

BUDGET SCRUTINY COMMITTEE 14TH SEPTEMBER 2015

FINANCIAL OUTTURN 2014/2015

REPORT PRESENTED TO EXECUTIVE ON 13TH JULY 2015

Bolsover District Council

Executive

13 July 2015

Financial Outturn 2014/15

Report of the Leader of the Council

This report is public

Purpose of Report

- To inform Executive of the financial outturn position of the Council in respect of the 2014/15 financial year.

1 Background Information

- 1.1 The Council has closed its financial accounts for 2014/15 in line with the required deadline of 30 June 2015. The draft Statement of Accounts 2014/15 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 2015, 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 2014/15 was signed as complete by the Council's Chief Financial Officer (Executive Director – Operations) at the end of June 2015. The final audited accounts will be reported to and approved by the Audit Committee at its meeting of 23rd September 2015. A copy of the draft Accounts is available on the Council's internet site.
- 1.3 International Financial Reporting Standards (IFRS) require 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 2014/15 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.

2 Issues for Consideration

General Fund Revenue Account

- 2.1. The Council's original budget for 2014/15 approved by Council on 3rd February 2014, included an unidentified savings target amounting to £0.447m. During 2014/15 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 2015 an underspend of £0.900m was anticipated. The actual outturn position has further improved the underspend to one of £1.308m 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. While the following reports and attached appendices detail the outturn position, the main reasons underlying the achievement of an underspend are outlined in the table below:

	£000's
Utilisation of Efficiency Grant to fund restructuring costs	252
Increased Income from NNDR	399
Increased Planning Fee Income	53
Increased Income at Pleasley Vale	65
Savings on Cost of Administrative Buildings	56
Increased Level of Benefit Subsidy	126

- 2.2. The figures above provide an overview of where the overall favourable variance of £1.308m has been achieved. Where possible, officers will be bringing forward further reports intended to ensure that these budget underspends are captured and are used to reduce the planned level of spending in future years. This will help address the projected shortfall of £2.3m which the Council is facing over the next three financial years. It needs to be recognised, however, that many of the savings identified in the 2014/15 outturn position do not reflect permanent changes in the Council's income and expenditure patterns. In particular the levels of increased income from business rates, the increase in 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 (2015/16) it is unlikely to be available in future years when local authorities are facing more significant levels of financial cuts. An initial exercise by Officers has suggested that the 2014/15 outturn position has identified potential budget savings in future financial years in the region of £0.1m. While this will assist in balancing the current and future year's budget it supports the view that there continue to be significant financial challenges ahead.
- 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 such growth, 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 now 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 shows the Original Budget that was set in February 2014, the Revised Budget agreed in February 2015 together with the Adjusted Current Budget. The Adjusted Current Budget incorporates any further committee approvals since the revised budget and incorporates adjustments for virements and for a change in the use of specific resources such as grants or earmarked reserves. This ensures that this earmarked funding is only utilised in line with the actual expenditure incurred in the year. The actual expenditure for 2014/15 is then compared against this Adjusted Current Budget in order to provide details of any variances. Executive should note that **Appendix B** (attached) provides detailed variances at a cost centre level. Where appropriate a summary explanation of these variances is provided within **Appendix B**.
- 2.5 In summary it can be seen in **Appendix A** that there has been an under spend in the year on the provision of services of £0.682m (column G). This position has arisen from under spending on budgets, additional income and efficiency savings. This underspend is offset by an increased contribution to Reserves showing an increased level of expenditure at actual outturn from the Adjusted Current Budget of £0.416m. This is offset by increased funding principally arising from NNDR growth in order to arrive at an outturn position which has no impact upon the level of General Fund balances.
- 2.6 At the year-end two main decisions have been necessary in order to secure effective closure of the Council's Annual Accounts. As previously agreed through Council, the net underspend of £1.308m secured in the year has been transferred into the Transformation Reserve. When the Efficiency Grant carried forward is also transferred into this account the balance on the Transformation Reserve now stands at a figure of £4.9m. While the Council has other general fund reserves available; a General Fund balance of £1.7m and other General Fund earmarked reserves of £2.5m, 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 that financial sustainability of the Council and the sustainability of the services provided to local residents. While the balance of the Transformation Reserve currently amounts to £4.9m Executive should note that there are a range of commitments against the reserve principally the agreement that £2m will be utilised to fund enhanced Leisure Facilities at Clowne. It should also be noted that initiatives to promote the Council's growth and

transformation agenda are likely to come at significant cost and that the Reserve may be fully utilised on a limited number of investments. **Appendix D** attached provides full details concerning the Council's earmarked financial reserves.

- 2.7 The second key decision has been to allocate an amount of £0.705m to the Non Domestic Rates Growth Protection Reserve. Council is aware that while the levels of economic growth generated within the Bolsover area have secured increasing levels of income from Non Domestic Rates, that the localisation of this income stream is accompanied by a transfer of financial risk from central to local government. In setting its budget for 2015/16 the Council undertook a calculation of the level of Non Domestic Rating income that it would receive in respect of 2015/16. That calculation reflected the position as at 31 January 2015. Subsequent to undertaking that calculation the Council received notification from the District Valuer of a range of new appeals against the assessed valuation of business premises operating in the Bolsover area. These appeals against the rateable valuation assessment will be determined by the Valuation Office over the next few years, but in accordance with good accounting practice Officers have established a reserve to cover this future loss of income. In line with an independent evaluation of the anticipated impact of these appeals it has been decided to set aside a reserve of £0.705m to cover this Council's anticipated cost of these appeals. While the reserve is set at £0.705m this includes an allowance for the backdating of some of these appeals with the underlying impact on an annual basis anticipated to be in the region of £0.2m.
- 2.8 As outlined above Officers have commenced a piece of work to identify where the evidence from the 2014/15 outturn indicates that it is appropriate to reduce budgets for both 2015/16 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 an underspend of £0.397m against the Revised Budget. These savings have been transferred into the Major Repairs Reserve where they will be used to fund future investment in tenants homes. Full details are provided in **Appendix C** to this report with comments provided against the individual areas of expenditure / income where appropriate. The Housing Revenue Account position shows overall expenditure was £0.550m below the revised budget (column C) and income £0.072m less than anticipated, giving a net cost of services favourable variance of £0.478m for the financial year 2014/15.
- 3.2 The details provided in **Appendix C** show that expenditure was £0.550m below budget with the savings being secured across all budget heads. Given that overall expenditure was budgeted to be £10.7m the underspend is in the order of 5%. With respect to income that was £72k below budget. The net cost to services was therefore £0.478m below budget. Once higher interest costs and transfers to and from reserves are taken into account the budgeted contribution of £20k to the HRA general reserve was secured together with the addition to the Major Repairs Reserve of £0.397m. As previously mentioned this figure of £0.397m was effectively the underspend in the year.

3.3 With respect to transfers to and from financial reserves an amount of £16k was taken from the insurance reserve to meet the costs of excess payments on claims, while the contribution from the Capital Development Reserve was reduced by £69k to reflect the fact that some expenditure planned for 2014/15 will now take place in 2015/16. Within the expenditure in year a contribution of £0.950m has been made to the Capital Development Reserve. During the year capital expenditure totalling £1.834m has been funded by the reserve to meet major housing projects that the Council has approved. A contribution of £0.180 was made to the HRA vehicle reserve while vehicles costing £0.053 have been funded by the reserve. The balance on these reserves at the end of the financial year is as follows:

HRA development reserve	£0.866m
HRA vehicle reserve	£0.316m

3.4 The HRA balance has improved – in line with the budget – by an amount of £20k with balances at the year-end amounting to £1.881m. 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 2014/15 is detailed on a scheme by scheme basis in **Appendix E** (attached). It can be seen from the appendix that the Council's capital spend in the financial year was £5.612m (£1.575m General Fund and £4.037m HRA). Overall expenditure was £3.581m below the revised budget (£2.624m General Fund and £0.957m HRA).

4.2 General Fund Schemes

Within the General Fund the majority of the under spend in the year relates to Project Horizon where work has not yet commenced on the construction of the replacement contact centre and associated facilities in Bolsover Town Centre (£0.604m). Other General Fund schemes show a net underspend of £1.118m. With respect to the underspend of £1.576m on the General fund, £1.559m is planned to take place in 2015/16 and accordingly it is recommended that Executive agree to allow the associated funding to be taken forward.

4.3 HRA Schemes

The majority of the under spend on HRA schemes is on decent homes expenditure for dwellings. Actual spend is £0.733m below the revised budget of £4.717m. HRA vehicle replacement expenditure is £0.224m below the revised budget of £0.277m. Again with respect to the underspend of £0.957m it is recommended that £0.824m be approved for carry forward into 2015/16.

4.4 Capital Financing

The Capital Programme was financed as follows:-

	Revised Budget 2014/15 £000	Actual 2014/15 £000	Variance £000
HRA			

Major Repairs Reserve	(2,684)	(1,940)	(744)
Capital Receipts (inc 1-4-1 receipts)	0	(210)	210
Capital Grants	(8)	0	(8)
HRA Development Reserve	(2,025)	(1,834)	(191)
HRA Development Reserve - vehicles	(277)	(53)	(224)
Total	(4,994)	(4,037)	(957)
General Fund			
Prudential Borrowing – Gen Fund	(1,299)	(488)	(811)
Capital Grants and Contributions	(725)	(626)	(99)
Capital Receipts	(1,800)	(110)	(1,690)
Reserves	(375)	(351)	(24)
Total	(4,199)	(1,575)	(2,624)
Grand Total	(9,193)	(5,612)	(3,581)

4.5 HRA Capital Financing

The spending on the HRA programme was £0.957m 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 £0.210m of capital receipts as a contribution towards the financing of 15 new houses 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 is 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 2014/15 to this scheme satisfies the relevant conditions. No prudential borrowing for the HRA was undertaken in 2014/15.

4.6 General Fund Capital Financing

Officers have sought to minimise the need to undertake prudential borrowing when completing the financing of this element of the capital programme. Prudential borrowing of £0.488m was undertaken in 2014/15 for vehicles, asset management plan and ICT schemes.

4.7 Capital Receipts

The table below summarises the capital receipts received and used by the Council in 2014/15:

Capital Receipt	Net Receipts in year £000	Available Capital Receipts £000
Available Receipts 1 April 2014		0
2014/15		
Sale of Council Houses (38 sales)	(1,541)	

Land at Sherwood Lodge	(6,320)	
Less - Pooling Costs	403	
Less - Allowable Debt (used to repay HRA debt)	754	
Sub - Total		(6,704)
Used for Capital Financing in 2014/15 (see capital financing table above)		332
Used to repay General Fund debt		6,372
Total Available Receipts 31 March 2015		0

5 Treasury Management

5.1 At **Appendix F** is a brief report on the Treasury Management activity of the Council for 2014/15. In summary the Council operated throughout 2014/15 within the Authorised Limit and Operational Boundary limits approved in the Treasury Management strategy approved by the Council in February 2014.

5.2 The key facts from the report are:

- The overall borrowing requirement of the Council is £98.962m at 31 March 2015.
- The PWLB debt is £104.100m
- The finance lease debt is £0.038m
- No new PWLB borrowing was undertaken in 2014/15
- The HRA headroom at 31 March 2015 is £19.273m
- PWLB interest paid in 2014/15 was £3.683m
- Interest received on investments was £0.152m
- The Council had £29.8m invested at 31 March 2015

6 Conclusions and Reasons for Recommendation

6.1 General Fund

The Council has successfully met its savings target in respect of 2014/15 and has effectively managed its financial position to allow a contribution to the Transformation Reserve of £1.308m. Officers will evaluate the 2014/15 financial outturn to identify areas where the budget can be reduced in respect of 2015/16 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 2015/16 and future years whilst other savings which arose in 2014/15 cannot be relied upon to re-occur in the current or future financial years. The contribution to the Transformation Reserve does, however, provide 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 underspend of £0.397m which has been used to increase the level of the Major Repairs Allowance, where it will be utilised to improve the condition of Council houses. The HRA continues to operate within the parameters established by the Business Plan and MTFP.

- 6.3 Capital Programme
The Capital Programme shows that a number of schemes are ongoing and therefore the approved schemes will need to be carried forward to 2015/16.
- 6.4 Capital Financing
The 2014/15 Capital Programme has seen an investment approaching £6m into the services – and in particular the Housing Stock – provided by the District Council. With the exception of work on the Bolsover Mini Hub project good progress has been maintained in delivering the Capital Programme. On a number of projects within the Approved Programme it will be necessary to carry forward expenditure and resourcing approvals into 2015/16 in order to meet contractual and other commitments entered into by the Council.
- 6.5 Treasury Management
During 2014/15 the Council has continued to operate within the framework established by the Treasury Management Strategy as approved in February 2014.

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 2014/15 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 2014/15 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 2014/15 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 2014/15 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 2014/15 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 2015 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 2014/15.

General Fund

- 12.2 That Members request the Accountancy Section to undertake a review of the under spend position of 2014/15 to determine where budget changes may be made to the 2015/16 and future budgets. The review is requested to be reported back to Executive by September 2015.

Housing Revenue Account

- 12.3 That Members note the outturn position of the HRA and the level of balances held at 31 March 2015 of £1,881,158.

Capital Programme

- 12.4 That Members approve the proposed carry forward of capital budgets detailed in Appendix E and totalling £2,383,052.

Treasury Management

- 12.5 That Members note the Treasury Management reported position as at 31 March 2015.

Further Reporting

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

13 Decision Information

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

14 Document Information

Appendix No	Title
A	General Fund Summary 2014/2015
B	General Fund Account Outturn 2014/2015
C	HRA Income and Expenditure Account 2014/2015
D	Earmarked Reserves and Balances
E	Capital Programme 2014/15
F	Treasury Management 2014/15
Background Papers (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	
Report Author	Contact Number
Chief Accountant	2458