

## BUDGET SCRUTINY COMMITTEE

### AGENDA

**Monday 15<sup>th</sup> September 2014 at 1000 hours in the Council Chamber,  
The Arc, Clowne,**

| <b>Item No.</b> |  | <b><u>Page No.s</u></b> |
|-----------------|--|-------------------------|
|                 | <b>PART A – OPEN ITEMS</b>   |                         |
| 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:<br><br>a) any business on the agenda<br>b) any matters arising out of those items<br><br>and, if appropriate, withdraw from the meeting at the relevant time. |                         |
| 4.              | Minutes of a meeting held on 2 <sup>nd</sup> June 2014.  | 3 to 7                  |
| 5.              | Closedown Position 2013/14 - Presentation.<br>(including Report presented to Executive on July 14 <sup>th</sup> 2014).   | 8 to 22                 |
| 6.              | Medium Term Financial Plan (Presentation)  | Presentation            |
| 7.              | Update from Scrutiny Chairs.   | Verbal Update           |

## **BUDGET SCRUTINY COMMITTEE**

Minutes of a Budget Scrutiny Committee of Bolsover District Council held in the Council Chamber, The Arc, Clowne, on Monday 2<sup>nd</sup> June 2014 at 1000 hours.

### **PRESENT:-**

Members:-

Councillors A. Anderson, Mrs P. M. Bowmer, R. Brooks, T.J. Connerton, M. J. Dooley, S. W. Fritchley, H. J. Gilmour, R.A. Heffer, S. Peake (from Minute Number 0057), J.E. Smith, R. Turner, K. F. Walker, D.S. Watson and G.O. Webster.

Councillor K. Bowman in the Chair

Officers:-

B. Mason (Executive Director - Operations), P. Campbell (Head of Housing) and A. Bluff (Governance Officer).

### **0053. APOLOGIES**

Apologies for absence were received from Councillors S. Wallis, J. Wilson, D. McGregor, E. Hall and G. Parkin.

### **0054. URGENT ITEMS OF BUSINESS**

There were no urgent items of business to consider.

### **0055. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

### **0056. MINUTES – 14<sup>TH</sup> JANUARY 2014**

Moved by Councillor J.E. Smith, seconded by Councillor R. Turner

**RESOLVED** that the minutes of a meeting of a Budget Scrutiny Committee held on 14<sup>th</sup> January 2014 be approved as a correct record.

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### 0057. MEDIUM TERM FINANCIAL PLAN 2014/15 TO 2016/17

The Executive Director – Operations provided a slide presentation to the meeting to update Members on the Medium Term Financial Plan (MTFP) 2014/15 to 2016/17. The MTFP had been approved by Members at Council in February 2014.

Members were reminded that the 2013/14 Accounts were currently being closed by the Accountancy Team.

The cumulative savings target over the next 3 years was £2.1m. To help achieve this target, savings had been identified from NNDR, the Growth and Transformation agenda, property and vacancies, however, much of these would require a significant level of work to implement change which minimised the impact on local residents and front line services.

There would be no financial relief for local councils over the next five years as the Government had only partially managed to tackle the underlying budget deficit. Further cuts were likely to be made to public services, irrelevant of which political party was elected to Government in the 2015 Parliamentary Elections.

To date, the Council's financial position and performance had held up well and there had been no major failing in service delivery despite the level of cuts.

Since the receipt of the Audit Commission's Audit Letter in respect of the 2011/12 financial year, significant improvements had been made in the Council's governance arrangements, including the financial accounts. In 2012/13, half of Internal Audit reports had been critical (a marginal assessment). However, there had since been a major turnaround in outcomes due to improvements in internal controls and the role of Audit Committee who had called Directors to account. These changes and improvements were now reflected in the Annual Governance Statement which formed part of the Accounts.

A report in relation to the General Fund had been presented to Council on 28<sup>th</sup> May; any Efficiency Grant under spend would be put into Reserves including the reward element of £250k. The Transformation Reserve would effectively be targeted at Invest to Save measures, some would go to asset rationalisation. Members would be informed as part of the 2013/14 year end financial reporting..

. The Co-Op Bank had previously written to all local authorities to say it no longer wished to operate their bank accounts. The Council was now in the process of accelerating its move away from the Co-Op bank and because this reflected the wishes of the Bank there would be no penalties for early termination of the contract. *Councillor Peake entered the meeting at this point.*

#### General Fund

The General Fund balance was £1.5m but issues such as Pleasley Vale could cost the Authority significant amounts of money to address.

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The General Fund faced a range of risks including the increasing dependence upon local sources of income, for example, New Homes Bonus, NNDR, fees and charges. These could decline or the Government could change the rules on such funding. The national framework in respect of Planning, Benefits or Rent Convergence could be reformed. Against this background the Council would need to make choices concerning its priorities in order to secure the savings required to meet its financial targets. .

### HRA

It was noted that there had been a small under spend of £85k in 2013/14 on the Housing Revenue Account.

Since HRA reform, a stock condition survey had been completed, 55 new houses had been built and there were further proposals to be brought forward in the light of the outcome of the stock condition survey. With respect to the HRA the Council now needed to operate its stock in a similar fashion to any other landlord including the identification of any funding necessary to maintain the housing stock in good condition.

### Capital Programme

A deliberate decision had been made to minimise expenditure on the Capital Programme until the stock condition survey in respect of both housing and non housing assets were completed. The capital receipt was awaited in respect of the sale of Sherwood Lodge to Morrison's, which had constrained expenditure on the general sector programme whilst the receipt was awaited.

Members asked various questions and a lengthy discussion took place.

**RESOLVED** that the report be received.

## **0058. HOUSING UPDATE**

The Head of Housing provided a slide presentation to the meeting to update Members on the recently completed Stock Condition Survey.

Detailed information from the survey would help plan future works and investment in the Council's housing stock. A more detailed report would be presented to a future Executive meeting.

It was clear from the results of the survey that the Council's housing stock had been well maintained over the years and no property had been found to be unviable.

£126 m is the estimated spend on its housing stock over the term of the 30 year business plan, ( £807 per property, per year). The main work would be carried out on kitchens, heating, windows, roofing and bathrooms as each of these components had a limited life span if house was to be kept decent. A programme would be

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started shortly in respect of some elements of the Programme – including roofing – to phase the work required over a reasonable period of time. . Where appropriate, rebuild options would be considered for a limited number of properties which were not sustainable either financially or in terms of meeting tenants aspirations.

Discussion took place regarding contractors used by the Council, elderly people's bungalows, the need to build more Council properties and the demand for new properties, a shortage of 2 bedroom houses in the District and 1 bedroom flats due to Welfare Reform, loss of Council properties under the Right to Buy Scheme (RTB), of which the qualifying period had recently been changed from 5 years to 3 years by the Government and rent convergence and how it would affect the Council. The Head of Housing noted that historically approximately 15 Council houses were sold per year under the RTB scheme and a report regarding rent convergence would be presented to Members in the near future.

*Councillor Cooper left the meeting at this point.*

Members requested the precise cost of the CAN Ranger Service and if this were included in the detailed spend per Council property. The Executive Director – Operations replied that this information would be sent to Members after the meeting.

Further to a question raised in relation to Council owned garage sites, the Head of Housing confirmed that every garage site that had been identified as being unsafe had now been demolished. Where appropriate the sites would be looked at with a view to being developed.

Members thanked the Head of Housing and the Executive Director – Operations for their presentations.

**RESOLVED** that the presentation be noted.

### **0059. UPDATE FROM SCRUTINY CHAIRS**

#### Safe and Inclusive Scrutiny Committee

Councillor Dooley, Chair of Safe and Inclusive Scrutiny Committee provided an update to the meeting on the Committee's work.

The Committee would be carrying out a review on enforcement in relation to dog fouling and litter picking as the performance target on this was failing. A scoping document had been completed and information on the way forward would be discussed at the next meeting of the Committee.

#### Improvement Scrutiny Committee

Councillor Gilmour, Chair of Improvement Scrutiny Committee provided an update to the meeting on the Committee's work.

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It was noted that the Authority had retained its accreditation of Customer Service Excellence and a report would be presented to Members at the end of June.

Housing Repairs Performance was currently 96% against a target of 97%. The target for the level of former tenant arrears continued to fail also. In response to a question the Head of Housing replied that tracing agents were used by the Authority but in respect of some former tenants there was not a trail which could be followed. .

The Committee's review work would consider the wider issues around welfare reform.

### Sustainable Communities Scrutiny Committee

Councilor Bowman, Chair of Sustainable Communities Scrutiny Committee, provided an update to the meeting on the Committee's review work.

The Committee would be carrying out two reviews – a light touch review on Street Services and the main review in relation to the Growth Strategy.

Recycling and household waste Performance target, E01-Recycle and Compost 45% of household waste by March 2015, was currently failing and Committee felt that this was not good enough. Questions had also been raised at the last Committee meeting regarding the proximity of the green bin facilities from the entrance at all sheltered accommodation properties. Food caddies and their use during the winter months when the green bin facility was suspended had also been raised. Committee had noted, however, that the new composter facility was now on stream.

**RESOLVED** that the updates from the three scrutiny chairs be noted.

The meeting concluded at 1205 hours.

Budget Scrutiny Committee 15<sup>th</sup> September 2014

Closedown Position 2013/14 (Report presented to Executive on July 14<sup>th</sup> 2014).

**Bolsover District Council**

**Executive**

**14 July 2014**

**Financial Outturn 2013-14**

**Report of the Section 151 Officer (Portfolio Holder: Cllr E Watts)**

This report is public

**Purpose of Report**

- To inform Executive of the financial outturn position of the Council in respect of the 2013/14 financial year.

**1 Background Information**

- 1.1 The Council has closed its financial accounts for 2013/14 in line with the required deadline of 30 June 2014. The draft Statement of Accounts 2013/14 is now subject to independent audit from the Council's external auditors, KPMG. Until the accounts have been agreed by our external auditors, which will take place before 30 September 2014, there remains the possibility that they will be subject to amendment.
- 1.2 Members should note that the Council's Draft Statement of Accounts in respect of 2013/14 was signed as complete by the Council's Chief Financial Officer (Executive Director – Operations) at the end of June 2014. The final audited accounts will be reported to and approved by the Audit Committee at its meeting of 24th September 2014.
- 1.3 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. In contrast the focus of this report is on providing management information to Members and other stakeholders to assist in the financial management of the Council.
- 1.4 The following sections of this report will consider the 2013/14 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, and an assessment of the impact which the closing position has upon the Council's budgets in respect of the current financial year.



- 1.5. Appendix F provides an outline of the level of usable financial balances as at 31<sup>st</sup> March 2014.

## **2 Issues for Consideration**

### **2.1 General Fund Revenue Account**

The position in respect of the General Fund outturn is detailed in **Appendix A** attached to this report. The appendix shows the Original Budget that was set in February 2013 based on the Management Structure of the Council at that time. This structure has been in place for the majority of the financial year and all budget monitoring during the year has been based on this structure. The Appendix also shows the Revised Budget that was approved in November 2013. During the period between the approval of the Revised Budgets and the end of the financial year budget changes were processed by the Accountancy Section to track where financial savings were identified, budget transfer (virement) requests were agreed and Executive/Council approved items with financial implications. These movements are tracked within the financial management system and monitored within the "Current Budget". This is the budget that all budget officers use to manage their cost centres. It is therefore appropriate to show the Original Budget the Revised Budget and the Current Budget for 2013/14. Within the report the actual outturn position is monitored against the latest Current Budget used in 2013/14.

- 2.2 One further adjustment has been undertaken in the appendix in order to present a clearer outturn position to Members. This adjustment is to the current budget for expenditure that was planned to have been financed from resources held in grant accounts, holding accounts, S106 accounts and certain reserves. The adjustments reflect where this expenditure has not been incurred and therefore the use of the financing was not required. This adjustment does not impact on the bottom line for the Council but if not adjusted would distort the underlying variance position.
- 2.3 In summary it can be seen on **Appendix A** that there has been an under spend in the year on the provision of services of £0.387m (column G). This position has arisen from under spending on budgets, additional income and efficiency savings. With respect to the detailed variances behind the summary figures these are presented at **Appendix B**. Comments have been added in **Appendix B** to show the reasons for the main variances on each cost centre.
- 2.4 The improvement in the Council's financial position was achieved by a combination of factors:
- The availability of Efficiency Grant to support transformation and restructuring costs.
  - Budget managers exercising tight management control over their budgets. Expenditure has only been incurred where the services have a genuine need to incur the costs to provide the services required.
  - The general upturn in the economy; particularly in relation to planning fees and NNDR business rates retention.
  - Good financial management of resources (debt charges and investment interest).

- 2.5 After taking into account the variances on capital financing transactions and treasury management activity (Debt Charges and Investment Interest) the under spend is increased by £0.107m (debt charges £0.042m, Investment interest £0.065) to £0.494m.
- 2.6 In a small number of service areas work that was planned to be undertaken in the 2013/14 financial year has been delayed and there is a request from the cost centre managers to carry forward the approved budgets for this work into 2014/15. The total cost of these carry forward budget requests comes to £0.044m. It is proposed that the carry forward requests are transferred from the "General" earmarked reserve and placed into a carry forward budget reserve so that the approved and committed work can be continued in 2014/15. The reserve will be managed by the Accountancy Section and be drawn down into the 2014/15 budget as the expenditure on these schemes is required by the relevant cost centre manager.
- 2.7 The bottom half of **Appendix A** shows the funding outturn position for the financial year.

#### Revenue Support Grant

The Council received a late notification of additional Revenue Support Grant from the Government (£0.023m).

#### Business Rates Retention – NNDR

The overall position regarding Business Rates retention for the first year of the new NNDR arrangements shows a net gain for the Council of £0.158m above the budgeted sum. While there was a shortfall of £0.074m against the growth projection this was offset by the receipt of a new grant for Small Business Rate relief of £0.232m. It was unclear at the time of setting the NNDR Business Rate Retention budgets of the accounting requirements for the Small Business Rate Relief Grant (i.e. was it within the Collection Fund or General Fund and the mechanism for distribution). The completion of the year end NNDR3 has clarified this position, however, 2013/14 was the first year of the operation of these new arrangements with the Department of Communities and Local Government issuing late notifications on accounting treatment of items and no advice at all on others. Therefore there does remain an element of risk within this area of changes to the final figures as a result of the audit.

#### Financial Instrument Impairment

The Council has completed the sale of its investment in Icelandic Banks during 2013/14. Over the last few years the accounting regulations have required the Council to write down the carrying value of its investment and charges to the General Fund have been put through the accounts each year end. The sale of the investment during the year has enabled the final transaction to be accounted for which results in a small reversal of previous impairment transactions of £0.034m.

The overall funding position for the Council in 2013/14 is therefore better than expected with a net favourable variance of £0.218m.

2.8 The overall net position to the Council is summarised as follows:

| <b>Summary General Fund</b>       | <b>Comment</b>                 | <b>£,000</b>   |
|-----------------------------------|--------------------------------|----------------|
| Service Provision                 | Net under spend                | (0.388)        |
| Debt Charges                      | Reduced borrowing costs        | (0.042)        |
| Investment interest               | Increased level of investments | (0.065)        |
| Revenue Support Grant             | Additional Grant allocation    | (0.023)        |
| Business Rates Retention          | Net increase in NNDR share     | (0.158)        |
| Financial Instruments             | Final Adjustment               | (0.036)        |
| <b>Total Favourable Variances</b> |                                | <b>(0.712)</b> |

The distribution of the £0.712m favourable variance sum is set out below within the Financial Reserves and General Fund Balances Sections of the report.

## 2.9 Financial Reserves

### Use of Reserves

During 2013/14 the Council has approved the use of various earmarked reserves. The use of earmarked reserves in 2013/14 is £1.255m which is £0.079m higher than anticipated due to the increased costs associated with the delayed sale completion of Sherwood Lodge. This additional amount was transferred from the Efficiency Grant Reserve. Full detail of the use of reserves during 2013/14 is shown in **Appendix A**. It can be seen that the Council has made significant use of the Efficiency Grant that it received in 2013/14. This has enabled the Council to finance significant organisational costs that otherwise would have needed to be met by the General Fund.

### Transfer to Reserves

After allowing for the planned use of reserves (£1.589m), the additional drawdown of £0.079m from the Efficiency Grant (detailed above) and the movement on General Fund Balances (see below) the sum available for the Council to distribute is £0.873m (£0.712m + £0.079m + £0.082m). The Section 151 officer has reviewed the level of earmarked reserves and assessed the current risks faced by the Council and has made the following contributions to Earmarked Reserves.

| <b>Earmarked Reserve</b> | <b>Comments</b>  | <b>Contribution<br/>£</b> |
|--------------------------|--|---------------------------|
| ICT Reserve              | Expenditure on ICT projects and improvements during 2013/14 has fully used the available balance within the reserve and has resulted in some prudential borrowing requirements. Therefore the proposal is to increase the reserve to meet some of the planned ICT improvements of the Council and minimise the future need for prudential borrowing. | 50,000                    |
| Legal Costs Reserve      | To meet any unforeseen legal costs of the Council.   | 68,237                    |

|                        |  |                |
|------------------------|--|----------------|
| General Reserve        | The risk associated with the NNDR business rates retention is increased as the Council moves above the safety net threshold. The potential risk also identified with the treatment of some items within the final accounts also poses a potential cost risk to the Council. It is therefore proposed to set aside a sum to mitigate some of this risk. | 50,000         |
| Transformation Reserve | The balance of the favourable variances is proposed to be transferred to the Transformation Reserve. This reserve is set aside to meet the costs of the Council's Transformation Programme and will be utilised on an Invest to Save basis.  | 705,358        |
| <b>Total</b>           |  | <b>873,595</b> |

## 2.10 General Fund Balances

The position on the level of the Council's General Fund balances is set out in the table given below:

| <b>GENERAL FUND</b>                   | <b>Current Budget<br/>£,000</b> | <b>Outturn<br/>2013/14<br/>£,000</b> | <b>Variance<br/>to<br/>Current<br/>Budget<br/>£,000</b> |
|---------------------------------------|---------------------------------|--------------------------------------|---|
| Opening Balance as at 1/04/13         | 1,443                           | 1,443                                | 0   |
| Transfer in year                      | 339                             | 257                                  | 82  |
| <b>Closing Balance as at 31/03/14</b> | <b>1,782</b>                    | <b>1,700</b>                         | <b>82</b>   |

2.11 The level of General Fund Reserves has improved by £0.257m which clearly represents an improved financial position for the Council. This position is welcome but Members should note that the balances are now considered to be at a more appropriate level for a District Council rather than at a generous level. It needs to be recognised that the current level of balances needs to be set against the background of ongoing reductions in the level of Government funding. Against this background it is crucial that the Council continues to maintain robust budgetary control whilst securing its ongoing savings targets.

2.12 Given the current level of balances should either an over spend or an under achievement of income occur then the Council would have a period of time in which to recover the situation. In a situation in which the Council were operating with the minimum level of balances and an overspend or an under achievement of income occurred which took balances to below minimum level then immediate 'crisis' remedial action would need to be considered. Such a response is not conducive to sound financial management but more importantly would have a significant detrimental impact upon the Council's ability to deliver the planned and agreed level of services to local residents. The continued improvement in the level of balances needs to be welcomed as providing the Council with the financial resilience necessary to safeguard local residents against a background of ongoing reductions

in Government grant funding. However, Executive will recognise that given a level of General Fund balances of £1.700m, against a requirement to secure some £0.953m of financial savings for 2015/16 (next year) that there is effectively no other option for the Council other than to continue to tackle the underlying budget deficit that it is facing in future financial years.

- 2.13 While the improvement in our balances and reserves is a welcome position the main feature of the 2013/14 financial year is that the Council successfully achieved in full savings that covered the net savings target of £0.884m which had included the loss of Government Grant of £1.393m. These savings have served to reduce the underlying level of expenditure and will continue to benefit the Council in future financial years.
- 2.14 With regard to the general under spend in service provision in 2013/14 it is proposed to review the budget position as part of the ongoing budget monitoring exercise undertaken each quarter of the financial year. Any budget under spends or additional income levels from 2013/14 that are expected to continue in 2014/15 and future years will be identified and reported back to Executive with the request to approve any proposed budget adjustments.
- 2.15 In addition to the level of General Balances which are held in respect of both the HRA and the General Fund the Council has a range of other earmarked balances / reserves. Full details of both the General Fund and HRA usable balances are set out in Appendix F to this report.
- 2.16 While the Council has some £5.195m of General Fund usable reserves the only element of these reserves which are substantially unallocated and free to utilise are those relating to the Transformation Fund which held £3.158m at the end of the previous financial year. Of this amount, however, some £0.250m relates to the carry forward of Efficiency Grant with this funding relating to contractual commitments. The position will be improved by a further £2m when the capital receipts currently outstanding are received. This funding from capital receipts will, however, only be available for capital purposes. Whilst the amount of almost £3m held in the Transformation Fund – once existing commitments are funded – is a significant financial balance it does need to be recognised that while no use of the funding has been agreed by Members there are a number of issues where funding will need to be agreed. These include measures necessary to secure the savings which are needed to address the Council's projected budget shortfall of some £2.2m over the next 3 years, to support the Growth and Transformation agenda and potentially to provide the match funding that will be necessary to enable work at the Pleasley Vale Mill complex to proceed.
- 2.17 With respect to the HRA the Council has some £3.9m of usable balances. Effectively this funding is held within the 'general' HRA provision to support services and in the New Build Reserve which is fully committed to funding the approved scheme at New Houghton. Although the current level of balances are fully committed there is headroom in excess of £15m to undertake new borrowing on the basis that such borrowing is financially sustainable within the context of the 30 year HRA Business Plan. In addition there is a balance of some £4.166m on the Major Repairs Reserve.

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

3.1 The Housing Revenue Account is set in **Appendix C** to this report and comments are provided against a number of budget lines to explain the main variances within the HRA. The Housing Revenue Account position shows overall expenditure was £0.350m below the revised budget (column C) and income some £0.089m less than anticipated, giving a net cost of services favourable variance of £0.261m for the financial year 2013/14. The favourable variance is reduced by increased interest costs (a net £0.034m) and an increase in depreciation costs (£0.134m) arising from the revaluation of all HRA dwellings as at 1 April 2014 which has increased the stock valuation. This brings the favourable variance down to £0.093m. During the year the HRA has met a number of insurance claim excess sums that has cost the HRA £0.073m (this sum is included in Repairs and Maintenance budget line); an equivalent sum has been drawn down from the HRA insurance reserve to cover this cost. The overall position is therefore a net favourable variance of £0.166m. The favourable variance position takes account of the approved transfer to balances of £0.085m indicating that the overall position would have been a surplus on the account of £0.251m. It is proposed to distribute the £0.251m as follows:

- An increase in the transfer to the Major Repairs Reserve of £0.166m from £1.199m to £1.1365m. With this transfer the Major Repairs reserve will have a balance of £4.161m at 31 March 2014. The transfer is to set aside the additional resources to address repairs and refurbishment requirements that are identified following the full stock condition survey. The balance will effectively enable the Council to address the works required whilst minimising the need to undertake any prudential capital borrowing.
- The remainder will be a transfer to HRA balances of £0.085m as planned within the revised budget for 2013/14.

3.2 It should also be noted that the HRA has set aside £1.450m this year towards as a contribution to a Capital Development Reserve. This is to meet any major housing projects that the Council approves and for the replacement of HRA vehicles. The balance on these reserves at the end of the financial year is as follows:

|                         |         |
|-------------------------|---------|
| HRA development reserve | £1.838m |
| HRA vehicle reserve     | £0.189m |

The development reserve is committed to cover the costs of the New Houghton new build scheme which will mean the project will be delivered without any HRA prudential borrowing.

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

### 3.4 Impact on Housing Revenue Account Balance

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

| <b>HRA Balances</b>            | <b>Revised Budget<br/>£,000</b> | <b>Outturn<br/>£,000</b> | <b>Variance<br/>£,000</b> |
|--------------------------------|---------------------------------|--------------------------|---------------------------|
| Opening Balance as at 1/04/13  | (1,776)                         | (1,776)                  | 0                         |
| Surplus in year                | (85)                            | (85)                     | 0                         |
| Closing Balance as at 31/03/14 | (1,861)                         | (1,861)                  | 0                         |

- 3.5 The level of balances held in respect of the HRA have increased in line with the planned position at Revised Budget time; the Chief Financial Officer remains of the view that they remain in line with the level of balances that is necessary for the financial stability of the HRA in the light of the HRA Financial Risk Register.

## 4 Capital Investment Programme

- 4.1 The capital expenditure incurred by the Council in 2013/14 is detailed on a scheme by scheme basis in **Appendix D**. It can be seen from the appendix that the Council's capital spend in the financial year was £3.095m (£1.030m General Fund and £2.065m HRA).

- 4.2 Overall expenditure was some £5.614m below the revised budget (£3.707m General Fund and £1.907m HRA).

### 4.3 General Fund Schemes

Within the General Fund there is one scheme that accounts for the majority of the under spend in the year. This is Project Horizon where the actual spend is £0.241m which is £3.011m below the revised budget. The delay in the completion of the sale of Sherwood Lodge has subsequently delayed the commencement of the next phase of this project (Bolsover Mini Hub).

The Bolsover Public Realm Infrastructure capital project was approved towards the end of the financial year and shows no spend against the approved sum of £0.216m at 31 March 2014.

Other General Fund schemes show a net under spend of £0.480m.

### 4.4 HRA Schemes

The expenditure on the new build scheme at New Houghton is £1.357m below the revised budget of £2.025m. This relates to the timing of payments under the contract conditions and also around the profiling of the capital budget forecast to be incurred within the year.

Other HRA projects show a net under spend of £0.551m

- 4.5 The impact of the overall under spend is that many of the schemes are included in the proposed carry forward budget requests which are also detailed on **Appendix D**. The total of these requests is £4.970m. This is for individual schemes that are still in progress, where there are outstanding commitments or where the scheme has been delayed.

#### 4.6 Capital Financing

The Capital Programme was financed as follows:-

|                                       | <b>Revised Budget 2013/14 £000's</b> | <b>Actual 2013/14 £000's</b> | <b>Variance £000's</b> |
|---------------------------------------|--------------------------------------|------------------------------|------------------------|
| <b>HRA</b>                            |                                      |                              |                        |
| Major Repairs Reserve                 | (1,711)                              | (1,277)                      | (434)                  |
| Capital Receipts (inc 1-4-1 receipts) | 0                                    | (341)                        | 341                    |
| Capital Grants                        | (20)                                 | (13)                         | (7)                    |
| Direct from HRA                       | (10)                                 | (10)                         | 0                      |
| HRA Development Reserve               | (2,170)                              | (413)                        | (1,757)                |
| HRA Development Reserve - vehicles    | (61)                                 | (11)                         | (50)                   |
| Prudential Borrowing                  | 0                                    | 0                            | 0                      |
| <b>Total</b>                          | <b>(3,972)</b>                       | <b>(2,065)</b>               | <b>(1,907)</b>         |
| <b>General Fund</b>                   |                                      |                              |                        |
| Prudential Borrowing – Gen Fund       | (609)                                | 0                            | (609)                  |
| Capital Grants and Contributions      | (646)                                | (330)                        | (316)                  |
| Capital Receipts                      | (3,255)                              | (587)                        | (2,668)                |
| Reserves                              | (227)                                | (113)                        | (114)                  |
| <b>Total</b>                          | <b>(4,737)</b>                       | <b>(1,030)</b>               | <b>(3,707)</b>         |
| <b>Grand Total</b>                    | <b>(8,709)</b>                       | <b>(3,095)</b>               | <b>(5,614)</b>         |

#### 4.7 HRA Capital Financing

The spending on the HRA programme was £1.907m below the Revised Budget therefore officers have been able to utilise available Council resources when considering the financing of the programme. One key change is the use of £0.341m of capital receipts to finance some of the new build scheme at New Houghton. The Council has entered into an agreement with the Government to retain a greater proportion of its capital receipts from the Sale of Council Houses on the condition that they are used to support the financing of new council housing. If the additional amount of retained receipts are not applied to a particular scheme within a certain time period the Council is obliged to repay the receipts plus interest. Therefore the application of these receipts in 2013/14 to this scheme satisfies the relevant conditions. No prudential borrowing for the HRA was undertaken in 2013/14.

#### 4.8 General Fund Capital Financing

Officers have sought to minimise the need to undertake prudential borrowing when completing the capital financing of this element of the capital programme. No prudential borrowing for the General Fund was undertaken in 2013/14.



#### 4.9 Capital Receipts

The table below summarises the capital receipts received and used by the Council in 2013/14:

| <b>Capital Receipt</b>  | <b>Net Receipts in year £000</b> | <b>Available Capital Receipts £000</b> |
|---|----------------------------------|--|
| Available Receipts 1 April 2013   |                                  | (19)                                   |
| <b>2013/14</b>  |                                  |  |
| Sale of Council Houses (32 sales)   | (1,308)                          |  |
| Mortgage Receipts   | (5)                              |  |
| Land at Shirebrook  | (3,550)                          |  |
| Less - Pooling Costs  | 370                              |  |
| Less - Allowable Debt (used to repay HRA debt)                            | 556                              |  |
| Sub- Total  |                                  | (3,937)                                |
|   |                                  |  |
| Used for Capital Financing in 2013/14 (see capital financing table above) |                                  | 928                                    |
| Used for Capital Financing in 2013/14 (retention sums)                    |                                  | 18                                     |
| Used to repay General Fund debt   |                                  | 3,010                                  |
|   |                                  |  |
| <b>Total Available Receipts 31 March 2014</b>                             |                                  | <b>0</b>                               |

#### 5 Treasury Management

5.1 At **Appendix E** is a brief report on the Treasury Management activity of the Council for 2013/14. In summary the Council operated throughout 2013/14 within the Authorised Limit and Operational Boundary limits approved in the Treasury Management strategy approved by the Council in March 2013.

5.2 The key facts from the report are:

- The overall borrowing requirement of the Council is £109.567m at 31 March 2014.
- The PWLB debt is £105.100m
- The finance lease debt is £0.107m
- Effective internal borrowing is £4.360m
- No new PWLB borrowing was undertaken in 2013/14
- The HRA headroom at 31 March 2014 is £15.400m
- PWLB interest paid in 2013/14 was £3.687m
- Interest received on investments is £0.067m
- The Council had £16.4m invested at 31 March 2014
- The Council completed the sale of the Icelandic Investment claim in January 2014.

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

### **6.1 General Fund**

The Council's outturn position has allowed the Council to set aside earmarked reserves to address some of the key issues facing the Council over the period of the current Medium Term Financial Plan. In particular the Transformation reserve will provide resources to be utilised on an Invest to Save basis and to meet the new corporate agenda of Growth and Transformation.

### **6.2 HRA**

The HRA continues to operate within the 30 Year Business Plan and MTFP.

### **6.3 Capital Programme**

The Capital Programme details that a number of schemes are ongoing and therefore the funding for these approved schemes will need to be carried forward to 2014/15.

### **6.4 Capital Financing**

Officers have completed the capital financing with no new prudential borrowing undertaken during 2013/14. Where appropriate capital receipts were utilised to finance expenditure to ensure that the conditions attached to these receipts is met by the Council.

### **6.5 Treasury Management**

The Council's Capital Financing Requirement and external debt management are crucial areas of operation that require careful management. Whilst external borrowing enables some of the Council's key capital investment plans to be financed it is important to ensure that the Council only undertakes prudential borrowing when it is affordable. The careful management of the external debt minimises the cost of borrowing to the Council.

## **7 Consultation and Equality Impact**

7.1 The report has no implications within this section.

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

8.1 The financial outturn report for 2013/14 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 by the Chief financial Officer based on an assessment of the risks and issues currently facing the Council. If these risks do not materialise or are settled at a lower cost than anticipated then the earmarked reserve will be reassessed and returned to general balances to support approved expenditure.

## **9 Implications**

### **9.1 Financial and Risk Implications**

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

- 9.3 Members should note that the budgets against which we have monitored the 2013/14 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 2013/14 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.
- 9.4 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 2013/14 has been successful, with our budgets balanced and the level of financial reserves improved.
- 9.5 While the Council has effectively addressed its Strategic Financial Risks during 2013/14 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 30 June 2014 which secures compliance with the Council's legal obligations. There are no legal issues arising directly from this report.

## **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 2013/14.

### General Fund

- 12.2 That the budget carry forward requests totalling £44,470 as detailed on **Appendix B** are agreed as a transfer to an earmarked reserve and be drawn down into the 2014/15 budget by the Accountancy Section as required by the relevant budget manager.
- 12.3 That Members note the use of reserves of £1,255,184 as outlined in **Appendix A** to support approved expenditure of the General Fund in 2013/14.
- 12.4 That Members note transfer to various earmarked reserves of £873,595 as outlined in detail in paragraph 2.9 and within **Appendix A**.

- 12.5 That Members note the level of the General Fund balances as £1,700,071.
- 12.6 That Members request the Accountancy Section to undertake a review of the under spend position of 2013/14 with a review to determine where budget changes may be made to the 2014/15 and future budgets. The review is requested to be reported back to Executive by September 2014.

Housing Revenue Account

- 12.7 Members note the transfer of £166,159 from the HRA to the Major Repairs Reserve.
- 12.8 That Members note the outturn position of the HRA and the level of balances held at 31 March 2014 of £1,861,325.

Capital Programme

- 12.9 That Members approve the proposed carry forward of capital budgets detailed in Appendix D and totalling £4,970,386.

Treasury Management

- 12.10 That Members note the Treasury Management reported position as at 31 March 2014.
- 12.11 Members note the remaining outstanding debt in relation to Project Horizon is repaid during 2014/15 as soon as sufficient capital receipts are available.

Further Reporting

- 12.12 That this report is forwarded to the Audit Committee for its consideration.

**13 Decision Information**

|  |   |
|--|---|
| <b>Is the decision a Key Decision?</b><br>(A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards) | Yes   |
| <b>District Wards Affected</b>   | All   |
| <b>Links to Corporate Plan priorities or Policy Framework</b>  | Ensure residents have confidence in the Council<br>Provide good value, high performing services |

14 **Document Information**

| Appendix No  | Title  |
|--|--|
| A  | General Fund Summary 2013/2014                                   |
| B  | General Fund Account Outturn 2013/2014                           |
| C  | HRA Income and Expenditure Account 2013/2014                     |
| D  | Capital Programme 2013/14 – 2014/15                              |
| E  | Treasury Management  |
| F  | Summary of Financial Balances as at 31 <sup>st</sup> March 2014. |
| <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) |  |
| Held in Accountancy – Room 222   |  |
| Report Author  | Contact Number   |
| Geoff Bagnall  | X2214  |