

## APPENDIX

Agenda Item No. 7D

### Bolsover District Council

#### Executive

26 June 2017

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| <b>Medium Term Financial Plan - Financial Outturn 2016/17</b> |
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### Report of the Leader and Portfolio Holder for Strategic Planning & Regeneration

This report is public

#### Purpose of Report

- To inform Executive of the financial outturn position of the Council in respect of the 2016/17 financial year.

#### **1 Background Information**

- 1.1 The Council published its Draft Statement of Accounts in respect of 2016/17 on 26 May, in line with the target date of 31 May which had been set to reflect the forthcoming change in the statutory deadline next year. The draft Statement of Accounts 2016/17 is now subject to the independent audit from the Council's external auditors, KPMG. Until the accounts have been agreed by our external auditors, there remains the possibility that they will be subject to amendment. It is anticipated that the external audit will be completed during July in order to allow the final audited accounts to be reported to and approved by the Audit Committee at its meeting of 24 July 2017.
- 1.2 International Financial Reporting Standards (IFRS) dictates that the main focus of the Statement of Accounts is on reporting to the public in a format which is directly comparable with every country that has adopted IFRS i.e. not just UK or even other local authorities. By contrast, the focus of this report is on providing management information to Members and other stakeholders to assist in the financial management of the Council.
- 1.3 The following sections of this report will consider the 2016/17 outturn position in respect of the General Fund Revenue Account, the Housing Revenue Account (HRA), the Council's Capital Investment Programme and Treasury Management activities. Within the report, consideration is given to the level of balances at the year end, to any impact on the Council's Medium Term Financial Plan of the outturn position, together with an assessment of the impact which the closing position has upon the Council's budgets in respect of the current financial year.

## **2 Issues for Consideration**

### **General Fund Revenue Account**

- 2.1. The Council's original budget for 2016/17 approved by Council on 1st February 2016 included an unidentified savings target amounting to £0.055m. During 2016/17 the Council has worked to address this shortfall and the ongoing requirement to address its underlying budget position against the background of ongoing reductions in the level of Central Government funding. As a result of this programme of work the Council had reached a position whereby at the time of the Revised Budget in February 2017 a contribution to reserves of £0.424m was anticipated. The actual outturn position has further improved the under spend to one of £1.433m which has been allocated to the Transformation Reserve. This funding is now available for Members to allocate to investments intended to enhance or protect service delivery during a period when the level of Central Government support to local government will continue to be reduced. The main reason underlying the improvement in the Council's financial performance arose from increased income from the Derbyshire Business Rates Pool of £0.393m, planning income of £0.203m and a distribution from the crematorium of £0.164m. These amounts totalling £0.760m arose from circumstances outside of the Council's direct control. In addition, the Council policy of robust financial management secured further in year savings totalling £0.673m.
- 2.2. Where possible, officers will be bringing forward further reports so that where appropriate these budget underspends are captured and are used to reduce the planned level of spending in future years. This will help address the projected underlying shortfall of £1.8m which the Council is facing in the period to March 2021. It needs to be recognised, however, that many of the savings identified in the 2016/17 outturn position do not reflect permanent changes in the Council's income and expenditure patterns. In particular the levels of increased income from planning income and rental income at Pleasley Vale reflect the wider national economic recovery. Over the past few years Government support from the Transitional Grant and Efficiency Grant has funded restructuring costs and investments in improving service efficiency thus avoiding the requirement to charge them to the General Fund. While Efficiency Grant continues to be available to the Council during the current financial year (2017/18) it is unlikely to be available beyond 2019/20 when local authorities are facing more significant levels of financial cuts.
- 2.3. While part of the Council's success in addressing the reduction in the level of Government Grant can be attributed to higher than anticipated levels of income arising from national economic growth, it also needs to be recognised that the Council has agreed a range of policies which have ensured that we are well placed to take advantage of the wider position, and are able to promote improvements in service efficiency. The additional funding from the Growth Agenda combined with the cost reduction arising from the Transformation Agenda have combined to protect service delivery to local residents. In addition to the Growth and Transformation agenda, there is an effective culture of financial management across the authority under which cost centre managers have worked

hard to minimise expenditure and to optimise the level of income. While the impact at the level of individual cost centres is often relatively limited, there is a more significant cumulative impact when overall income and expenditure trends are brought together.

- 2.4 The position in respect of the General Fund outturn is detailed in **Appendix A** attached. The Appendix compares the Current Budget with the Outturn. The Current Budget is effectively the approved budget adjusted for further approvals by Members, together with financial virements. The current budget is detailed within the financial ledger and is the position which budget managers work to.
- 2.5 As previously agreed through Council, both the savings of £1.433m, together with the Efficiency Grant received in the year have been transferred into the Transformation Reserve resulting in the balance on the Transformation Reserve being one of £6.242m at the year end. While the Council has other general fund reserves available - a General Fund balance of £2.000m and other General Fund earmarked reserves of £2.369m - the Transformation Reserve is effectively the level of reserves which are available to support new initiatives, service reorganisation and restructure. Given the ongoing impact of the austerity agenda Council has previously agreed that the Transformation Reserve will be utilised to facilitate an Invest to Save approach to help ensure the sustainability of both the Council's financial position and the services provided to local residents. While the balance of the Transformation Reserve currently amounts to £6.242m Executive should note that there are a range of commitments against the reserve. It is anticipated that by the end of June 2017 the level of uncommitted Transformation Reserve will have fallen to one of £2m. It needs to be recognised that initiatives to promote the Council's growth and transformation agenda are likely to come at significant cost and that the remaining Reserve may be fully utilised on a limited number of investments.
- 2.6 Appendix C provides details of the movement in 'Earmarked Reserves' which helps ensure that Members have full details of the Council's financial position.
- 2.6 As outlined above Officers have commenced a piece of work to identify where the evidence from the 2016/17 outturn indicates that it is appropriate to reduce budgets for both 2017/18 and future years in order to secure a contribution to the Council's savings targets. The results of that work will be reported to a future meeting of Executive for consideration.

### **3 Housing Revenue Account (HRA)**

- 3.1 The Housing Revenue Account recorded a favourable variance of £0.588m against the Revised Budget. These savings have been transferred into the Major Repairs Reserve where they will be used to fund future investment in tenant's homes. Full details are provided in **Appendix B** to this report. The Housing Revenue Account position shows overall expenditure was £0.550m below the revised budget (column C) and income £0.038m more than anticipated, giving a net cost of services favourable variance of £0.588m for the financial year 2016/17.
- 3.2 The net cost of service was then adjusted to take account of the increased interest and depreciation costs, and transfers to and from reserves.

- 3.3 The HRA balance has improved – in line with the budget – by an amount of £14k with balances at the year-end amounting to £1.905m. This is an appropriate level to help secure the operational and financial sustainability of the HRA in the light of the HRA Risk Register.

### **Capital Investment Programme**

- 4.1 The capital expenditure incurred by the Council in 2016/17 is detailed on a scheme by scheme basis in **Appendix D** (attached). It can be seen from the appendix that the Council's capital spend in the financial year was £13.289m (£6.913m General Fund and £6.376m HRA). Overall expenditure was £5.120m below the revised budget (£1.501m General Fund and £3.619m HRA).

#### 4.2 General Fund Schemes

During the year the Council completed work on the enhanced Leisure facilities at Clowne. Within the General Fund the majority of the under spend in the year relates to Assets (£0.925), the majority of which will be carried forward to 2017/18. Other General Fund schemes show a net under spend of £0.576m. With respect to the under spend of £1.501m on the General fund, £1.444m is planned to take place in 2017/18 and accordingly it is recommended that Executive agree to allow the associated funding to be taken forward.

#### 4.3 HRA Schemes

During the year the Council spent £1.247m on heating upgrades, £0.843m on reroofing work, £0.537m on External Wall Insulation and £0.355m on replacement kitchens. This work has secured significant improvements to tenant's homes. In addition the Council expended over £1.658m on progressing its agreed objective of building 100 new Council homes. Again with respect to the under spend of £3.619m it is recommended that £3.518m be approved for carry forward into 2017/18.

#### 4.4 Capital Financing

The Capital Programme was financed as follows:-

| <b>HRA</b>            | <b>Revised Budget 2016/17 £000</b> | <b>Actual 2016/17 £000</b> | <b>Variance £000</b> |
|-----------------------|------------------------------------|----------------------------|----------------------|
| Major Repairs Reserve | (6,788)                            | (4,211)                    | (2,577)              |
| Prudential Borrowing  | (2,120)                            | (1,291)                    | (829)                |
| HRA Vehicle Reserve   | (578)                              | (413)                      | (165)                |
| External Funding      | (509)                              | (461)                      | (48)                 |
| <b>Total</b>          | <b>(9,995)</b>                     | <b>(6,376)</b>             | <b>(3,619)</b>       |
| <b>General Fund</b>   | <b>Revised Budget 2016/17 £000</b> | <b>Actual 2016/17 £000</b> | <b>Variance £000</b> |

|                                  |                 |                 |                |
|----------------------------------|-----------------|-----------------|----------------|
| Capital Grants and Contributions | (475)           | (446)           | (29)           |
| Prudential Borrowing – Gen Fund  | (4,422)         | (3,982)         | (440)          |
| Reserves                         | (2,023)         | (1,371)         | (652)          |
| External Funding                 | (112)           | (121)           | 9              |
| Capital Receipts                 | (1,382)         | (993)           | (389)          |
| <b>Total</b>                     | <b>(8,414)</b>  | <b>(6,913)</b>  | <b>(1,501)</b> |
| <b>Grand Total</b>               | <b>(18,409)</b> | <b>(13,289)</b> | <b>(5,120)</b> |

#### 4.5 HRA Capital Financing

The spending on the HRA programme was £3.619m below the Revised Budget, with any unutilised resources carried forward.

Prudential borrowing of £1.291m was undertaken in 2016/17 to finance the new build property schemes.

#### 4.6 General Fund Capital Financing

Officers have sought to minimise the need to undertake prudential borrowing when completing the financing of the capital programme where ever possible. Prudential borrowing of £3.982m was undertaken in 2016/17 for vehicles and the Clowne Leisure scheme, in accordance with approved budgets.

#### 4.7 Capital Receipts

The table below summarises the capital receipts received and used by the Council in 2016/17:

| <b>Capital Receipt</b>                         | <b>Net Receipts in year £000</b> | <b>Available Capital Receipts £000</b> |
|--|----------------------------------|--|
| Available Receipts 1 April 2016                |                                  | (2,612)                                |
| <b>2016/17</b>                                 |                                  |  |
| Sale of Council Houses (47 sales)              | (2,049)                          |  |
| Other Land Sales                               | 0                                |  |
| Less - Pooling Costs                           | 466                              |  |
| Less - Allowable Debt (used to repay HRA debt) | 1,138                            |  |
| Sub – Total                                    |                                  | (445)                                  |
|  |                                  |  |
| Used for Capital Financing in 2016/17          |                                  | 993                                    |
|  |                                  |  |
| <b>Total Available Receipts 31 March 2017</b>  |                                  | <b>(2,064)</b>                         |

## 5 Treasury Management

5.1 At **Appendix E** is a summary of the Treasury Management activity of the Council for 2016/17. In summary the Council operated throughout 2016/17 within the Authorised Limit and Operational Boundary limits approved in the Treasury Management strategy approved by the Council in February 2016.

## 5.2 The key facts from the report are:

- The overall borrowing requirement of the Council is £98.882m at 31 March 2017.
- The PWLB debt is £103.100m
- £1m was repaid to PWLB in 2016/17
- No new PWLB borrowing was undertaken in 2016/17
- The HRA headroom at 31 March 2017 is £23.788m
- PWLB interest paid in 2016/17 was £3.670m
- Interest received on investments was £0.169m
- The Council had £42.0m invested at 31 March 2017

## 6 **Conclusions and Reasons for Recommendation**

### 6.1 General Fund

The Council has successfully met its savings target in respect of 2016/17 and has effectively managed its financial position to allow a contribution to the Transformation Reserve of £1.433m. While at the end of the financial year the Transformation Reserve amounted to £6.242m, with a further amount of £0.654m Efficiency Grant agreed to be transferred into the Reserve in 2017/18 it needs to be recognised that there are significant commitments as approved by Members against the Reserve. On the basis that all recommendations to this meeting of Executive are accepted the reserve will have only £2m of uncommitted resources. As part of the review of the Medium Term Financial Plan which will be undertaken during the course of the current financial year Officers will give consideration to the use of capital receipts to fund certain of the agreed expenditure in order to protect the level of the Transformation Reserve for future years. While there are significant calls against the Transformation Reserve it does need to be recognised that the majority of these plans secure ongoing savings in the Council's revenue budgets which are crucial if the Council is to operate effectively against a background of ongoing Central Government funding reductions.

Officers will evaluate the 2016/17 financial outturn to identify areas where the budget can be reduced in respect of 2017/18 and future financial years. While it would be reasonable to anticipate that some savings will be secured some of the income growth and expenditure reductions had already been built into budgets for 2017/18 and future years whilst other savings which arose in 2016/17 cannot be relied upon to re-occur in the current or future financial years. The contribution to the Transformation Reserve has, however, provided the Council with resources to progress its Growth and Transformation agendas in order to protect the level of services to local residents.

### 6.2 HRA

The HRA has delivered an under spend of £0.588m which has been used to increase the level of the Major Repairs Reserve. The HRA continues to operate within the parameters established by the Business Plan and MTFP.

### 6.3 Capital Programme

The Capital Programme details total expenditure of £13.289m in to a range of projects designed to deliver services and progress the Council's priorities. **Appendix D** shows that a number of schemes are ongoing and therefore both the expenditure and resources relating to these approved schemes will need to be carried forward to 2017/18. The Capital Programme was fully funded from within agreed resources during the year.

#### 6.4 Treasury Management

During 2016/17 the Council has continued to operate within the framework established by the Treasury Management Strategy as approved in February 2016.

### **7 Consultation and Equality Impact**

7.1 No direct implications.

### **8 Alternative Options and Reasons for Rejection**

8.1 The financial outturn report for 2016/17 is primarily a factual report which details the outcome of previously approved budgets therefore there are no alternative options to consider.

8.2 The allocation of resources to earmarked reserve accounts has been determined in the light of the previously agreed policies of the Council. If the issues and risks currently anticipated do not materialise or are settled at a lower cost than anticipated then the earmarked reserve will be reassessed and returned to general balances.

### **9 Financial and Risk Implications**

9.1 The financial implications are set out within the body of the report.

9.2 Members should note that the budgets against which we have monitored the 2016/17 outturn were those agreed within the Council's Medium Term Financial Plan. The Medium Term Financial Plan gave careful consideration to both the affordability of the budgets that were approved, and to ensuring that the level of balances remained adequate for purposes of enabling sound financial management. The fact that the outturn position for 2016/17 indicates that these financial targets have been achieved, gives the Council a firm foundation from which to achieve the service delivery and financial targets approved within the current Medium Term Financial Plan.

9.3 The issue of Financial Risk is covered throughout the report. The risk of not achieving a balanced budget, together with the risk that the Council's level of financial balances will be further eroded are currently key corporate risks identified on the Council's Strategic Risk Register. The outturn report shows that the Council's approach to mitigating these risks during 2016/17 has been successful, with our budgets balanced and the level of financial reserves improved.

9.4 While the Council has effectively addressed its Strategic Financial Risks during 2016/17 it needs to be recognised that the Council will need to continue to meet a

range of challenging savings targets if it is to operate effectively within the financial environment established by the Comprehensive Spending Review.

## 10 Legal Implications including Data Protection

- 10.1 The Statement of Accounts is required to be prepared by the 30 June each year. The Council has now completed the accounts and they have been signed off by the Chief Financial Officer as at the 26 May 2017 which secures compliance with the Council's legal obligations.

## 11 Human Resources Implications

- 11.1 There are no Human Resources issues arising directly from this report.

## 12 Recommendations

- 12.1 That Members note the report and in particular the Council's financial outturn position in respect of 2016/17.

### General Fund

- 12.2 That Members request the Accountancy Section to undertake a review of the under spend position of 2016/17 to determine where budget changes may be made to the 2017/18 and future budgets.

### Housing Revenue Account

- 12.3 That Members note the outturn position of the HRA and the level of balances held at 31 March 2017 of £1,904,719.

### Capital Programme

- 12.4 That Members approve the proposed carry forward of capital budgets detailed in **Appendix D** and totalling £4,961,541.

### Treasury Management

- 12.5 That Members note the Treasury Management position as at 31 March 2017.

## 13 Decision Information

|  |                          |   |         |                          |                |   |          |                          |                |   |          |                          |    |
|--|--------------------------|---|---------|--------------------------|----------------|---|----------|--------------------------|----------------|---|----------|--------------------------|----|
| <p><b>Is the decision a Key Decision?</b><br/> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p><i>BDC:</i></p> <table style="margin-left: 20px;"> <tr> <td><i>Revenue</i></td> <td>-</td> </tr> <tr> <td>£75,000</td> <td><input type="checkbox"/></td> </tr> <tr> <td><i>Capital</i></td> <td>-</td> </tr> <tr> <td>£150,000</td> <td><input type="checkbox"/></td> </tr> </table> <p><i>NEDDC:</i></p> <table style="margin-left: 20px;"> <tr> <td><i>Revenue</i></td> <td>-</td> </tr> <tr> <td>£100,000</td> <td><input type="checkbox"/></td> </tr> </table> | <i>Revenue</i>           | - | £75,000 | <input type="checkbox"/> | <i>Capital</i> | - | £150,000 | <input type="checkbox"/> | <i>Revenue</i> | - | £100,000 | <input type="checkbox"/> | No |
| <i>Revenue</i>   | -                        |   |         |                          |                |   |          |                          |                |   |          |                          |    |
| £75,000  | <input type="checkbox"/> |   |         |                          |                |   |          |                          |                |   |          |                          |    |
| <i>Capital</i>   | -                        |   |         |                          |                |   |          |                          |                |   |          |                          |    |
| £150,000   | <input type="checkbox"/> |   |         |                          |                |   |          |                          |                |   |          |                          |    |
| <i>Revenue</i>   | -                        |   |         |                          |                |   |          |                          |                |   |          |                          |    |
| £100,000   | <input type="checkbox"/> |   |         |                          |                |   |          |                          |                |   |          |                          |    |



|   |  |
|---|--|
| <p style="text-align: right;"><i>Capital</i> -</p> <p style="text-align: right;"><i>£250,000</i> <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p> |  |
| <b>District Wards Affected</b>  | Not directly   |
| <b>Links to Corporate Plan priorities or Policy Framework</b>   | The Council's budgets are linked to its corporate priorities in order to ensure that expenditure is directed towards securing the Council's Corporate Plan priorities. |

#### 14 **Document Information**

| Appendix No   | Title  |
|---|--|
| A   | General Fund Summary 2016/2017               |
| C   | HRA Income and Expenditure Account 2016/2017 |
| D   | Earmarked Reserves and Balances              |
| E   | Capital Programme 2016/17                    |
| F   | Treasury Management 2016/17                  |
| <p><b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</p> |  |
| Held in Financial Services  |  |
| Report Author   | Contact Number                               |
| Assistant Director – Finance, Revenues & Benefits   | 2214   |