update report will be provided to that meeting.</p> <p>Officers will work with the Nottingham and Derbyshire Shared Procurement Unit to secure improvements in procedures and processes.</p>

Recommendations:

5. It is recommended that Audit Committee considers
 - a. the Strategic Issues of Financial Governance as set out in the table contained within the main body of the report and whether these reflect the key issues facing the Council, and raises any issues of concern which it may have with progress to date.
 - b. the recommendation that Appendix 1 and 2 of this report are removed from future versions of the Key Issues of Financial Governance report with outstanding issues being picked up in the main body of the report.

Reasons for Recommendations

7. To allow the Audit Committee to consider the progress that has been secured in improving the Council's financial governance arrangements.

APPENDIX 1
PROGRESS IN RESPECT OF ISSUES ARISING FROM THE ANNUAL GOVERNANCE REPORT 2011/12

Recommendation 1	
Review arrangements for monitoring delivery by external contractors to ensure that controls are appropriate to the level of risk.	
Responsibility	Director of Corporate Resources
Priority	High
Date	September 2012
Comments	<p>This is included as one of the Strategic Issues within the main body of the report. The issues identified within the report which arose in respect of 2011/12 are now either resolved or in the process of resolution. Given the time required to procure alternative arrangements some of the Council's longer term reforms will not be in place until April 2013, however, in these cases appropriate interim measures have been put in place. The position in respect of 2012/13 was addressed by the employee training programme which was completed in Autumn 2012, monitoring items of expenditure over £500 (to be undertaken on a quarterly basis) by the Corporate group which has been established to monitor contractual arrangements, and by a further Internal Audit review of this area of work which will be undertaken at the end of the current financial year.</p> <p>While the Internal Audit report which is summarised elsewhere on this Agenda does demonstrate significant improvement from the position identified at the end of the 2011/12 financial year further improvement needs to be secured and accordingly the issue of contractual management arrangements will remain as an identified item on the Key Issues of Financial Governance report.</p>

Recommendation 2 – Completed	
Ensure the contingent liabilities memo is circulated and responses noted as standard part of accounts preparation processes.	
Responsibility	Asst Director Finance and IT
Priority	High
Date	30 th September 2012
Comments	<p>This action has been completed. This was addressed by inclusion within the accounts closedown timetable in respect of 2012/13. No issues were raised during the course of the Audit which is consistent with Management's view that this has been satisfactorily resolved.</p>

Recommendation 3 – Completed	
Ensure that the Housing property by property records are sufficiently robust to support your accounting treatment in future years and that total capital expenditure as recorded in the ledger can be reconciled to total expenditure per Housing records.	
Responsibility	Asst Director Finance and IT / Principal Accountant
Priority	Medium
Date	Ongoing to March 31 st 2013
Comments	The final accounts for 2011/12 highlighted that the housing capital expenditure records do not provide adequate detail to meet the requirements of current accounting standards. Changed procedures have been introduced to ensure full compliance in 2012/13 and future years. No issues were raised during the course of the Audit which is consistent with Management's view that this has been satisfactorily resolved.

Recommendation 4- Completed	
Ensure staff in all departments are trained to code invoices correctly.	
Responsibility	Director of Corporate Resources
Priority	High
Date	November 2012
Comments	<p>The Accountancy Section has provided ongoing guidance and advice to cost centre managers during 2012/13 regarding the coding of invoices. To improve the guidance and support offered to cost centre managers the duties of the individual employees of the Accountancy Team have been redistributed. This coupled with the improved budgetary control arrangements maintained from the Accountancy Section have identified particular areas where invoice coding was an issue.</p> <p>The early review of budgets by the Accountancy Section resolved a number of issues surrounding repairs and maintenance budgets and where coding of revenue expenditure against capital budgets had taken place. The continual application of these controls and the removal of certain capital budgets have improved the position within the Council.</p>

Recommendation 5 – Completed	
Update your instructions to the Valuer for 2012/13 to specify the approach to DRC to be adopted	
Responsibility	Asst Director Finance and IT / Principal Accountant
Priority	High
Date	October 2012
Comments	The Valuation Instruction was sent in October 2012 and discussion with the valuer has been undertaken to ensure that the approach adopted is appropriate.

Recommendation 6 – Completed.	
Further develop your approach to the calculation of impairment allowances by including collection rates in your assessment of the likelihood of collection.	
Responsibility	Asst Director Finance and IT / Chief Accountant
Priority	Medium
Date	Ongoing to March 2013
Comments	The Council will consider its approach to setting an appropriate doubtful debt provision as part of the final accounts process for 2012/13.

Recommendation 7 – Completed	
Train all departmental staff in the importance of adhering to budgetary control processes.	
Responsibility	Senior Finance Team
Priority	High
Date	November 2012
Comments	<p>The changes introduced during the year by the Accountancy Section have ensured that budgetary control is improved throughout the Council. In particular the following controls and actions have been introduced:</p> <ul style="list-style-type: none"> • Undertaken an early budget review for 2012/13 • Introduced a new approach to budget preparation with cost centre managers • Improved processes for monitoring the use of grants and reserves. • Introduced a savings log to record progress achieved against targets. • Introduced a new form for budget transfers (virement). The authorisation of any budget transfer is only undertaken by the Chief Accountant and the Assistant Director of Corporate Resources.

	<ul style="list-style-type: none"> • Commissioned new financial reports from the Financial Management System that enable multi-year reports on budgets to be run that inform and control the three year MTFP. • Undertaken a redistribution of tasks and responsibilities within the Section coupled with the secondment of a member of staff from NEDDC accountancy section. • The Capital Accountant has maintained close monitoring of the capital programme which should ensure that all capital expenditure transactions are correct for 2012/13 • Introduced quarterly Performance, Risk and Finance meetings with key managers of each Directorate • Re-commenced the Capital Monitoring Group
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Recommendation 8 – Completed	
Ensure authorisation of the use of reserves is formally controlled.	
Responsibility	Senior Finance Team
Priority	High
Date	Ongoing
Comments	The Use of Reserves and holding accounts to finance in year revenue expenditure was identified as an issue during the 2011/12 accounts closedown process. The Accountancy Section took action to ensure that these transactions were correctly recorded in the final accounts. Our improved financial monitoring and authorisation procedures should effectively remove this risk with respect to the 2012/13 accounts.

Recommendation 9 – Completed (Although outstanding issues such as contract management will continue to be addressed through this Key Issues of Financial Governance report.)	
Continue to monitor implementation of agreed recommendations from our interim governance report for 2011/12 via the Key Issues of Financial Governance Report.	
Responsibility	Director of Corporate Resources
Priority	High
Date	Ongoing
Comments	The Key Issues of Financial Governance report is a standing item on the agenda of the Audit Committee and progress against these issues were originally reported to the Audit Committee meeting in June 2012 will continue to be monitored until the recommended actions are completed.

Recommendation 10	
Review management response to governance of contracts report and monitor implementation of agreed actions.	
Responsibility	Director of Corporate Resources
Priority	High
Date	September 2012
Comments	This will be monitored by way of the Key Issues of Financial Governance report, supported by the involvement of the Director of Corporate Resources in the officer contract manager group.

Recommendation 11 – Completed	
Ensure all relevant information is considered when reviewing sources of evidence to support the annual governance statement	
Responsibility	Director of Corporate Resources
Priority	High
Date	March – May 2013
Comments	This will be reviewed as part of the preparation for the Published Accounts in respect of 2012/13.

Recommendation 12 – Completed	
Monitor management response to virement and ordering process issues raised by Internal Audit.	
Responsibility	Senior Finance Team
Priority	High
Date	Ongoing
Comments	Budget Transfers (Virement) are now only allowed on the basis that they have been authorised by Senior Finance Officers and relevant cost centre/department managers.

Recommendation 13 – Completed	
Update the related party transactions note to include more detailed information.	
Responsibility	Asst Director Finance and IT / Chief Accountant
Priority	High
Date	September 2012
Comments	The Statement of Accounts 2011/12 was updated to incorporate this more detailed information. Future year procedures will be amended in line with those utilised in 2011/12.

Recommendation 14 – Completed	
Ensure the detailed rent arrears report is run at the year end and retained until the audit process is complete	
Responsibility	Chief Accountant / Principal Accountant / Housing Officers
Priority	High
Date	To be actioned 31 st March 2013
Comments	The requirement to collect and maintain this information will be incorporated into the Close Down Timetable in respect of the 2012/13 Accounts.

Recommendation 15 – Completed	
Train departmental staff to ensure that standards of documentation retained are sufficient to support items included in your statements of account.	
Responsibility	Senior Finance Team
Priority	High
Date	Ongoing during 2012/13
Comments	As the closedown of accounts for 2012/13 are prepared the Accountancy Section will obtain appropriate working papers from departments to support items included in the Statement of Accounts.

Recommendation 16 – Completed	
Review your approach to submitting data on RO / CIPFA forms. This should allow more meaningful use of comparative benchmarking data to feed into evaluation of options, and plans for efficiency savings. (repeat recommendation)	
Responsibility	Senior Finance Team / Principal Accountant
Priority	High
Date	September 2012
Comments	The review has already been undertaken in respect of the data provided within the 2011/12 RO forms and the 2012/13 RA returns. The RA and RO forms are cleared by the Assistant Director of Corporate Resources before submission.

Recommendation 17 – Completed	
Continue to monitor implementation of agreed vfm recommendations from our interim governance report for 2011/12 via the Key Issues of Financial Governance Report	
Responsibility	Director of Corporate Resources
Priority	High
Date	Ongoing
Comments	These agreed recommendations will be incorporated within the Key Issues of Financial Governance Report and will be retained on that report until the Audit Committee agrees that the underlying issue has been resolved.

PROGRESS IN RESPECT OF ISSUES ARISING INTERIM GOVERNANCE REPORT JUNE 2012

Recommendation 1 – Completed	
Ensure progress on implementing all relevant recommendations is reported in the Key Issues of Financial Governance report to Audit Committee.	
Responsibility	Director of Corporate Resources
Priority	High
Date	In place since October 2011 and ongoing.
Comments	The Key Issues of Financial Governance is now a standing item on all Audit Committee agendas.
Recommendation 2 – Completed	
Review the accounting treatment of Creswell Leisure Centre in the 2011/12 statements of account and consider the implications, if any, for the 2010/11 statements of account	
Responsibility	Asst Director / Chief Accountant
Priority	High
Date	June 2012
Comments	This issue has been given appropriate consideration and resolved as part of the closure of the 2011/12 accounts. In the view of officers there is clear evidence to support the view that the Council is the beneficial owner of the asset concerned.
Recommendation 3 – Completed	
Carry out a review of your property records to ensure that your assets are correctly recorded and accounted for.	
Responsibility	Chief Accountant / Principal Accountant
Priority	High
Date	June 2012
Comments	This work has been undertaken as part of the process of closing the Council's accounts in respect of 2011/12. Further work will be undertaken over the course of the current financial year to continue the process of quality assuring the Council's asset records.

Recommendation 4 – Completed	
Report the HRA reform related overnight counterparty limit breach to members.	
Responsibility	Director of Corporate Resources
Priority	High
Date	September 2012
Comments	This was reported to Members as part of the Treasury Management Outturn report in respect of 2012. The issue concerned arose specifically in relation to the HRA reform arrangements and is unlikely to reoccur.
Recommendation 5	
Include reports on the progress on recovery of your Icelandic Investments in treasury management reports to members.	
Responsibility	Director of Corporate Resources
Priority	High
Date	September 2012 – Ongoing
Comments	The position was clearly set out within the Council's Accounts in respect of 2011/12. Further detailed reports have been provided as part of the monitoring reports in respect of the Council's Treasury Management Strategy.
Recommendation 6 Completed	
Ensure material control account reconciliations are performed promptly at least monthly and are subject to independent evidenced review.	
Responsibility	Chief Accountant / Senior Accountancy Assistant
Priority	High
Date	Currently in place and ongoing
Comments	The Council's major reconciliations have been maintained throughout the close down period when workloads are at their most challenging. Further work is planned to improve the quality and to simplify the full range of Council reconciliations. Given pressures of work on staff and in particular work around the implementation of new systems which required the development of revised reconciliation procedures progress on improving the presentation has been slower than was envisaged.

Recommendation 7 – Completed	
Perform the more detailed creditors control account reconciliation as part of routine month end procedures.	
Responsibility	Chief Accountant / Senior Accountancy Assistant
Priority	High
Date	Currently in place and ongoing
Comments	This reconciliation has been reviewed and improved and is considered to be fit for purpose.
Recommendation 8 – Completed	
Act promptly on any future separation of duties issues reported to you.	
Responsibility	Director of Corporate Resources
Priority	High
Date	Ongoing
Comments	Any future separation of duties issues will be managed appropriately.
Recommendation 9 – Completed	
Ensure independent authorisation of the daily investment and borrowing sheets as part of your routine treasury management processes.	
Responsibility	Assistant Director / Principal Accountant (HRA – Capital)
Priority	High
Date	In place and ongoing
Comments	Controls are now in place.
Recommendation 10 – Completed	
Review the design and operation of treasury management controls as a matter of urgency.	
Responsibility	Assistant Director / Principal Accountant (HRA – Capital)
Priority	High
Date	In Place (Completed Sept 2012)
Comments	Controls are now in place.

Recommendation 11 – Completed	
Ensure staff performing reconciliations understand the processes they are undertaking and the need to report any breaches to more senior staff immediately.	
Responsibility	Director of Corporate Resources / Asst Director
Priority	High
Date	In place and ongoing.
Comments	Senior Officers have worked with staff to ensure they understand the processes being undertaking.
Recommendation 12 – Completed	
Update the schedule of control account reconciliations to include all control account reconciliations required.	
Responsibility	Chief Accountant / Senior Accountancy Assistant
Priority	High
Date	In place and ongoing.
Comments	Completed.
Recommendation 13 – Completed.	
Consider introducing checks of the rents uprating process prior to loading into Academy.	
Responsibility	Asst Director / Principal Accountant (HRA – Capital)
Priority	Medium
Date	1 st Quarter 2013
Comments	This has been undertaken as part of the budget and rent setting process for 2013/14.
Recommendation 14 – Completed	
Consider introducing checks of the benefits uprating process prior to loading into Academy	
Responsibility	Asst Director (Customer Services / Revenues) / Benefits Manager
Priority	High

Date	1 st Quarter 2013
Comments	A sample of transactions will be independently checked as part of the benefits uprating process in respect of 2013/14.
Recommendation 15 – Completed	
Review the items included in the HRA special services line against SERCoP and Code of Practice requirements.	
Responsibility	Chief Accountant – Principal Accountant (HRA – Capital)
Priority	High
Date	June 2012 ongoing
Comments	This has been undertaken as part of the accounts closure process in respect of the 2012/13 financial year.
Recommendation 16 – Completed	
Review all grants received in 2011/12 against Code of Practice Requirements	
Responsibility	Chief Accountant / Principal Accountant (x2)
Priority	High
Date	June 2012
Comments	This has been undertaken as part of the accounts closure process.
Recommendation 17 – Completed	
Ensure balance sheet disclosures are supported by a consideration of the relevant conditions or restrictions relating to amounts received.	
Responsibility	Assistant Director / Chief Accountant
Priority	High
Date	June 2012
Comments	This has been undertaken as part of the accounts closure process.
Recommendation 18	
Review the approach to the bank reconciliation process.	
Responsibility	Assistant Director / Chief Accountant
Priority	High

Date	June 2012 and ongoing
Comments	The approach has been reviewed and officers are of the view that the current reconciliation does verify the financial ledger to the bank account. The review did, however, conclude that the reconciliation used was overly complex and in need of simplification. Officers are seeking to introduce a revised reconciliation process. The implementation of other financial systems has delayed the planned work in this area.
Recommendation 19 – Completed	
Review the approach to the payroll reconciliation process.	
Responsibility	Assistant Director / Chief Accountant
Priority	High
Date	June 2012 initial / Completion December 2012
Comments	While Officers accept that the current payroll reconciliation is complex it is considered to achieve its purpose. A further review will be undertaken during 2012/13 in order to secure a simplification of the current reconciliation. Complete.
Recommendation 20	
Review the use of the Academy costing system to identify whether this is a productive use of staff time.	
Responsibility	Chief Accountant – Principal Accountant (HRA – Capital)
Priority	Medium
Date	December 2012
Comments	Officers will review the current process to consider whether the value of the management information produced justifies the level of work required to provide the information. Still Outstanding
Recommendation 21 – Completed	
In agreeing the new approach to managing member conduct:	
<ul style="list-style-type: none"> ■ clarify the approach to the use of the other action option throughout the process ■ improve the clarity of decision notices where appropriate to explicitly state that there has been breach of the code. 	

Responsibility	Solicitor to the Council (Monitoring Officer) / Deputy Monitoring Officer
Priority	Medium
Date	Sept 2012
Comments	The revised procedures for member's code of conduct and dealing with allegations of breach are being determined at the moment in line with good practice and having taken soundings from other Monitoring Officers in Derbyshire. The system will not include "other action" as this was a part of the old statutory system which ended in June 2012. In relation to decision notices, we are able to design our own (rather than relying on those dictated to us) and will therefore make them as clear as possible to those receiving them.
Recommendation 22 Completed	
<p>In considering major projects in the future, ensure that:</p> <ul style="list-style-type: none"> ■ risk management of major projects is linked to the formal risk management framework and is an integral part of reporting to members and identifies the potential implications and how these are being mitigated. ■ sufficient financial information is made available to members at each stage of the decision making process. Where commercial sensitivity exists ensure that the information is presented in a way that protects sensitive data whilst still providing members with sufficient information to enable them to make informed decisions. ■ In considering the achievement of VFM and best value ensure that: <ul style="list-style-type: none"> ■ net rather than gross benefits are considered; and ■ sufficient work is done at the initial options appraisal to demonstrate that the preferred option does present best value. 	
Responsibility	Director of Corporate Resources / Senior Alliance Management Team
Priority	High
Date	Ongoing, in respect of future projects.
Comments	The Council will continue to seek to ensure that Members receive appropriate advice concerning major projects. This will be undertaken as part of the strategic objective of improving the quality of the Council's financial reporting.

Audit Committee 24th September 2013

Strategic Risk Register Report to go to Executive on 30th September 2013

Committee:	Executive	Agenda	
Date:	30 th September 2013	Item No:	13.
		Status	Open
Subject:	Strategic Risk Register		
Report by:	Director Corporate Resources		
Other Officers Involved	Business Risk Group		
Director	Director of Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council.		

RELEVANT CORPORATE AIMS

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

TARGETS

All.

VALUE FOR MONEY

Risk Management arrangements are a key part of the Council's Governance arrangements which are necessary to secure value for money.

1. Background Information

- 1.1. The Council's Strategic Risk Register has been developed by the Risk Management Group to take into account the issues raised within the Master Risk Register which outlines the service or operational risks faced by the Council. The Risk Management Group has also given separate consideration to the Strategic Risks which face the organisation.
- 1.2. In addition to the work undertaken at the Business Risk Group the Council also considers the issue of Risk Management at the Quarterly Directorate meeting. This allows senior managers to have a greater level of input into the shaping of the Strategic Risk Register and into the wider issues of Risk Management. It also allows service Registers to be independently reviewed on a more regular basis than was achieved by periodic review at the Business Risk Group. Finally, this report will also be considered at a meeting of the Council's Audit Committee.
- 1.3. In its approach to Risk Management the Council is seeking to secure a number of objectives and to operate in line with recognised best practice.

In order to appreciate the importance of Risk Management it is useful to reiterate these objectives:

- To improve the way in which the Council manages its key risks so as to reduce the likelihood of them happening, and to mitigate their impact or magnitude in those cases where they do materialise. This is a key element in protecting service delivery arrangements, the financial position and the reputation of the Council.
- To strengthen the overall managerial approach of the Council. From a Governance perspective the effective operation of Risk Management is regarded as being a key element of the managerial framework operating within an authority.
- Effective Risk Management is a key component in ensuring that organisations are able to achieve their objectives, and that key projects proceed in line with plan.
- The identification of the risks attached to existing service delivery, or to a project or new initiative is important both to allow a fully informed decision to be made, and to ensure that all appropriate measures to mitigate (or reduce) the risk are in place from the outset.
- Finally, an appreciation of the risk environment within which the Council operates assists in determining an appropriate level of financial reserves for sound financial management, and ensures that the organisation has a better awareness of its overall risk exposure.

2. The Strategic Risk Register

2.1. The revised Strategic Risk Register as at 30 June 2013 is set out in **Appendix 1** for consideration and approval by Executive. The intention is that this review of the Register will secure the following objectives:

- Identify any newly emerging risks which need to be added to the Register and removing any risks that have been resolved. An ongoing review of the Strategic Risk Register ensures that a focus is maintained on current risks.
- Revising the Risk Register ensures that existing risks are reviewed, that appropriate mitigation remains in place, and where necessary risk assessment is revisited.
- The process also allows appropriate consideration to be given to the success of existing mitigation, and to the issue of whether any further mitigation is required.
- The Strategic Risk Register as set out in **Appendix 1** is structured so that those risks with the highest risk score are detailed first.

2.2. In overall terms a key element which emerges from the Strategic Risk Register is one of an ongoing requirement to maintain our current

performance in respect of service delivery, performance and governance to local residents. The current position, however, needs to be maintained at a time when it will be increasingly necessary to manage the Council's finances in a more pro active way in order to ensure that our expenditure remains in line with the level of our resources at a time of declining financial support from central government. This is likely to entail some significant changes in the manner in which our services to local residents are delivered with the level of change required clearly having the potential to disrupt service provision with the associated risks that such disruption entails.

- 2.3. As part of the quarterly performance, finance and risk meetings two issues were identified which were regarded as increasing in importance. The first of these concerned that of managing the impact of welfare reform. There were a number of potential impacts identified arising from welfare reform which gave grounds for concern. These included the impact of welfare upon local residents with this Council possibly having to be proactive in developing and adapting its services to meeting emerging needs, the potential adverse impact upon key income streams such as Council House rents and Council Tax collection and also rising financial costs from increasing eligibility of local residents for benefit payments at a time when government grant support is effectively a fixed amount, or heavy demands upon budgets such as that for Discretionary Housing Payments. Officers are carefully monitoring the impact of welfare reform including its impact upon the Contact Centres, the Revenues and Benefits and Housing teams. Secondly, the issue of the risk of losing key staff was also identified as a growing risk. While this may be linked to the loss of some key staff in one particular service area the impact of financial efficiencies secured in previous financial years has been to remove some element of service resilience which has only been partially offset by the additional staffing resources arising from working within the context of the Strategic Alliance. Further work needs to be undertaken to identify appropriate mitigation actions for this risk.
- 2.4. Given that the Strategic Alliance is now well established and has already exceeded its initial savings target of £1.5m the net risk associated with the possible failure to deliver the potential benefits of the Alliance have been reduced accordingly.
- 2.5. The Risk Management Group at its meeting on 1st May 2013 agreed that it is now timely to refresh the Council's Risk Strategy and it is planned that this piece of work will be completed by the time of the next quarterly report to Executive concerning the Strategic Risk Register. Once Executive has approved the revised Risk Strategy then it will be used as the basis for a training and awareness programme amongst both staff and Elected Members. As an interim awareness raising measure the previous version of the Strategic Risk Register was provided to the Budget Scrutiny Committee for its consideration.

3. Financial Implications

- 3.1. There are no additional financial implications arising out of this report at this stage. While where appropriate additional mitigation measures have been identified and implemented during the course of preparing the Strategic and Master Risk Registers, the cost of implementing this mitigation will be met from within previously agreed budgets.

4. Legal Aspects

- 4.1. There are no legal issues arising directly as a consequence of this report.

5. Risk Management Issues

- 5.1. Risk Management Issues are covered throughout the body of the main report.

6. Equalities Issues

- 6.1. There are no equalities issues arising directly out of this report.

7. Human Resource Implications

- 7.1. There are no Human Resource issues arising directly out of this report.

8. Recommendations

- 8.1. That Executive approves the Strategic Risk Register as at 30th June 2013 as set out in Appendix 1 to this report and request that an updated Register as at 30th September 2013 together with a revised Risk Strategy be brought back to a subsequent meeting of Executive for approval.

Background Papers

Master Risk Register

Location

Accountancy

TABLE 1
STRATEGIC RISK REGISTER SUMMARY
STRATEGIC RISK REGISTER SUMMARY AS AT: JUNE 2013

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
1	Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are at relatively low levels.	<ul style="list-style-type: none"> • Impact upon ability to deliver current level of services. • Unable to resource acceptable levels of service. • Significant adverse reputational Impact. 	4,4 16	3,4 12	SAMT / Chief Financial Officer
2	Adverse external economic position / government legislation, welfare reform etc. has an accelerating impact on Council (poor grant settlement), or upon the local economy (employment losses / benefits reforms).	<ul style="list-style-type: none"> • Unable to deliver a package of services that meet changing local needs and aspirations. • Unable to effectively support local communities. • Increased demands on Council services at a time when Council resource base is reducing. 	4,4, 16	3,4 12	SAMT / Political Leadership

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
3	Financial position makes it increasingly difficult to recruit to key posts or to replace key staff who leave.	<ul style="list-style-type: none"> • Deterioration in services to the public. • Increasing inefficiencies in service provision. • Weakening of Internal Control arrangements. 	4,4 16	3,4 12	SAMT / Asst Director HR
4	Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives inc Regeneration Initiatives, HRA reform, Asset Management securing major financial savings and implementing a range of new government reforms whilst maintaining service quality, which may overstretch our reduced organisational capacity.	<ul style="list-style-type: none"> • New initiatives are not delivered in a cost-effective manner. • Failure to maintain / improve services in line with local aspirations. • Failure to generate the savings required to balance the budget. • Financial efficiencies weaken Governance / Internal Control arrangements. • Service deterioration / failure arising from capacity issues. 	4,4 16	3,4 12	SAMT / Chief Executive

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
5	Workforce Issues (Staff morale / Sickness Levels) adversely affected as a result of pace of change, tightening financial circumstances or external circumstances.	<ul style="list-style-type: none"> • Deterioration in services to the public and loss of productivity. • Loss of key staff increased sickness levels. • Increased pressure on other members of staff. 	3,4 12	2,4 8	SAMT / Assistant Director HR
6	Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc.	<ul style="list-style-type: none"> • Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire). • Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. • Business Continuity Plans prove ineffective in practice. 	3,5 15	2,5 10	SAMT / Director of Health and Well Being

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
7	Failure to realise the opportunities presented by the Strategic Alliance / Joint Working.	<ul style="list-style-type: none"> • Deterioration in service quality / performance. • Failure to achieve required MTFP savings. • Deterioration in quality of governance and internal control arrangements. 	4,4 16	3,3 9	SAMT / Political Leadership
8	Lack of strategic direction from Members / Corporate Management, external partners change Strategic direction.	<ul style="list-style-type: none"> • Failure to deliver high quality services which address national and local priorities. • Deterioration in Governance Arrangements. • Refocus of current services necessary with associated disruption. 	3,4 12	3,3 9	Chief Executive / Political Leadership Team
9	A major operational risk materialises resulting in a significant impact upon the Council's ability to secure its corporate objectives. Given the efficiency measures that have been introduced to date this is considered to be an increasing issue for the Council.	<ul style="list-style-type: none"> • Deterioration in services to the public, potentially a major initial impact upon a local resident or a group of local residents. • Significant staff and financial resources required to resolve position, impacting on other services. • A major service has its operating capacity significantly 	3,4 12	2,4 8	SAMT / Assistant Directors

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
		impact and is required to introduce major reform in its approach to service delivery.			
10	Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate effectively in a rapidly changing environment.	<ul style="list-style-type: none"> • Adverse Impact upon Service Quality. • Failure to deliver high quality services which address national and local priorities. • Significant adverse reputational impact. 	3,4 12	2,4 8	Chief Financial Officer / Monitoring Officer