

## **BUDGET SCRUTINY COMMITTEE**

Minutes of a Budget Scrutiny Committee of Bolsover District Council held in the Council Chamber, The Arc, Clowne, on Thursday 22<sup>nd</sup> January 2015 at 1000 hours.

### **PRESENT:-**

Members:-

Councillor K. Bowman in the Chair

Councillors A. Anderson, J.E. Bennett, R. Brooks, M.J. Dooley, S. W. Fritchley, H. J. Gilmour (left during Minute No. 0742), R. A. Heffer, D. McGregor (left during Minute No. 0742), V.P. Mills, C. Munks, G.J. Parkin, J.E. Smith (left during Minute No. 0742), R. Turner (left during Minute No. 0742), D.S. Watson, G.O. Webster and J. Wilson.

Officers:-

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

Also in attendance at the meeting in the public gallery was Councillor S. Statter.

### **0738. APOLOGIES**

Apologies for absence were received from Councillors; Mrs P.M. Bowmer, J.A. Clifton, J.E. Hall, B.W. Hendry, S. Peake, K.F. Walker and S. Wallis

### **0739. URGENT ITEMS OF BUSINESS**

There were no urgent items of business to consider.

### **0740. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

### **0741. MINUTES – 8<sup>th</sup> DECEMBER 2014**

Moved by Councillor H.J. Gilmour, seconded by Councillor G.O. Webster

**RESOLVED** that the minutes of a meeting of a Budget Scrutiny Committee held on 8<sup>th</sup> December 2014 be approved as a correct record.

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### 0742. MEDIUM TERM FINANCIAL PLAN 2015/16 TO 2017/18

Members considered a report of the Executive Director – Operations in relation to the Medium Term Financial Plan (MTFP) 2015/16 to 2017/18.

The report provided information covering budgets and financial plans for the General Fund Revenue Account, Housing Revenue Account (HRA), and Capital Programme.

The report had been presented to Audit Committee on 19<sup>th</sup> January and would be presented to Executive on 2<sup>nd</sup> February. Once the Executive had considered the position as set out in the report, any recommendations made by them would be referred to Council on 4<sup>th</sup> February in order to secure agreement to the Council's budget in respect of the 2015/16 financial year.

The Council needed to set a 'balanced budget' based upon reasonable assumptions. Under the provisions of the Local Government Act 2003, the Council's Section 151 Officer (the Executive Director Operations), was required to comment on the robustness of the estimates made and also on the adequacy of the proposed financial reserves. The Council's S151 Officer was satisfied that the methodology adopted to calculate the estimates was robust and provided Members with reliable information on which to base their decisions. Likewise, the S151 Officer was satisfied that the proposed level of reserves, which although at a relatively low level, were adequate to cover the issues and potential risks which faced the Council. The adequacy of the current level of reserves was considered in Appendix 1 to the report in relation to the General Fund, Appendix 2 in relation to the HRA, and Appendix 3 in relation to the Capital Programme.

In arriving at the assessment that the methodology adopted was robust the Chief Financial Officer was satisfied that the policies upon which the estimates were based were reasonable and that the policies had been applied consistently across the Council's activities.

A Financial Risk Register had been developed in respect of each of the main accounts and was contained in tables provided in the Appendices to the report.

In respect of 2015/16, a 'pool' of authorities across Derbyshire had been established in relation to Non Domestic Rate Income. Membership of a Derbyshire Wide pool was agreed by Council at its meeting held on 22<sup>nd</sup> October 2014 in recognition of the fact that those authorities which were members of a pool would in most cases benefit from retaining a higher level of locally generated non domestic rating income. Within the budget was an assumption that the Council would benefit by some £0.2m in respect of the 2015/16 financial year. Given the uncertainty concerning the availability of such income in respect of 2016/17, or future years, no assumptions concerning income, in respect of these years, had been made. Whilst it was reasonable to assume that the income of £0.2m would be secured in respect of 2015/16, it needed to be recognised that there may be a requirement to contribute to the Derbyshire Combined Authorities or other regional growth initiatives which may require a call on this funding out of any additional pooling income.

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### General Fund;

Covering the General Fund shortfall of £350k for 2015/16 financial years, the process had been managed so that service cuts had been minimised. The Council had rationalised and tackled problems as opportunities had arisen with crises measures avoided. The 2016/17 forecast position was less robust as the Council would not know what monies it would receive from the Government until the Autumn Statement of November 2015.

New Homes Bonus was included in the 2015/16 base budget at £1.049m and by the end of 2017/18 was anticipated to reach £1.5m. Every new home built, or empty property brought back into use, (offset by demolitions and those properties falling out of use), would provide the Authority with an increased income of £1,000 p.a. for 6 years for a Band A property. This reward, which was top sliced from the overall Government Grant pot, was intended to reward those authorities who allowed and facilitated additional housing in their areas. With effect from 2017/18, the first year of New Homes Bonus, (2011/12), would no longer be counted because at that stage it would have been paid for the full six years for which it was due to be paid. Whilst the Council would at that time be receiving approximately £1.5m per annum from the six years of New Homes Bonus to maintain the income at that level, the Council would need to secure an additional 250 homes per annum. The majority of these additional homes would need to come from new build properties.

In developing the financial projections in respect of 2015/16 to 2017/18, which were included in Appendix 1 to the report, officers had made a number of assumptions. The major assumptions which had been made were as follows;

- Pay increases of 2% in respect of 2015/16 with 1.5% in respect of both 2016/17 and 2017/18.
- No changes to employer superannuation contributions or to the lump sum deficit recovery.
- No allowance had been made in respect of general inflation although specific budget heads such as energy costs and business rates had been increased to reflect anticipated price increases. (The Executive should note that allowance had been made within the draft budget for an increase in recycling costs which reflected the fact that payments for recycled materials had significantly reduced). Likewise, budget increases of some £18k for the roll out of Firmstep (2015/16 only) £12k for the cost of maintaining cash machines and £10k for improvements to the HR systems (2015/16 only) have also been proposed.
- A Council Tax increase of 1% or Council Tax Freeze Grant at 1% in respect of 2015/16, with Council Tax or Freeze Grant at 1.9% in respect of both 2016/17 and 2017/18.
- Government Grant reductions of £1.039m in 2016/17 and £0.882m in 2017/18. (It was anticipated that the level of Government grant and other funding would be established for both 2016/17 and 2017/18 by the Chancellors Autumn Statement towards the end of the 2015 calendar year). In the absence of any information to the contrary it was assumed that both the Non Domestic rating system and the New Homes Bonus funding would continue to operate along existing lines.
- Fees and Charges – service specific increases as agreed by Members.

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In reaching a decision regarding the appropriate level of Council Tax for 2015/16, Members needed to consider the Council's financial position in respect of both 2015/16 and the remainder of the period covered by the MTFP. In summary, officers were currently forecasting that over the period April 2015 to March 2018 expenditure reductions (or increased income) of £2.273m would be necessary.

In considering the position in respect of the level of financial balances, it was proposed to utilise some £2m of the Transformation Reserve on the development of the enhanced Leisure facility at Clowne. There was also a clear intention that the remaining balance in the Transformation Reserve of £1.158m would be utilised to progress the Transformation and the Growth Agenda. On the basis of current projections, the Council should achieve a surplus of some £0.9m at the end of the current financial year. Given the intention to fully utilise the Transformation Reserve it would be appropriate to give consideration to increasing the level of General Fund balances to £2m which would require a contribution of some £0.218m at the year end; that would leave the remainder of any surplus to be directed into the Transformation Reserve to fund 'Invest to Save' activities in future years. At a level of some £2m, General Fund balances would be some 40% above the estimated level of risk faced by the Council. Crucially, should the Council fail to achieve its savings target then the availability of General Fund balances of £2m would enable a period of time in which to make any necessary adjustments and to minimise the impact on local residents.

Councillors McGregor, Turner and Smith left the meeting at this point.

### **Housing Revenue Account;**

The forecast position for the last two years of the proposed Medium Term Financial Plan effectively projected or rolled forward the figures in respect of 2015/16. This position was supported by the HRA Business Plan which covered a full 30 year period. The Government had discontinued the rent convergence policy which for Bolsover substantially impacted on the financial model which underpinned the localism of the HRA. Bolsover District Council was allocated a debt of £94.3m to repay on the basis of the level of income arising from rent convergence. This was one of a number of changes which all served to reduce the longer term rental income of the HRA adding a further impetus to the ongoing work to secure efficiencies and improvements in the delivery of the Housing service.

A key issue for 2015/16 was that the average rent increase required to comply with Government rent guidelines for social housing was 2.2% which resulted in the average rent for a Council house of £85.28 per week. It was also recommended that all new tenants should be required to pay target rent.

A discussion took place.

The Executive Director – Operations noted that a change in the legislative framework was one of the main risks to the HRA.

A discussion took place regarding void properties and Members felt that the length of time a property was empty needed to be at a reasonable level.

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### **Capital Programme;**

With regard to the capital programme the majority of expenditure would continue to be in respect of the HRA Programme which was funded by capital resources ring fenced to the Council's HRA. The financial provision to fund the ongoing programme of housing refurbishment work was planned to continue at a level of some £4m per annum over the period of the proposed MTFP. After 2017/18, it would be necessary to increase the rate of spend as key elements of the Housing Stock, such as roofs, kitchens and bathrooms would need replacement. Since the introduction of HRA reform in 2012, the Council had already built some 66 new houses and this programme was set to continue. The new homes at New Houghton would be completed by the end of the current financial year and proposals were well under way to deliver 7 homes on a former garage site at Rogers Avenue, Creswell. The major scheme at New Bolsover was also commencing within the period of the current MTFP.

With regard to the General Fund, it was envisaged that the Bolsover Mini Hub would be fully completed and operational by autumn 2015 at a cost of £2.2m, providing a range of public services from good quality premises. The capital programme also included expenditure provision in respect of the proposed new enhanced Leisure facilities (swimming pool) at Clowne and for £1.177m of vehicle replacements which predominantly related to the Refuse Fleet. Officers were also currently working on projects concerning the replacement of the Contact Centre at Shirebrook and exploring options to secure the long term sustainability of Pleasley Vale Mills. Additional reports on these issues would be presented to Executive as appropriate during the course of the year.

In response to Members questions regarding improvements to properties at New Bolsover, the Executive Director – Operations advised the meeting that lottery funding had been secured for upgrades/improvements to the private properties but upgrades to Council properties at New Bolsover would have to be funded from the HRA.

A lottery bid for Pleasley Vale Mills had been unsuccessful and the Executive Director – Operations noted that around £5m to £10m would need to be spent on Pleasley Vale Mills over the next 5 to 10 years to keep it to a decent condition.

The meeting noted that Improvement Scrutiny Committee had carried out a spotlight review on the Council's hard to let properties and recommendations from the Review would be presented to the Executive in March.

The meeting concluded at 1505 hours.