

2nd December 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 10th December 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 10th December 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 itemsand if appropriate, withdraw from the meeting at the relevant time.
4. Minutes of a meeting held on 24th September 2013. 4 to 11
5. **Reports of the Internal Audit Consortium;**
Internal Audit Consortium – Summary of Progress on the Internal Audit Plan 2013/14. 12 to 16
6. **Reports of the Director of Corporate Resources**
Key Issues of Financial Governance. 17 to 22

Annual Audit Letter 23 to 31
7. **Reports of the Director of Corporate Resources**
Quarter 2 Financial Monitoring 2013/14. 32 to 41
8. **Reports of the Director of Corporate Resources**
Revised General Fund, Housing Revenue Account and Capital Programme budget for 2013/14. 42 to 49

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9. **Reports of the Director of Corporate Resources**
Strategic Risk Register.

63 to 71

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in Chamber Suite 1, The Arc, Clowne, on Tuesday 24th September 2013 at 1400 hours.

PRESENT:-

Members: - Councillors S.W. Fritchley and K. Reid.

Cooptee Member: - J. Yates.

Officers: - B. Mason (Director of Corporate Resources), G. Bagnall (Assistant Director Resources), T. Fletcher (Chief Accountant), J. Williams (Interim Head of Internal Audit Consortium) (to Minute Number) and A. Bluff (Governance Officer).

Also in attendance at the meeting was S. Sunderland (Audit Team Lead, KPMG) and P. Hutchings (Manager, KPMG) (to Minute No.421).

J. Yates in the Chair

415. APOLOGIES

Apologies for absence were submitted on behalf of Councillor J.A. Clifton, D. McGregor, A.F. Tomlinson, E. Watts and J. Hill (Cooptee Member).

416. URGENT ITEMS

The Chair informed the meeting that he had received notification from Joanne Hill of her written resignation from the Committee. This would be discussed as the last item on the agenda.

417. DECLARATIONS OF INTEREST

There were no declarations of interest made.

418. MINUTES – 26th JUNE 2013

Moved by Councillor S. W. Fritchley, seconded by Councillor K. Reid
RESOLVED that the minutes of an Audit Committee meeting held on 26th June 2013 be approved as a correct record.

AUDIT COMMITTEE

419. **REPORTS OF THE EXTERNAL AUDITOR (KPMG) REPORTS TO THOSE CHARGED WITH GOVERNANCE**

Members considered a report of the External Auditor (KPMG) regarding the Councils financial statements for the year ended 31st March 2013.

The Audit Team Lead, KPMG, congratulated the Authority on continued significant improvements made in respect of the quality of the published accounts over the previous two years.

It was also concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Audit Team Lead, KPMG, stated that issues from last year were in the process of being addressed and that significant progress had been made.

With regard to savings, there were still challenges ahead and some hard decisions would need to be made. It was critical that the Council took action to ensure that it was financially viable going forward.

Members' attention was drawn to the two recommendations in the report;

- Review of draft accounts and
- Contract arrangements

The Audit Team Lead, KPMG, would present a full report to a future meeting of Council.

The Director of Corporate Resources stated that he wished to thank the finance team who had worked hard in improving the accounts and to the Auditors who had undertaken their role in an efficient manner. The Director of Resources also thanked the Audit Committee for its role in supporting the implementation of the improvements that had been required.

Moved by Councillor K. Reid, seconded by Councillor S. W. Fritchley
RESOLVED that the report be received.

420. **REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES BOLSOVER DISTRICT COUNCIL STATEMENT OF ACCOUNTS 2012/13**

Committees' approval was sought for the audited Statement of Accounts in respect of 2012/13 which were attached to the report.

The process for the accounts had been undertaken in accordance with the requirements of the Accounts and Audit Regulations 2011. Members were asked to note that the Council was required to complete and approve the audited Statement of Accounts by the end of September 2013.

AUDIT COMMITTEE

The Director of Corporate Resources further advised the meeting that as there could be some late minor changes required by KPMG, prior to the final sign off of the Statement of Accounts, delegated powers be granted to the Chief Financial Officer, in consultation with the Chair or Vice Chair of the Committee, to agree any final changes. Any such changes would only be made with the agreement of KPMG the Council's external auditors.

Moved by Councillor S.W. Fritchley, seconded by Councillor K.R. Reid

RESOLVED that (1) the audited Statement of Accounts in respect of 2012/13 be approved,

(2) delegated powers be granted to the Chief Financial Officer in consultation with the Chair or Vice Chair of 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 30th September 2013.

The Audit Team Lead, KPMG and the Manager, KPMG left the meeting at this point.

421. **REPORTS OF THE INTERNAL AUDIT CONSORTIUM INTERNAL AUDIT IMPROVEMENT PLAN**

Members considered a report of the Interim Head of Internal Audit in respect of the Internal Audit Improvement Plan.

An internal audit self assessment had been undertaken to review compliance with the Public Sector Internal Audit Standards (PSIAS).

CIPFA had produced a checklist for assessing conformance and this was included in the report at Appendix A. The checklist had three columns indicating compliance with the PSIAS; partial compliance or non compliance. Where it was deemed there was only partial or non compliance, the relevant standard had been extracted and placed into the improvement plan as provided at Appendix B.

Whilst a number of improvements had been identified it was considered that the exercise had demonstrated that overall the Internal Audit Consortium was compliant with the PSIAS.

A short discussion took place.

Moved by Councillor S.W. Fritchley, seconded by Councillor K.R. Reid

RESOLVED that (1) the results of the self assessment and resultant Improvement Plan be noted,

(2) progress against the improvement plan be reported back to Audit Committee as part of the internal audit annual report for 2013/14.

(Interim Head of Internal Audit Consortium)

AUDIT COMMITTEE

422. REPORTS OF THE INTERNAL AUDIT CONSORTIUM INTERNAL AUDIT CHARTER

Members considered a report of the Interim Head of Internal Audit in respect of the Internal Audit Charter which was attached as Appendix 1 to the report. The Charter replaced the previously adopted Terms of Reference and Policy.

The PSIAS required that the purpose, authority and responsibility of internal audit must be formally defined in an internal audit charter.

The PSIAS also required that the Head of Internal Audit reviewed the Charter periodically but final approval rested with the Audit Committee.

Moved by Councillor S.W. Fritchley, seconded by Councillor K.R. Reid

RESOLVED that (1) the Internal Audit Charter be agreed,

(2) the agreed Internal Audit Charter be reviewed in two years time or earlier in the event of any significant changes being made to the PSIAS.

(Interim Head of Internal Audit)

423. REPORTS OF THE INTERNAL AUDIT CONSORTIUM INTERNAL AUDIT CONSORTIUM – SUMMARY OF PROGRESS ON THE INTERNAL AUDIT PLAN 2013/14

Members considered a report of the Interim Head of Internal Audit in respect of progress made by the Audit Consortium during the period 8th June to 6th September 2013 in relation to the 2013/14 Internal Audit Plan. The report included a summary of internal audit reports issued during the period and work in progress.

Moved by Councillor K. Reid, seconded by Councillor S. W. Fritchley

RESOLVED that the report be received.

424. REPORTS OF THE INTERNAL AUDIT CONSORTIUM AND THE DIRECTOR OF CORPORATE RESOURCES UPDATE ON AUDIT WORK IN RESPECT OF GAS SERVICING AND CONTRACTS

Two previous internal audit reviews, which had resulted in a conclusion of marginal and had given rise to particular concern, were gas servicing and procurement practice. As part of the management response it was requested that follow up audits be undertaken in respect of both areas. This approach was in line with that requested by the Audit Committee.

AUDIT COMMITTEE

Gas Servicing:

The Head of Housing had re-appraised gas servicing procedures resulting in the introduction and implementation of procedural revisions and updates to ensure that all gas services were completed within the stipulated 12 month period.

An audit review was undertaken in September 2013 to ensure that the revised procedures had been properly implemented and were operating satisfactorily. The conclusion of this audit work was that systems were now fit for purpose. This represented a significant improvement over the unsatisfactory evaluation which was the outcome of the audit concluded in May 2013.

Quarterly reports confirming all gas servicing in that quarter was up to date would be provided to Members. A further audit review would be undertaken prior to the end of the current financial year which would evaluate the longer term performance of the current arrangements. In addition, it would ensure that progress was being made against all of the recommendations within the Audit Report.

Procurement Practice:

Since the 'marginal' report had been issued regarding procurement arrangements, further internal audit work had been carried out in order to evaluate progress made. This had now been completed and the current report concluded that whilst significant progress had been made, the Council's procurement process or contract management arrangements remained classified at a 'marginal' level.

Further work was clearly now necessary and management had agreed a programme of action to address the issues arising from the internal audit work. It was proposed that progress against the agreed tasks would be monitored through the Key Issues of Financial Governance report and a further internal audit review had been agreed for the end of the 2013/14 financial year.

The Director of Corporate Resources advised the meeting that directors would be requested to attend the December Audit Committee meeting if any further marginal reports were given.

The key actions proposed by Management were summarised in the report for Members information.

A short discussion took place.

Moved by Councillor K. Reid, seconded by Councillor S. W. Fritchley
RESOLVED that the report be received.

AUDIT COMMITTEE

425. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES KEY ISSUES OF FINANCIAL GOVERNANCE

The Key Issues of Financial Governance report was intended to track progress in the implementation of previous recommendations from both external and internal audit in relation to the Council's financial governance arrangements and to inform Committee of progress in addressing those recommendations.

Within the body of the report officers had set out four issues which had been agreed by previous meetings to this Audit Committee to constitute Strategic Issues of Financial Government. In addition to the Strategic Issues, the key messages which appear to emerge from the External Auditor's report were also outlined in the report.

Two appendices attached to the report contained 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. In the view of the Director of Corporate Resources, the issues identified within these reports in respect of the Council's accountancy and financial management arrangements had effectively now been addressed. The key area in which further improvement was now necessary was 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. Improvement in this area was clearly necessary and would be a priority during the 2013/14 financial year. Accordingly it was important that the Key Issues of Financial Governance Report reflected this fact in order to enable it and the Audit Committee to focus on current risks and weaknesses. It was therefore proposed that Appendices 1 and 2 did not appear on future versions of this report.

A short discussion took place.

Moved by Councillor K. Reid, seconded by Councillor S. W. Fritchley

RESOLVED that (1) the Strategic Issues of Financial Governance as set out in the table contained within the main body of the report be noted,

(2) Appendix 1 and 2 are removed from future versions of the report with outstanding issues being picked up in the main body of the report.

(Director of Corporate Resources)

426. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES MEDIUM TERM FINANCIAL PLAN

Members considered a report of the Assistant Director of Resources in respect of the Council's current position of the Financial Outturn 2012/2013, the Council's Medium Term Financial Plan and Budget Monitoring for the period April to June 2013.

All three reports had been previously presented to the Executive.

AUDIT COMMITTEE

The Assistant Director of Corporate Resources took Members through the reports in detail.

Appendices attached to the report provided financial breakdown of the General Fund, the Housing Revenue Account, Capital Programme Summary, Reserves and Balances and Treasury Management Activity.

The Assistant Director of Corporate Resources advised the meeting that the improvement in the Council's financial position was achieved by a combination of factors but principally by all budget managers exercising tighter management control over their budgets.

A discussion took place regarding housing development and the HRA and also the shortage of smaller accommodation.

Councillor Fritchley stated that he would like financial officers to look at Housing finance and to work with Housing Officers to provide further information to the next meeting of the Committee.

Moved by Councillor K. Reid, seconded by Councillor S. W. Fritchley
RESOLVED that (1) the report be received.

427. REPORTS OF THE DIRECTOR OF CORPORATE RESOURCES STRATEGIC RISK REGISTER

The Council's Strategic Risk Register had been developed by the Risk Management Group to take into account the issues raised within the Master Risk Register which outlined the service or operational risks faced by the Council. The Risk Management Group had also given separate consideration to the Strategic Risks which faced the organisation.

Moved by Councillor K. Reid, seconded by Councillor S. W. Fritchley
RESOLVED that the report be received.

428. JOANNE HILL – RESIGNATION FROM AUDIT COMMITTEE

The Chair read out a letter received from Joanne Hill tendering her resignation from Audit Committee.

A short discussion took place.

It was agreed that the Director of Corporate Resources would speak to the Monitoring Officer to discuss a replacement Independent Member to the Committee and report to the next meeting.

Moved by Councillor K. Reid, seconded by Councillor S. W. Fritchley

AUDIT COMMITTEE

RESOLVED that the Director of Corporate Resources speak to the Monitoring Officer to discuss a replacement Independent Member to the Committee and report to the next meeting.

(Director of Corporate Resources)

The meeting concluded at 1525 hours.

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

MEETING: **BOLSOVER DISTRICT COUNCIL
AUDIT COMMITTEE**

DATE: **10TH DECEMBER 2013**

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

1.0 PURPOSE OF REPORT

1.1 To update Members on the progress made by the Audit Consortium, during the period 7th September 2013 to 22nd November 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 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 PROGRESS AGAINST THE 2013/2014 INTERNAL AUDIT PLAN

3.1 Good progress is being made against the 2013/14 Internal Audit Plan. However, the audit days available are slightly less than when the plan was approved at the start of the financial year. This is because the Deputy Head of the Audit Consortium is currently the Interim Head of the Internal Audit Consortium and as such is now splitting her time between three Councils rather than two.

- 3.2 A detailed analysis of the resource available and the resource required to meet the plan has been undertaken. Two revisions to the original audit plan are deemed necessary. The first is in respect of the ten days identified for the capital accounting audit. The audit work undertaken in this area was for the Audit Commission and mainly entailed the verification of the existence of the Council's assets. This work is no longer required by KPMG and therefore it is proposed to remove capital accounting from the audit plan. The second proposed revision is in relation to the seven day inventories audit. Rather than complete inventories as a separate audit, inventory checks have been incorporated in to the test schedules of individual audits.
- 3.3 These two revisions to the plan should enable the rest of the plan to be completed in full provided there is no substantial additional work in relation to the remaining planned audit areas or special investigations arising. Progress against the plan will be kept under review to ensure that any slippage can be promptly identified and appropriate action taken.

4.0 **SUMMARY OF REPORTS ISSUED**

- 4.1 Attached, as Appendix 1, is a summary of reports issued covering the period 7th September 2013 to 22nd November 2013 for audits included in the 2013/14 Bolsover District Council Internal Audit Plan.
- 4.2 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.
- 4.3 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.
- 4.4 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.

4.5 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.

5.0 **OTHER WORK IN PROGRESS**

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

- Housing Rents
- Housing Benefits
- Creswell Leisure Centre
- Creditors
- Treasury Management

6.0 **RECOMMENDATION**

6.1 That the report be noted.

6.2 That the two revisions to the audit plan detailed in paragraph 3.2 be approved.

7.0 **REASON FOR RECOMMENDATION**

- 7.1 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 7th September – 22nd November 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
B009	Procurement	To review a sample of the Council's procurement arrangements for compliance with Financial Regulations and Standing Orders	Marginal	24/09/13	15/10/13	5 (4H 1M)	5
B010	Right To Buy Sales	To ensure that the Right to Buy scheme is operated in line with procedures and Legislation	Satisfactory	24/09/13	15/10/13	3H	Note 1
B011	Council Tax	To review the controls and procedures in operation	Good	24/09/13	15/10/13	0	0
B012	Stores	To review the operation and management of the stores contract	Satisfactory	17/10/13	7/11/13	4 (1H 3M)	Note 1
B013	Cash and Bank	To ensure the security of cash and accuracy of banking	Satisfactory	25/10/13	15/11/13	2H	2

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

Note 1: Response not received reminder issued

Committee:	Audit Committee	Agenda Item No.:	6.
Date:	10 th December 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 concerning 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. Appendix 1 to the report sets out four issues which have been agreed by previous meetings to this Audit Committee to constitute the main Strategic Issues of Financial Government.

3. The Strategic Issues which are outlined below are consistent with the conclusions of the External Auditors (KPMG) report on the outcome of the 2012/13 Audit. The key messages which appear to emerge from that 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. This recommendation needs to be considered against the report which appears elsewhere on this agenda concerning progress against the Internal Audit Plan.
4. More recently KPMG have issued their Annual Audit Letter 2012/13 which was discussed at the Council meeting on 25th November 2013. Given that this is a key document for the Audit Committee to consider a copy is attached as Appendix 2 to 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 requiring 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 2010/11 and 2011/12. There is a clear trend of improvement but it is important that the Council continues with measures that 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. Further 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. While the accountancy team have continued to work to enhance financial competency across the Council the training programme has now been delayed until the early part of the new calendar year.
 - 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 Appendix 1 which is given below.

Recommendations:

9. It is recommended that Audit Committee considers 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.

Reasons for Recommendations

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

APPENDIX 1

Issue Raised	Progress to date including target dates.
<p>1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan.</p>	<p>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 budget position appears elsewhere on this agenda. The latest budget figures in respect of 2014/15 and 2015/16 indicate a shortfall of £0.75 and £1m respectively (£1.75m in total). The Council is currently in the process of finalising a review of senior management and will be considering further options to ensure that our underlying level of expenditure remains inline with the resources available to the Council.</p>
<p>2. To secure further improvements in financial reporting with respect to the Council's published accounts and in the Council's financial management arrangements.</p>	<p>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 2 years 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. In particular appropriate training programmes are in place for all members of the team.</p>
<p>3. To improve the Council's Internal Control arrangements, and to strengthen the culture of effective management and</p>	<p>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</p>

<p>budgetary control across the authority.</p>	<p>during 2013/14. A comprehensive training programme will be delivered to all cost centre managers during the first quarter of 2014, and measures will be taken to 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>Officers are continuing to monitor the position with respect to the Council's contractual arrangements and are working to ensure that recent progress is consolidated.</p> <p>Officers will work with the Nottingham and Derbyshire Shared Procurement Unit to secure improvements in procedures and processes.</p>

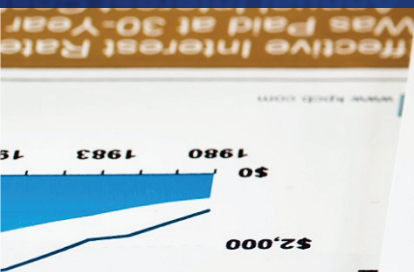


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Annual Audit Letter 2012/13

Bolsover District Council

October 2013



The contacts at KPMG in connection with this report are:

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Appendices

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission’s website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Sue Sunderland, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG’s work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission’s complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

This report summarises the key findings from our 2012/13 audit of Bolsover District Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2012/13 financial statements and the 2012/13 VFM conclusion.

<p>VFM conclusion</p>	<p>We issued an unqualified value for money (VFM) conclusion for 2012/13 on 25 September 2013.</p> <p>This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at your financial governance, financial planning and financial control processes, as well as how you are prioritising resources and improving efficiency and productivity.</p> <p>The Authority has addressed a number of significant weaknesses that led to a qualified VFM conclusion last year but further work is needed to address contract management weaknesses.</p>
<p>VFM risk areas</p>	<p>We identified a number of significant risks to our VFM conclusion and considered the arrangements you have put in place to mitigate these.</p> <p>Our work identified the following significant matters:</p> <ul style="list-style-type: none"> ■ Budgetary control – there were significant weaknesses in budgetary control arrangements and a lack of ownership of responsibility within service departments in the previous year (2011/12). The Authority has improved its budgetary control arrangements this year. Key changes included strengthened budget virement processes and better budget preparation arrangements. ■ Contracts – there were significant financial control weaknesses around the governance and management of contracts in the previous year (2011/12). Both management and internal audit have contributed to the development and implementation of improved contract arrangements. However, further work is required particularly with framework contract arrangements to fully address weaknesses (Appendix 1). ■ Option appraisal - weaknesses in initial option appraisal and risk management arrangements that significantly affect the ability of the Authority to demonstrate value for money (VFM). During 2012/13, various joint Strategic Alliance service reviews have included considering and appraising alternative options for the delivery of services. ■ Information – insufficient progress was made in the previous year (2011/12) to improve the quality of performance data and information including that reported to the Department for Communities and Local Government (DCLG). The Authority introduced stronger review and approval checks in 2012/13 designed to improve the quality of data. ■ Savings – the Authority has a balanced budget for 2013/14 and Officers of the Council are confident that the full level of savings will be secured by the year end. Looking forward significant budget shortfalls during the next two financial years require £1.6m of savings to be made. The Authority is aware of these shortfalls and intends to develop savings plans to address these. The financial outlook remains challenging and the Authority must continue to develop, implement and monitor savings plans.

We provide a summary of our key recommendations in Appendix 1.

All the issues in this letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

Audit opinion	We issued an unqualified opinion on your financial statements on 25 September 2013. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
Financial statements audit	<p>The Council has continued to improve its accounts preparation processes such that the financial statements and working papers presented for audit this year were of a good standard.</p> <p>Management brought to our attention at the start of the financial statements audit two material classification errors affecting the Comprehensive Income and Expenditure Statement. These errors had no impact on the Authority's overall expenditure on services or general fund reserves.</p> <p>Although the Authority's statements were reviewed by management before submission for audit these classification errors were not detected. In our view the timeliness and operation of existing management review procedures should be further improved (Appendix 1).</p>
Annual Governance Statement	We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.
Whole of Government Accounts	We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements.
High priority recommendations	<p>We raised two high priority recommendations as a result of our 2012/13 audit work. These are detailed in Appendix 1 together with the action plan agreed by management. We will formally follow up these recommendations as part of our 2013/14 work.</p> <ul style="list-style-type: none"> ■ Financial statements – improve the timeliness and operation of existing management review procedures over the unaudited financial statements; and ■ Contract arrangements - address remaining control weaknesses related to the governance and management of contracts.
Certificate	<p>We issued our certificate on 25 September 2013.</p> <p>The certificate confirms that we have concluded the audit for 2012/13 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	Our fee for 2012/13 was £64,980, excluding VAT which was the same as the planned fee for the year. This is a reduction of 40 percent compared to the 2011/12 base fee.

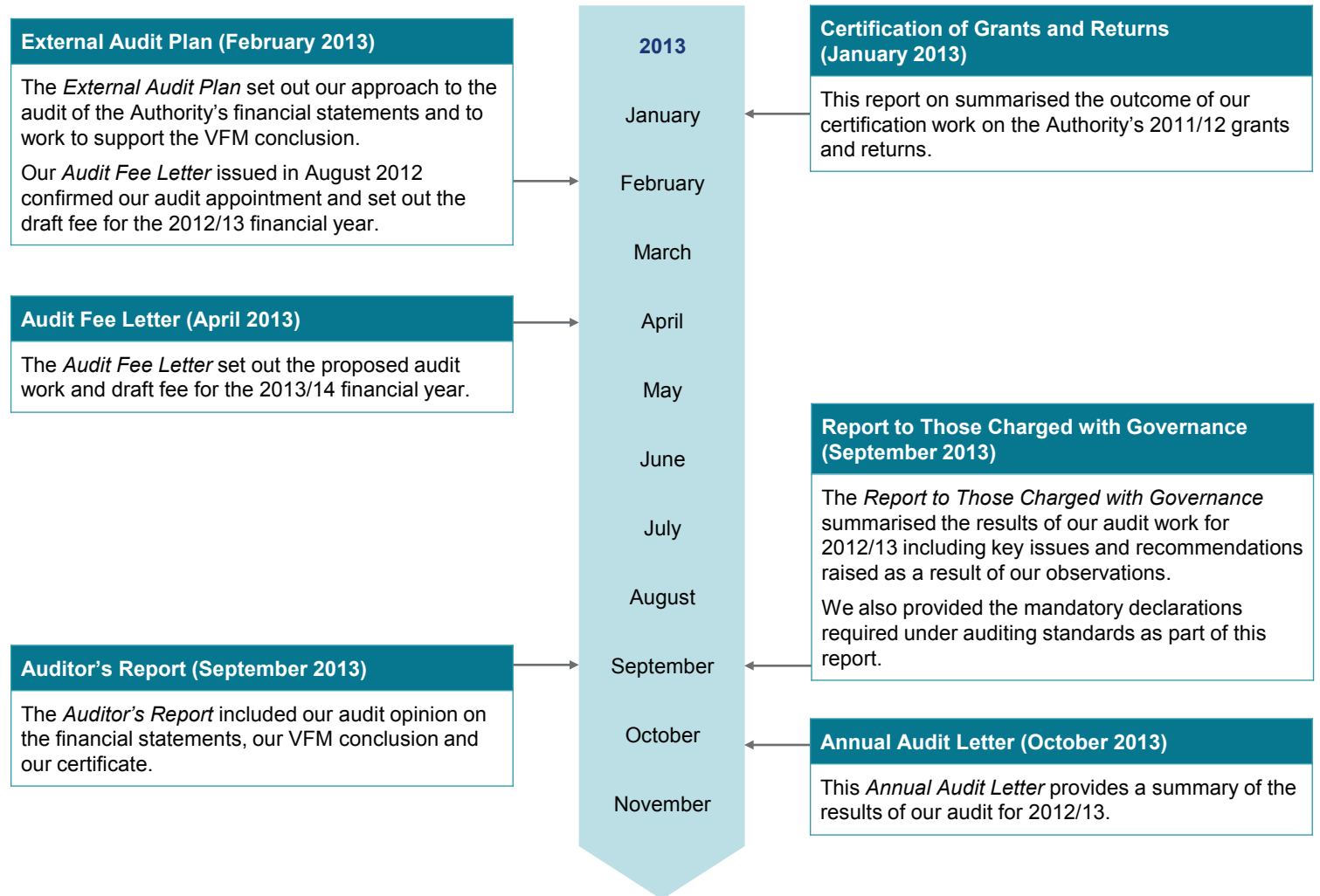
This appendix summarises the high priority recommendations that we identified during our 2012/13 audit, along with your responses to them.

No.	Issue and recommendation	Management response/ responsible officer/ due date
1	<p>Review of draft accounts</p> <p>Issue</p> <p>Management brought to our attention at the start of the year end audit material classification errors (both income and expenditure) within the Cost of Services in the Comprehensive Income and Expenditure Statement.</p> <p>Although the Authority's financial reporting process includes management review of the draft accounts, the above misclassifications were not detected.</p> <p>Recommendation</p> <p>Improve the timeliness and operation of existing management review procedures over the draft accounts.</p>	<p>Response</p> <p>The final accounts timetable allocated sufficient time to review and check the Statement of Accounts (SOA) for 2012/13. Detailed reviews and checks were carried out by the Chief Accountant, the Assistant Director of Corporate Resources (Finance and ICT) and the Director. Unfortunately, this error, reported by management to the External Auditor, was not spotted until the SOA had been passed to KPMG (28 June 2013).</p> <p>In order to try to prevent this type of error happening in the future we shall draft a set of validation checks to compare the gross income and gross expenditure columns for each line of the Comprehensive Income and Expenditure statement to the same lines for the previous financial year. Any lines showing a significant percentage difference will trigger a validation check alert within our SOA documents.</p> <p>Officer Responsible:</p> <p>The Chief Accountant will set up and test these validation checks ready for the 2013/14 final accounts. This will be during February 2014 when the 2013/14 SOA template is prepared.</p>

No.	Issue and recommendation	Management response/ responsible officer/ due date
<p>2</p>	<p>Contract arrangements</p> <p>Issue</p> <p>The Authority has made good progress in addressing the significant control weaknesses around the governance and management of contracts.</p> <p>However, we understand that internal audit has found that weaknesses remain particularly in relation to framework contract agreements.</p> <p>Recommendation</p> <p>Address all remaining control weaknesses around the governance and management of contracts. Carry out a further internal audit follow up review to provide assurance that these have been addressed in full.</p>	<p>Response</p> <p>All issues identified within the Internal Audit report will be addressed at the earliest possible opportunity, with progress reported back to the December 2013 meeting of the Audit Committee to confirm compliance. Further training will be provided in the Autumn of 2013 as part of a planned training programme for all managers during October / November 2013.</p> <p>The move to a new Procurement Service will be used as an opportunity to review and challenge our current procurement arrangements. A set of “procurement clinics” attended by a procurement expert from the Nottingham and Derby Procurement Unit have already commenced where officers may “drop in” to seek advice and guidance on all procurement issues and plans are being developed to deliver further training.</p> <p>Officer Responsible:</p> <p>The Director of Corporate Resources will ensure that the recommendations made within the Audit Report are fully addressed and reported back to the December 2013 Audit Committee.</p>

Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since November 2012 when we were appointed as the Authority's auditor.



This appendix provides information on our final fees for 2012/13.

To ensure openness between KPMG and your Audit Committee about the extent of our fee relationship with you, we have summarised the outturn against the 2012/13 planned audit fee.

External audit

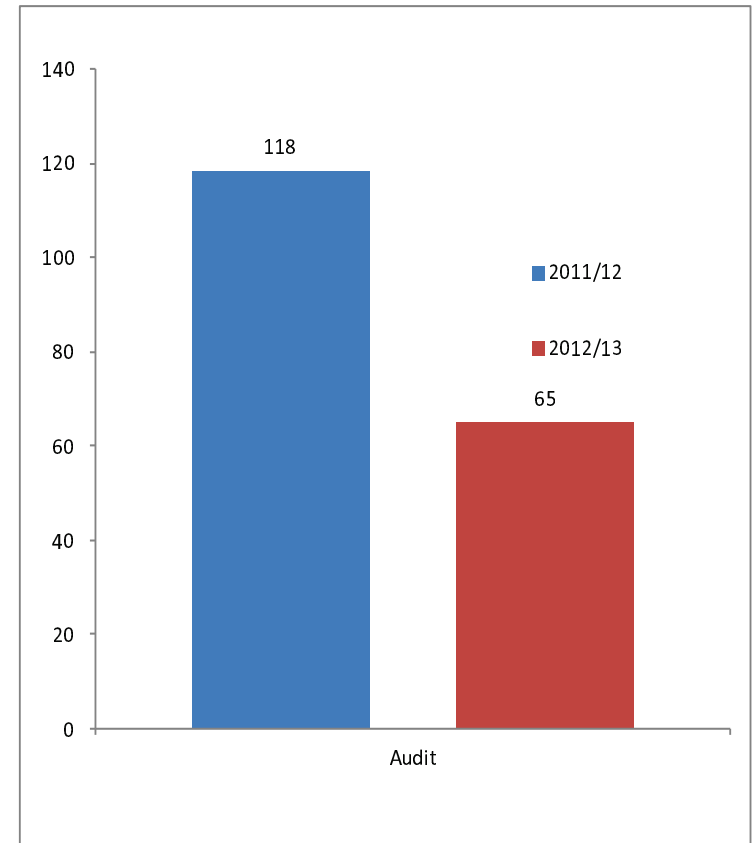
Our final fee for the 2012/13 audit of the Authority was £64,980. This is an overall reduction of 45 percent on the comparative total fee for 2011/12 of £118,420. This reflects the significant reductions made nationally by the Audit Commission to its scale fees.

The final fee compares to a planned fee of £64,980.

Certification of grants and returns

Our grants work is still ongoing and the fee will be confirmed through our report on the *Certification of Grants and Returns 2012/13* which we are due to issue in January 2014.

External audit fees 2012/13 (£'000)





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Audit Committee 10th December 2013

Reports of the Director of Corporate Resources
Quarter 2 Financial Monitoring 2013/14.

Copy of report presented to Executive on 9th December 2013

Committee:	Executive	Agenda Item No.:	11.
Date:	9 th December 2013	Status	Open
Subject:	Budget Monitoring Report, Quarter 2 – April to September 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 second 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 second quarter with Performance, Risk and Finance being considered together at Directorate meetings held during October 2013. The scope of this report is therefore to report the current financial position following the 2013/14 quarter two 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 £0.293m which means that the Council has secured budget savings of £0.591m in the first half of the financial year. The budget savings which have been secured are distributed to the appropriate services or income lines within the budgets. With regard to the savings targets it can be seen from the table below the original target, the savings achieved to the half year point and the outstanding position at 30 September 2013:-

Savings Programme 2013/14			
	Original Target £000	Savings achieved to quarter 2 £000	Balance outstanding £000
Vacancies savings	100	55	45
Leisure Savings Clowne	60	1	59
Street Scene	50	36	14
Director Secondment	100	0	100
Secondments and joint working NEDDC	100	97	3
Property Rationalisation (Clowne relocation)	100	0	100
Garage Fleet Review	25	25	0
Other Savings (inc Leisure & Income Generation)	80	17	63
Other Savings to be identified	269	360	(91)
Totals	884	591	293

- 3.2. It can be seen from Appendix 1 and the table above that this is a net position with some of the savings targets exceeding budgeted targets and some not achieving the savings anticipated in the first half year. Further work is ongoing on these items so they remain 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 half year have been identified. All these measures have helped to secure the required level of savings. The remaining savings target items do raise some concern as there appears less likelihood of achieving some of these savings within the current year. The Accountancy Section is currently finalising the Revised Budgets for the current year and the position on all the savings targets is being reviewed. The Revised Budget position will be available for the December Executive meeting which will also provide an indication of the roll forward budget position with regard to 2014/15 and future years.
- 3.3. Within the main Directorates the main points to note are:-

- The Chief Executives Directorate shows a small adverse variance of £0.005m. The main item within this directorate relates to the possibility that some of the CEPT revenue grant funding will not be drawn down to support employee costs. This action if agreed by the Council will increase the in year costs to the Council by £0.034m. Other favourable variances across a number of cost centres reduce the net position to the £0.005m.
- The Corporate Resources Directorate shows a favourable variance of £0.036m. 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 2 of £0.064m. This figure is a net position and reflects the following:
 1. Planning Fee income is above the profiled budget by £0.074m.
 2. Planning Policy expenditure is £0.024m below the budget profile.
 3. Pleasley Vale facilities maintenance expenditure is below the profiled budget but rental income has significantly increased to show a net favourable variance of £0.063m.
 4. Sherwood Lodge – net cost £0.032m 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. These costs will, however, be charged against Efficiency Grant and thus will not adversely impact upon the Council's revenue position.
 5. The Tangent Business Hub – expenditure is £0.035m above the profiled budget. The position on the Tangent is improving as more tenants have been secured which brings in rental income and reduces the empty rate liability. Officers are also awaiting the outcome of a rating revaluation which if successful will reduce the Council's liability but also make the units more attractive to prospective tenants. 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 are grant funded until December 2013. It should be noted that the Council will have to meet the full running costs from that point onward.
 6. Other variances within the Directorate are not significant nor considered a budget pressure at this stage of the financial year.
- The Health and Wellbeing Directorate shows an adverse variance of £0.005m. The Environmental Health service shows as an over spend of £0.024m at the end of the second 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 still a few areas within the leisure budgets where income is behind the profiled budget and officers are carefully monitoring this position. The main area to be aware of at this point in time is that Creswell Leisure Centre income is £0.023m below the budgeted position. At this stage officers within leisure services do not anticipate that these areas will develop into budget pressures for the Council.

- The Neighbourhoods Directorate shows a favourable variance of £0.060m which is spread over a number of cost centres. There are no budget pressures to report.

3.3 Provision for Pay Award

The pay award for 2013/14 has now been paid and the costs are now shown within the relevant service areas of each Directorate. The separate budget provision for the pay award therefore shows as an under spend in the accounts. This budget allocation will be redistributed to all cost centres as part of the revised budget process.

- 3.3 Interest rates are remaining very low which is impacting on the level of interest earned on invested balances. This is also affected by the prudent accounting arrangements now being taken for the funds tied up in Icelandic Banks. On the basis of these items Members should note there is an anticipated reduction of actual investment income received against the budgeted income position.

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.

3.5 General Fund Summary

The overall position at the end of quarter 2 shows that there is a small overall favourable variance of £0.002m 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 update the position on these. The savings target items will be reviewed as part of the revised budget process and any significant issues with these will be reported as part of the Revised Budget report in December.

Housing Revenue Account (HRA)

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

Income

- 3.7. The quarter 2 income figures show a mix of variances which give a net position of £0.158m above the budgeted position for the half year. The main favourable variance relates to the supporting people income received which is better than estimated (£0.132m) and relates to the new contractual arrangements agreed with Derbyshire County Council.

Expenditure

- 3.8. Expenditure within each of the operating areas of the HRA continues to show under spends at the half year point. The overall expenditure position showing as £0.227m below the profiled budget. 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 currently underway and is expected to 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.
- 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. A detailed recalculation of the interest costs is under taken as part of the revised budget process and further interest cost savings are anticipated.
- 3.10 In 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 second quarter.

Capital Investment Programme

Capital Expenditure

- 3.11. The second 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 been updated with the approved carry forwards from 2012/13 and now stands at £10.837m for the financial year 2013/14.
- 3.12 In headline terms the capital programme profiled budget for quarter 2 is £2.756m and the actual spend and known commitments total £1.895m, which is £0.861m behind the planned spend position. The main areas to highlight are listed below:
- Assets – no specific approval for the asset management plan work for 2013/14 has been requested.
 - Project Horizon – this scheme is now complete and officers anticipate significant savings against the approved budgets.
 - Sherwood Lodge disposal – a delay in forecast disposal date.
 - Private Sector Schemes
Disabled Facilities Grants – the actual spend against the approved grants is currently below profile. Other Private Sector Schemes show no activity during the first half year.
 - Fuel Poverty Fund – the scheme was completed at a lower level of expenditure than originally anticipated.
 - Vehicle Replacement – the replacement vehicles is anticipated to take place during the second half of the financial year. There may be some slippage of these purchases into 2014/15.

- HRA – capital expenditure is below the profiled budgets in many areas at the half year point. This reflects the holding position being undertaken pending the results of the Stock Condition Survey work.

3.13. The capital programme has been profiled for a low level of expenditure during the first half year. However, the actual expenditure on schemes to 30 September 2013 is £0.861m below that profile. Whilst there are no significant financial issues to report regarding Capital Expenditure at the end of the second quarter it must be noted that the delivery of the approved capital programme is behind the forecast position as at quarter 2. 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 second 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 second 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 and the receipt in respect of the Sherwood Lodge site is anticipated to be received by January 2014.

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 half of 2013/14.

3.17 Co-Operative Bank

The Executive should note that the Council – in common with all other local authorities who use the Co-Operative bank - have received notification from the Bank that as part of its restructuring proposals it is withdrawing from local authority banking. The letter from the Co-operative Bank stated that it would honour existing contracts until their termination date – that of Bolsover District Council – runs until March 2017, although the letter sets out that the Co-operative Bank would not object to any local authorities terminating their contract at an earlier date. Officers are currently looking into the options that are open to the Council and it may well be worthwhile considering a move away from the Co-operative bank at the earliest opportunity. Once Officers have explored the

available options then a report will be brought back to Members with recommendations. In the meantime, however, it should be noted that officers are looking at the options of opening a new bank account with a separate UK based bank to provide a backup reserve current account facility. This is essentially a business continuity issue which is being pursued. In the light of the fact that competing banks are prepared to offer back up current accounts at reasonable terms it would seem appropriate that the Council moves to establish such a back up account at the earliest opportunity.

4 Legal Aspects

4.1 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 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.

5.2 There are increased risks identified with the position of the Council's bank and officers will continue to monitor the situation. There are some actions in place to reduce the Council's financial exposure and approval to explore contingency plans is sought from recommendations in this report. Longer term plans to transfer from the Co-Operative Bank will now be drafted and reported to Members.

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 £0.293m at the end of the second quarter.

The monitoring position shows a small net favourable variance position at the half way point in the financial year of £0.002m. There are a number of budget pressures being highlighted which are being carefully monitored. In overall terms, however, Officers are of the view that the Council is making good progress at the

half year point to achieve the full level of General Fund savings of £0.884m by the year end.

HRA

The HRA is showing a net under spend of £0.415m in the second quarter and is now expected to outturn below the original budget. The revised budget process will most likely confirm the under spend position and officers will explore what opportunities the position presents.

Capital Expenditure

There are no significant areas of concern to report regarding the Capital Programme in the second 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 half 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 second quarter.

Treasury Management

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

Co-Operative Bank

Officers undertaking the daily treasury management activity are seeking to minimise the overnight exposure of the Council by leaving minimal balances with the Co-Operative Bank overnight.

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 second quarter as detailed on Appendix 1 (a net favourable variance of £0.002m 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 second 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.
- 10.4 That Executive notes the content of the letter that has been received from the Co-operative Bank concerning their intention to withdraw from local authority banking and that officers are undertaking work to consider the most appropriate future option for the Council's banking arrangements. It should also be noted that the Council's finance team are working to establishing a backup reserve current account facility in order to support the Council's business continuity arrangements.
- 10.5 That Officers report back to Executive on the proposed arrangements of how and when the Council should prepare and undertake the transfer from the Co-Operative Bank.

11 Reasons for Recommendations

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

Background Papers Location

Held in Accountancy Room

Audit Committee 10th December 2013

Reports of the Director of Corporate Resources

Revised General Fund, Housing Revenue Account
and Capital Programme budget for 2013/14

Copy of report presented to Executive on 9th December 2013

Committee:	Executive	Agenda Item No.:	12.
Date:	9th December 2013	Status	Open
Subject:	Revised General Fund, Housing Revenue Account and Capital Programme budget for 2013/14		
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 inform Executive of the outcome of the revised budget process undertaken during October and November 2013 and to seek approval for the revised budget for the General Fund and Housing Revenue Account for 2013/14.
- 1.2 To seek approval for the revised position of the Capital Programme based on Council approvals during the course of the financial year and following the re-profiling of some approved schemes.

2 Background Information

- 2.1 Officers commenced the budget process in October 2013 in order to establish the revised budget figures for the current year. This shortened timescale provides an early indication of the financial position of the General Fund to allow adequate time for budget discussions with Officers and Members. Whilst some further amendments will arise as a result of these discussions it is envisaged that the revised budget set out within this report will form the basis of the Council's 2014/15 Medium Term Financial Plan. At the same time officers have prepared Revised Budgets for the Housing Revenue Account (HRA) and the Capital

Programme. The scope of this report is therefore limited to the Revised Budget position on the General Fund, HRA and the Capital Programme. It was particularly important to commence the Revised Budget process early to ensure that all possible savings could be identified and captured at the earliest opportunity in order to balance the budget for the current financial year. The timely process ensures that all budget managers are working to the revised budgets in the General Ledger and in the provision of their services. Given the extent of the financial pressures that will face the Council in the next financial year (2014/15) it is critical that the budget in respect of the current financial year is managed in a manner that will assist the Council in addressing the financial pressures that continue to arise from the Comprehensive Spending Review.

- 2.2 The budgets recommended within this report will be used as the basis of budget monitoring and management. They will then be the basis of the Medium Term Financial Plan including the 2014/15 budget which will be reported for approval in February 2014.

3 Issues for Consideration

General Fund Revenue Account

- 3.1 The revised budget process is now complete and the proposed revised budget for 2013/14 for the General Fund is attached at **Appendix 1**. The appendix shows the Original Budget for 2013/14 which was agreed in March 2013 on a Directorate basis together with the proposed Revised Budget for 2013/14. The revised budget shows that the **Total Spending Requirement** has been reduced to £12.114m which is £0.918m below the Original Budget figure of £13.032m. The reduction reflects the achievement of many of the £0.615m savings targets which are being delivered and implemented by officers in the current year. It also reflects where budget officers have worked to identify and manage reductions in their budgets whilst maintaining service delivery standards. For budget management purposes the savings target items are now reflected in the relevant service area of the budget. Other budget adjustments have also been made to reflect service needs and approved one-off costs related to service transformation, development and projects which will be funded from the use of reserves. The reserves utilised include the use of the Efficiency Grant, the Local Development Reserve for the local plan, Transition Fund, Transformation Reserve and General Reserve.
- 3.2 Also detailed within the Revised Budget are the S106 monies that the Council needs to utilise during the financial year to comply with S106 requirements (£0.801m).
- 3.3 In all areas the Assistant Directors and budget managers have been consulted and are in agreement of the budget changes proposed. Also, it has been a clear objective in the exercise not to make any budget changes that have a significantly adverse impact on the service provision being delivered. **Appendix 2** shows the net cost of each cost centre by Directorate for further information.
- 3.4 The budget lines below the **Total Spending Requirement** line of **Appendix 1** have also been revised. The items below the Total Spending Requirement

covers an increase of £0.05m in the amount of Council Tax Freeze Grant above the original forecast, an increase in the retained Business Rates of £0.155m above the Government baseline settlement and an increase of £0.021m in the grant received in 2013/14 for New Homes Bonus. The total of these revised budgets gives an overall surplus to the General Fund in the current year of £0.275m.

- 3.5 The estimated £0.275m surplus in the year will clearly be dependent on the actual financial performance out-turning in line with the revised budgets. There may be further costs identified from the current restructuring process and other variances as the year progresses. Unless the estimated surplus is earmarked for other purposes then the sum will be transferred into the General Fund balances at the year end. Given the ongoing pressure to achieve financial savings it is crucial that the Council retains sufficient financial reserves to support any necessary transformation, development and restructuring costs.
- 3.6 From the original savings targets there remains two items which have not been moved into the relevant service areas. This is the vacancy allowance which officers anticipate may contribute a further £0.020m in the remainder of the financial year and the one off income sum of £0.100m estimated to be received from Amber Valley BC. If these savings target items are realised the surplus in the year is estimated to increase to £0.395m.

2014/15 to 2016/17 - Roll forward budget – indicative figures

- 3.7 In addition to developing the revised budget in respect of 2013/14, Officers have also undertaken the work necessary to prepare a roll forward budget in respect of 2014/15 and future years. The figures are still being refined by the finance team with the provisional position shown in the table below:

	2014/15 £000	2015/16 £000	2016/17 £000
Preliminary calculation of In year budget shortfall	752	997	814
Cumulative Shortfall position	752	1,749	2,563

- 3.8 These figures are still subject to change but they do indicate that the Council has made in-roads into the budget shortfall for 2014/15. The original MTFP approved in February 2013 indicated that the budget gap for 2014/15 was £0.993m. A key element securing the improvements identified above has been the minimisation of all budgets but it needs to be recognised that this approach does minimise the opportunities to manage any service pressures which develop during the course of the year.
- 3.9 Further reports will be brought back to Members as appropriate which will incorporate recommendations concerning measures for consideration as means of addressing the budget position. These will be underpinned by further meetings of SAMT and the Cabinet are planned which it is anticipated will identify further potential savings options for consideration by Executive.

4 Housing Revenue Account (HRA)

- 4.1 The Housing Revenue Account revised budget proposal is set out in **Appendix 3** to this report.

Income

- 4.2 Rental income is shown as £0.312m above the original budget which is partly due to the level of void properties being lower than anticipated. The Council has also seen an increase in the money received from Derbyshire County Council in respect of supporting people arrangements. This is as a result of new contractual service arrangements agreed with the County. Funding arrangements in this area, however, remain under review and it is important the position continues to be closely monitored.

Expenditure

- 4.3 The main variances reported within the expenditure side of the HRA relate to an increase in Supervision and Management costs. The net increase is £0.233m which reflects an increase in employee costs, the review of the charges between the General Fund, capital and the HRA and additional Council tax costs arising from the changes in empty property exemptions and property numbers affected within the HRA.
- 4.4 The other main variances within the expenditure side of the HRA relate to an increase in the contribution made to the Bad Debt provision (£0.050m). This increase is purely precautionary at this stage of the financial year and is requested to protect the Council's financial position with regards to rent arrears for the HRA. The year-end bad debt provision calculations will determine the actual top-up requirement from the HRA.
- 4.5 The large favourable variance within the HRA is a reduction in interest costs (-£0.149m). This is as a result of the continued low interest rates currently in place for the Council's borrowing, the earlier than planned repayment of HRA settlement debt and the fact that no prudential borrowing is expected to be incurred by the HRA this year.
- 4.6 The forecast position on the account will allow the introduction of a vehicle replacement reserve with the contribution set at £0.200m in the current year. This approach is as a result of the Council moving away from leasing its housing vehicles to purchasing them. The introduction of the reserve will mean there will be sufficient funds available to finance the vehicle purchases from the reserve without the need for prudential borrowing.
- 4.7 After all the proposed budget changes detailed above the HRA is anticipated to deliver a surplus in the current financial year of £0.086m. This is £0.062m above the original budget for 2013/14 and if realised will increase the level of HRA balances to £1.861m.

5 Capital Programme

- 5.1 The Council's capital programme is shown by Directorate as a summary on **Appendix 4** and on a scheme by scheme basis on **Appendix 5**. It has been updated from the Original Budgets to the proposed Revised Budget which reflects approvals within the year and the profiling of the individual schemes following approved changes by Members and from detailed discussions with budget officers.
- 5.2 The main changes between the original budget and the revised budget relates to the approved carry forward of schemes from 2012/13 and the inclusion of outstanding retention amounts from schemes that are capital creditors.
- 5.3 It can be seen on Appendix 4 that the total capital expenditure is anticipated to be £8.926m in the current year which is split between the General Fund £4.990m and the HRA £3.936m. The Council needs to ensure that sufficient capital financing for this expenditure is put in place which is affordable and sustainable.
- 5.4 The HRA financing is 100% secured and in place for 2013/14. The use of the Major Repairs Allowance and other Reserves to finance the HRA capital expenditure means that there will be no prudential borrowing undertaken which therefore has no impact on affordability for the HRA. The use of these reserves however will have a limited impact on the investment income being earned by the HRA i.e. if these reserves are utilised then they cannot be invested by the Council.
- 5.5 The General Fund financing relies on a significant level of capital receipts being received from the sale of Sherwood Lodge. The capital receipt from this sale is anticipated in January 2014 and as such will secure the final part of the financing for the General Fund capital programme. Should this capital receipt not be secured within the financial year then it may be necessary to undertake some prudential borrowing to fund the General Fund capital programme. An update on the proposed General Fund Capital Financing arrangements will be provided as part of the report in respect of the MTFP which will be considered by Members in February 2014.

6 Legal Aspects

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

7 Risk Management

- 7.1 The issue of Financial Risk 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 continued reductions in budgets means that any adverse variances arising from particular issues or pressures will not now be able to be absorbed from favourable variances in other budgets and as such may result in an overspend against the revised budget.

There is also no provision within the revised budget to meet any costs of delivering financial savings required for future years. Consideration of the use of the forecast surplus in the current year must bear this in mind.

- 7.2 The HRA is progressing well under the new HRA reforms during 2013/14 and the identified additional resources are being allocated to finance vehicle replacement rather than take on prudential borrowing. The anticipated surplus in the year will increase the HRA balances to an estimated £1.861m which provides a reasonable level of cover for the risk exposure of the Council.
- 7.3 The capital programme identifies and recognises the need to maintain the Council's assets in a fit for purpose state and to retain and attract income streams for the Council. The financing of the capital programme for the HRA is secured for 2013/14 and the General Fund should be secured by January 2014 when the Sherwood Lodge asset sale is completed thus minimising the risk of any additional unplanned borrowing.

8 Policy and Performance

- 8.1 This report is intended to set the revised budgets for the HRA and General Fund and Capital Programme for 2013/14. In turn they will allow progress to be made in achieving the objectives set out in 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.

9 Financial Implications

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

9.2 General Fund

The revised budget as detailed in Appendix 1 is estimated to show a surplus in the year of £0.275m and if the remaining target savings are achieved this may increase the surplus to £0.395m.

9.3 HRA

The revised budget for the HRA will accommodate a number of budget changes but is still anticipated to show a surplus in the financial year of £0.086m.

9.4 Capital Programme

The revised capital programme reflects the projects and schemes approved by the Council during the course of the financial year. Certain schemes have also been re-profiled by budget managers to reflect the anticipated spend for 2013/14.

10 Equalities Issues / Human Resources Implications / Environmental Considerations

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

11 Crime and Disorder/ Community Safety Implications

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

12 Recommendations

12.1 It is recommended that Executive approves the Revised General Fund operational budget for 2013/14 as set out in **Appendix 1** and detailed in **Appendix 2**.

12.2 That Executive approves the Revised HRA operational budgets for 2013/14 as set out in **Appendix 3**.

12.3 That Executive approves the revised operational Capital Programme budgets for 2013/14 as set out within **Appendix 4** and **Appendix 5**.

13 Reasons for Recommendations

13.1 To set revised operational budgets as early as possible within the financial year for the General Fund and HRA which will ensure that identified budget savings are realised, that all budget managers are working to the revised budgets and to allow the planned changes in the HRA budgets to be delivered.

13.2 To revise the 2013/14 capital programme budgets to reflect schemes approved during the year and to note the re-profiling of certain schemes within the programme.

Background Papers Location

Held in Accountancy Room 317

APPENDIX 2

List of net budgets per cost centre per directorate

2013/14

Revised

Budget

£

APP	G909	Cont. to/from Revenue Reserves (G909)	(1,595,432)
APP	G911	Provision for Repayment of External Loan (G911)	529,357
APP	G913	Precept Demand from Collection Fund (G913)	(5,237,339)
APP	G914	General Government Grants (G914)	(7,152,506)
APP	G916	Interest Received (G916)	(63,138)
APP	G918	Interest Paid - Bank (G918)	78
APP	G919	Interest Paid - PWLB (G919)	404,739
APP	G920	Interest Paid - Parish (G920)	1,155
APP	G924	Interest Received - Other (G924)	(4,223)
APP	G925	Internal Interest Received (G925)	2,106
APP	G927	Interest Received (G927)	(3,580)
APP	G928	Local Precepts (G928)	2,579,590
APP	G930	T/f of General Fund Balance (G930)	275,672
APP		Total for: Appropriations	<u>(10,263,521)</u>
CEO	G003	Reprographics (printing) (G003)	41,344
CEO	G005	Joint Chief Executive Officer (G005)	81,654
CEO	G006	CEPT (G006)	282,921
CEO	G015	Strategy & Performance (G015)	234,462
CEO	G052	Human Resources & Payroll (G052)	334,443
CEO	G054	Electoral Registration (G054)	52,840
CEO	G055	Democratic Representation & Management (G055)	536,825
CEO	G056	Land Charges (G056)	16,996
CEO	G057	District Council Elections (G057)	6,660
CEO	G058	Democratic Services (G058)	215,249
CEO	G059	Solicitor to the Council (G059)	33,321

APPENDIX 2

List of net budgets per cost centre per directorate

2013/14

Revised

Budget

£

CEO	G060	Legal Services (G060)	237,520
CEO	G086	Alliance (G086)	9,250
CEO	G168	Multifunctional Printers (G168)	55,070
CEO		Total for: CEO Directorate	2,138,555
DEV	G018	Public Conveniences (G018)	22,078
DEV	G050	Joint Director of Development (G050)	44,718
DEV	G073	Planning Policy (G073)	227,602
DEV	G074	Planning Development Control (G074)	45,813
DEV	G076	Planning Enforcement (G076)	75,440
DEV	G079	Planning Services Mgmt & Admin (G079)	58,581
DEV	G080	Engineering Services (ESRM) (G080)	66,040
DEV	G081	Drainage Services (G081)	3,300
DEV	G082	Tourism Promotion & Development (G082)	18,093
DEV	G083	Building Control Consortium (G083)	118,550
DEV	G085	Economic Development (G085)	121,424
DEV	G088	Derbyshire Economic Partnership (G088)	15,000
DEV	G089	Premises Development (G089)	(44,379)
DEV	G090	Pleasley Vale Mills (G090)	(196,491)
DEV	G092	Pleasley Vale Electricity Trading (G092)	(39,840)
DEV	G093	Sherwood Lodge (G093)	62,643
DEV	G095	Regeneration Mgmt & Admin (G095)	604,587
DEV	G096	Building Cleaning (General) (G096)	64,052
DEV	G099	Catering (G099)	6,000
DEV	G127	Development Management & Admin (G127)	48,215
DEV	G132	Planning Conservation (G132)	66,684

APPENDIX 2

List of net budgets per cost centre per directorate

2013/14

Revised

Budget

£

DEV	G133	The Tangent Business Hub (G133)	10,703
DEV	G138	Sherwood Lodge Development (G138)	40,000
DEV	G143	Housing Strategy (G143)	34,337
DEV	G144	Enabling (Housing) (G144)	19,186
DEV	G151	Street Lighting (G151)	4,500
DEV	G156	The Arc (G156)	266,724
DEV	G167	Facilities Management (G167)	51,386
DEV	G169	Closed Churchyards (G169)	8,500
DEV	G171	S106 Education (G171)	305,385
DEV		Total for: Development Directorate	2,128,831
H+W	G010	Neighbourhood Management (G010)	113,056
H+W	G017	Private Sector Housing Renewal (G017)	138,343
H+W	G020	Public Health (G020)	(1,600)
H+W	G021	Pollution Reduction (G021)	92,650
H+W	G023	Pest Control (G023)	43,727
H+W	G025	Food Safety (G025)	147,287
H+W	G026	Animal Welfare (G026)	84,552
H+W	G027	Emergency Planning (G027)	15,200
H+W	G036	Environmental Health Mgmt & Admin (G036)	227,940
H+W	G053	Licensing (G053)	(34,450)
H+W	G061	Bolsover Wellness Programme (G061)	(49,874)
H+W	G062	Extreme Wheels (G062)	(25,331)
H+W	G063	Football (G063)	10,204
H+W	G064	Bolsover Sport (G064)	36,011
H+W	G065	Parks, Playgrounds & Open Spaces (G065)	56,045

APPENDIX 2

List of net budgets per cost centre per directorate

2013/14

Revised

Budget

£

H+W	G066	Sports Development (G066)	86,836
H+W	G067	Culture & Heritage (G067)	50,015
H+W	G069	Kissingate Leisure Centre (G069)	70,000
H+W	G070	Outdoor Sports & Recreation Facilities (G070)	29,280
H+W	G071	Creswell Leisure Centre (G071)	159,330
H+W	G072	Leisure Services Mgmt & Admin (G072)	173,437
H+W	G107	Home Improvement Agency (G107)	4,880
H+W	G112	Frederick Gents School Community Use (G112)	28,287
H+W	G125	S106 Percent for Art (G125)	135,439
H+W	G126	S106 Formal and Informal Recreation (G126)	89,784
H+W	G139	Director of Health & Wellbeing (G139)	49,060
H+W	G145	Handy Van Service (G145)	10,681
H+W	G146	Pleasley Vale Outdoor Activity Centre (G146)	41,663
H+W	G160	Clowne Leisure Centre (G160)	21,449
H+W	G170	S106 Outdoor Sports (G170)	171,635
H+W	G172	S106 Affordable Housing (G172)	74,900
H+W	G176	Affordable Warmth	28,712
H+W	G181	BLACA	9,432
H+W	G182	Village Games	(986)
H+W	G183	Rounders	245
H+W	G184	SE Return 2 Sport	373
H+W	G185	Club Link Makers	3,000
H+W	G186	PL45 Satellite Programme	4,000
H+W		Total for: Health Wellbeing Directorate	2,095,212
NEI	G007	Community Safety - Crime Reduction (G007)	48,194

APPENDIX 2

List of net budgets per cost centre per directorate

2013/14

Revised

Budget

£

NEI	G013	Community Action Network (G013)	226,608
NEI	G024	Street Cleansing (G024)	352,782
NEI	G028	Waste Collection (G028)	895,279
NEI	G032	Grounds Maintenance (G032)	536,690
NEI	G033	Vehicle Fleet (G033)	716,153
NEI	G046	Homelessness (G046)	136,728
NEI	G048	Town Centre Housing (G048)	(23,000)
NEI	G094	Joint Director of Neighbourhood Services (G094)	51,826
NEI	G097	Groundwork & Drainage Operations (G097)	46,641
NEI	G106	Housing Anti Social Behaviour (G106)	65,600
NEI	G113	Parenting Practitioner (G113)	647
NEI	G123	Riverside Depot (G123)	168,321
NEI	G124	Street Servs Mgmt & Admin (G124)	53,327
NEI	G128	Neighbourhoods Management & Admin (G128)	94,629
NEI	G135	Domestic Violence Worker (G135)	38,029
NEI	G142	Community Safety - CCTV (G142)	71,270
NEI	G148	Trade Waste (G148)	(71,411)
NEI	G149	Recycling (G149)	(14,831)
NEI	G150	Waste Minimisation (G150)	500
NEI	G153	Housing Advice (G153)	8,159
NEI		Total for: Neighbourhoods Directorate	3,402,141
RES	G001	Audit Services (G001)	122,200
RES	G002	I.C.T. (G002)	684,815
RES	G014	Customer Contact Service (G014)	756,924
RES	G038	Concessionary Fares & TV Licenses (G038)	(6,924)
RES	G040	Corporate Management (G040)	133,705

APPENDIX 2

List of net budgets per cost centre per directorate			2013/14
			Revised
			Budget
			£
RES	G041	Non Distributed Costs (G041)	1,253,800
RES	G043	Joint Director of Corporate Resources (G043)	48,880
RES	G044	Financial Services (G044)	375,610
RES	G100	Benefits (G100)	229,867
RES	G103	Council Tax / NNDR (G103)	258,910
RES	G104	Sundry Debtors (G104)	79,732
RES	G111	Shared Procurement Unit (G111)	68,141
RES	G155	Customer Services (G155)	121,617
RES	G159	Council Tax Benefit Reform (G159)	804
RES	G161	Rent Rebates (G161)	(55,504)
RES	G162	Rent Allowances (G162)	(131,575)
RES	G164	Support Recharges (G164)	(3,442,220)
RES		Total for: Corporate Resources Directorate	498,782
Total		Total for: General Fund	0

APPENDIX 3

Actual 2012/13 £	Details of Expenditure	Original Budget 2013/14 £	Revised Budget 2013/14 £	
HOUSING REVENUE ACCOUNT				
Expenditure				
4,293,358	Repairs and Maintenance	4,422,760	4,415,116	
3,990,074	Supervision and Management	4,499,140	4,731,870	232,730
538,764	Special Services	688,210	680,011	
726,490	Supporting People	771,240	774,455	
84,268	Tenants Participation	88,060	87,561	
155,566	Increase in Bad Debts Provision	150,000	200,000	50,000
3,331,700	Cost of Capital - Interest	3,452,580	3,303,539	(149,041)
1,000,000	Cost of Capital - Debt Repayment	2,000,000	2,000,000	
10,488	Debt Management Expenses	12,000	10,500	
0	Contingency for 1% Pay Award	31,830	0	
14,130,709	Total Expenditure	16,115,820	16,203,052	
Income				
(18,726,974)	Income	(19,859,500)	(19,918,400)	
91,943	Repairs and Maintenance	(14,000)	(34,990)	
(856)	Supervision and Management	(340)	(420)	
(322,026)	Special Services	(264,000)	(264,000)	
(630,431)	Supporting People	(605,500)	(837,500)	
(11,216)	Leased Flats	(10,000)	(10,000)	
(4,425)	Leased Shops	(2,650)	(2,650)	
(1,642)	Rents, Rates, Taxes & Other Chrgs	0	0	
(5,389)	Housing Subsidy Payable	0	0	
(19,611,016)	Total Income	(20,755,990)	(21,067,960)	(311,970)
(5,480,308)	Net Cost of Services	(4,640,170)	(4,864,908)	
Appropriations				
2,114,672	Depreciation	2,132,600	2,075,820	
1,563,536	T/f to/(from) Major Repairs Reserve	1,183,620	1,198,822	
50,000	Contribution to Insurance Reserve	50,000	50,000	
1,000,000	Contribution to Development Reserve	1,250,000	1,250,000	
0	Cont to Vehicle Replacement Reserve	0	200,000	
0	Use of Unapplied Revenue Grant	0	4,590	
(752,100)	Net Operating (Surplus) / Deficit	(23,950)	(85,676)	
(1,023,549)	Working Balance at Beginning of Year	(1,775,649)	(1,775,649)	
(752,100)	Contribution to/(from) Balances	(23,950)	(85,676)	(61,726)
(1,775,649)	Working Balance at End of Year	(1,799,599)	(1,861,325)	

APPENDIX 5

Fund	CAPITAL PROGRAMME SUMMARY	Original Budget £	Revised Budget £
	General Fund		
	Assets		
ASS	AMP - PV Lodges	0	72,740
ASS	AMP - PV Mills	0	11,253
ASS	AMP - Prior to Exec Approval	500,000	0
ASS	Shirebrook Enterprise Centre (Tangent)	0	59,038
ASS	CCTV - Riverside Depot	0	53,733
ASS	Bolsover Public Realm and Infrastructure	0	215,910
		500,000	412,674
	Project Horizon		
HOR	ICT infrastructure - Project Horizon	0	64,774
HOR	Bolsover Mini Hub	2,433,000	2,433,000
HOR	Clowne Campus - Refurbishment	0	311,100
HOR	Sherwood Lodge Disposal	0	453,345
		2,433,000	3,262,219
	ICT Schemes		
ICT	ICT infrastructure	158,000	153,795
ICT	Fleet Management System	0	23,560
		158,000	177,355
	Leisure Schemes		
LEI	Playbuilder	0	13,020
LEI	Clune Street Recreation Ground	0	12,626
LEI	P Vale Outdoor Education Centre Ph 2	0	53,485
LEI	Bols Improv Play Pitches Initiative	0	34,242
		0	113,373
	Private Sector Schemes		
PS	Disabled Facility Grants	365,000	250,000
PS	Portland Street Group Repair	0	27,644
PS	Group Repair (WT)	0	25,600
PS	Carr Vale Group Repair	0	2,406
PS	New Houghton Group Repair	0	5,887
PS	Church Drive Energy Project	0	9,579
PS	New Houghton Renewal Area	0	142,309
PS	Pte Sector Decent Homes	0	16,736
PS	Station Road Shirebrook	0	147,858
PS	Verney & Crompton Street	0	110,000
PS	Fuel Poverty Fund	0	78,175
		365,000	816,194

APPENDIX 5

Fund	CAPITAL PROGRAMME SUMMARY	Original Budget £	Revised Budget £
	Vehicles and Plant		
VEH	Van (CAN AG05 LYW)	0	12,000
VEH	Van (Health FY53 DEU)	0	12,000
VEH	Van (Health FL05 JFE)	0	12,000
VEH	Refuse Vehicle (VX55 CVA)	0	140,000
VEH	Refuse Vehicle (VE07 ENT)	0	0
VEH	Refuse Vehicle (VE07 ENU)	0	0
VEH	Tractor (FJ55 UAL)	0	0
VEH	Van Streetscene (YN56 HFW)	0	0
VEH	Pick up Streetscene	22,000	22,000
VEH	8 x Hedgecutters (GM)	4,000	4,000
VEH	10 x Strimmers (GM)	5,000	5,000
VEH	1 x Luton Van (Leisure)	0	853
		31,000	207,853

Total General Fund		3,487,000	4,989,668
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	Housing Revenue Account		
HRA	Group Dwellings Safety Work	150,000	169,460
HRA	Housing Asset Management	1,656,220	38,000
HRA	External Wall Insulation	0	44,910
HRA	Window Replacement	5,000	9,748
HRA	Electrical Rewiring Decent Homes	210,000	136,804
HRA	Cavity Wall + Loft Insulation	10,000	31,144
HRA	External Door Replacements	500,000	500,000
HRA	Heating Upgrades	35,000	134,328
HRA	Environmental Works	50,000	55,020
HRA	Decent Homes - External	100,000	97,562
HRA	Kitchen Replacements - Decent Homes	250,000	286,760
HRA	Tarran Preliminary Costs	0	18,935
HRA	Mobile Working	50,000	61,624
HRA	HRA New Build - Lang Junction	0	55,555
HRA	Regeneration Mgmt & Admin	200,000	69,320
HRA	Choice based lettings IT Scheme	0	2,656
HRA	HRA New Build - Disturb Pymts Lang J		0
HRA	HRA New Build - New Houghton	2,250,000	2,024,683
HRA	Sprinkler Systems	20,000	20,000
HRA	Sofifit and Facia Replacement	75,000	0
HRA	Vehicle Tracking Devices		18,525
HRA	HRA New Build - New Houghton -Dist Payments	5,000	90,000
HRA	Ford Fiesta Rent Collector (Housing)	0	10,250
HRA	Van (R & M YP56 VFZ)	18,000	18,000
HRA	Van (R & M DY56 OFB)	18,000	18,000
HRA	Van (R & M YS56 LYG)	10,000	10,000

APPENDIX 5

Fund	CAPITAL PROGRAMME SUMMARY	Original Budget £	Revised Budget £
HRA	Van (R & M YP10 KTK)	0	15,000
	Total HRA	5,612,220	3,936,284
TOTAL CAPITAL EXPENDITURE		9,099,220	8,925,952
Capital Financing			
General Fund			
	Specified Capital Grant	(365,000)	(250,000)
	Private Sector Contributions		(111,525)
	Prudential Borrowing	(588,000)	(759,344)
	Section 106		(32,262)
	Reserves	(101,000)	(122,587)
	External Grant		(434,489)
	Capital Receipts	(2,433,000)	(3,279,461)
		(3,487,000)	(4,989,668)
HRA			
	Major Repairs Allowance	(3,316,220)	(1,750,351)
	Reserves	(2,250,000)	(2,061,000)
	Prudential Borrowing	(46,000)	0
	Revenue Financing	0	(10,250)
	Capital Receipts	0	(114,683)
		(5,612,220)	(3,936,284)
TOTAL CAPITAL FINANCING		(9,099,220)	(8,925,952)
	Checks	0	0

Audit Committee 10th December 2013

Reports of the Director of Corporate Resources

Strategic Risk Register

Copy of report presented to Executive on 9th December 2013

Committee:	Executive	Agenda	
Date:	10 th December 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. More recently the Register was considered as part of a Member Development Day. 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 September 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 themes were identified as having a potential impact upon the Council's risk profile. The first of these was that the ongoing drive to secure financial savings whilst protecting levels of service to the public may overstretch the Council's managerial capacity. The Council has taken the approach of seeking to maximise the level of savings that are secured through a transformational agenda. This requires the introduction of new technology, together with projects such as the Senior Management review. Transformational work is time consuming and given that the level of managerial resource has already been significantly reduced the ability to deliver against agreed projects will clearly be a challenging one. Secondly, there continues to be concerns regarding the potential impact of welfare reform upon the Council's financial and operational capacity. A clear risk has been identified that expenditure will exceed the current budgets or that increases in workload will require a corresponding increase in administrative capacity. A further risk is that income in respect of Housing Rents and Council Tax may become more difficult to collect. Officers will continue to actively monitor the position and will provide further reports to Members as appropriate. Both these risks are both covered by the previous Strategic Risk Register with the net risk attributed to the issue of delivery has been reviewed to reflect the concerns that have been raised. Further work needs to be undertaken to identify appropriate mitigation actions for this risk.
- 2.4. The Risk Management Group at its meeting on 30th October 2013 identified a growing concern around the issue of data protection and the Strategic Risk Register has been amended in order to reflect that concern. A review and refresh of the Council's Risk Strategy remains outstanding 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.

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 September 2013 as set out in Appendix 1 to this report and request that an updated Register as at 31st December 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: SEPTEMBER 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, or workforce moral is adversely affected by 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. • Increasing inefficiencies in service provision. • Weakening of Internal Control arrangements. • Increased pressure on other members of staff. 	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	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
6	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
7	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. 	3,4 12	3,3 9	Chief Executive / Political Leadership Team

	Risk	Consequences	Risk Score (Likelihood x Impact)	Risk Score (Likelihood x Impact)Taking into Account Current Controls	Risk Owner / Lead Officer
		<ul style="list-style-type: none"> • Refocus of current services necessary with associated disruption. 			
8	A major operational or failure of data protection 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 impact and is required to introduce major reform in its approach to service delivery. 	3,4 12	2,4 8	SAMT / Assistant Directors
9	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