

To: Chair and Members of the Budget  
Scrutiny Committee

The Arc  
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24<sup>th</sup> July 2019

Dear Councillor

You are hereby summoned to attend a meeting of the Budget Scrutiny Committee of the Bolsover District Council to be held in the Council Chamber, The Arc, Clowne on Thursday 1<sup>st</sup> August 2019 at 1000 hours.

Register of Members' Interest - Members are reminded that a Member must within 28 days of becoming aware of any changes to their Disclosable Pecuniary Interests provide written notification to the Authority's Monitoring Officer.

You will find the contents of the agenda itemised on page 2.

Yours sincerely



Joint Head of Corporate Governance & Monitoring Officer



**We speak your language**  
Polish **Mówimy Twoim językiem**  
Slovak **Rozprávame Vaším jazykom**  
Chinese **我们会说你的语言**

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## BUDGET SCRUTINY COMMITTEE

### AGENDA

Thursday 1<sup>st</sup> August 2019 at 1000 hours in the Council Chamber, The Arc, Clowne,

Item No.		Page No.s
	<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:  a) any business on the agenda b) any urgent additional items to be considered c) any matters arising out of those items  and, if appropriate, withdraw from the meeting at the relevant time.	
4.	Minutes of a meeting held on 6 <sup>th</sup> June 2019.	3 to 8
5.	Budget Monitoring Report Quarter 1 – April to June 2019.	9 to 23
6.	Reduction In Debt Charges Through Use Of Reserves	24 to 32
7.	Budget Scrutiny Committee Work Programme 2019/20.	33 to 37
8.	Update from Scrutiny Chairs.	Verbal Update

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## **BUDGET SCRUTINY COMMITTEE**

Minutes of a meeting of the Budget Scrutiny Committee of the Bolsover District Council held in the Council Chamber, the Arc, Clowne, on Thursday 6<sup>th</sup> June 2019 at 1000 hours.

### **PRESENT:-**

Members:-

Councillor Jenny Wilson in the Chair

Councillors Rose Bowler, Nick Clarke, Tricia Clough, Paul Cooper, David Dixon, David Downes, Ray Heffer, Chris Kane, Tom Munro, Evonne Parkin, Graham Parkin, Peter Roberts, Janet Tait and Rita Turner.

Officers:- Lee Hickin (Joint Strategic Director – People), T. Fletcher (Chief Accountant and Section 151 Officer), Joanne Wilson (Scrutiny & Elections Officer) and Alison Bluff (Governance Officer).

### **0027. APOLOGIES**

Apologies for absence were received on behalf of Councillors Derek Adams, Jane Bryson, Tracey Cannon, Anne Clarke, Jim Clifton, Pat Cooper, Maxine Dixon, Andrew Joesbury, Tom Kirkham and Ross Walker.

Members and officers observed one minutes silence in respect of D-Day Remembrance.

### **0028. URGENT ITEMS OF BUSINESS**

There were no urgent items of business to consider.

### **0029. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

### **0030. MINUTES – 30<sup>TH</sup> JANUARY 2019**

Moved by Councillor Rose Bowler and seconded by Councillor Tom Munro  
**RESOLVED** that the Minutes of a Budget Scrutiny Committee held on 30<sup>th</sup> January 2019 be approved as a correct record.

## BUDGET SCRUTINY COMMITTEE

### 0031. FINANCIAL OUTTURN 2018/19

Committee considered a report and slide presentation provided by the Section 151 Officer in relation to the Authority's financial outturn for 2018/19.

The focus of the report was on providing management information to Members and other stakeholders to assist in the financial management of the Council.

The Council had published its draft Statement of Accounts in respect of 2018/19 on 17th May 2019, in line with the statutory deadline of 31st May 2019. The draft Statement of Accounts was now subject to an independent audit from the Council's external auditors, Mazars and remained subject to possible amendment until they were agreed by the external auditors.

It was anticipated that the external audit would be completed during June 2019 in order to allow the final audited accounts to be reported to and approved by the Audit Committee at its meeting on 29th July 2019.

The report considered the 2018/19 outturn position in respect of the General Fund, the Housing Revenue Account (HRA), the Capital Programme and Treasury Management activities, the level of balances at the year end and the impact which the closing position had upon the Council's budgets in respect of the current financial year.

#### General Fund

In February 2018, council tax was set up for the year 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019. To enable this to be done, financial officers produced the 'Medium Term Financial Plan' (MTFP). This included revenue budgets made up of income and expenditure for 2018/19 and projections for 2019/20, 2020/21 and 2021/22.

The report showed the financial outturn position for 2018/19 and Appendix 1 and 2 of the report were the general fund elements which showed the summary and detail for 2018/19.

#### Housing Revenue Account

In February 2018 the housing rents were set up for the year 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019. This fed into the MTFP and included revenue budgets made up of income and expenditure for 2018/19 and projections for 2019/20, 2020/21 and 2021/22.

The report showed the financial outturn position for 2018/19. Appendix 3 of the report showed the summary for 2018/19 of the housing revenue account element.

The Section 151 Officer noted that the slide should say additional interest cost and not additional income cost.

#### Capital Programme

Capital was shown separately for general fund and housing and also how the Council was going to pay for expenditure. In February 2018, the MTFP included estimates for

## BUDGET SCRUTINY COMMITTEE

both. It also included expenditure and financing for 2018/19 and projections for 2019/20, 2020/21 and 2021/22.

The report showed the financial outturn position for 2018/19. Appendix 4 of the report showed the capital programme detail of individual schemes and financing for 2018/19.

### Treasury Management

In February 2018, the MTFP included estimates of interest payable on loans and interest receivable on the Council's investment balances. Estimates for 2018/19 and projections for 2019/20, 2020/21 and 2021/22 were included.

The report showed the financial outturn position for 2018/19. Appendix 5 of the report covered treasury management for 2018/19.

The Council's overall borrowing requirement was £115.866m, which was £2.98m less than budgeted due mainly to less capital expenditure than anticipated.

Public Works Loan Board (PWLB) debt did not change during the year and remained at £102.1m. Effective internal borrowing was £13.766m being the difference between the PWLB debt and the borrowing requirement. PWLB debt interest paid was £3.642m. Investment income received was £0.368m.

Members queried the variances between the budget and outturn figures in respect of Streetscene and Democratic Services to which the Section 151 Officer and Joint Strategic Director – People provided a detailed response.

Moved by Councillor Ray Heffer and seconded by Councillor Rita Turner

**RESOLVED** that (1) the outturn position in respect of the 2018/19 financial year be noted,

(2) the proposed carry forward of capital budgets as detailed in Appendix 4 to the report totalling £3.910m, be noted.

### **0032. CORPORATE DEBT MONITORING – QUARTER 4 (2018/19)**

Committee considered a report and slide presentation provided by the Section 151 Officer which provided an update to Members on the Council's corporate debt position at the end of quarter 4 (2018/19).

The main sources of income for the Council's General Fund were business rates (National Non Domestic Rates (NNDR)), council tax, a small number of government grants and service related income. The main source of income for the Council's Housing Revenue Account was dwelling rent, often referred to as 'housing rents'. Government grants were paid over to the Council on agreed dates directly so there was no need to include them on any of the debtor systems. For business rates and council tax, these debts were part of the collection fund and were shared with major preceptors including Derbyshire County Council, Police and Fire; so only a percentage of these debts belonged to the Council. Legislation governed the collection of business rates, council tax and housing rents.

## BUDGET SCRUTINY COMMITTEE

For most other sources of income (service related income), invoices were raised. Examples of these were; housing benefit overpayment, trade refuse, industrial unit rent, garage site rent, warden's service (and alarms) and leisure hire of facilities. This income was reported in two amounts with housing benefit overpayment identified from the rest.

Recovery of housing benefit overpayment was governed by legislation. Where possible and reasonable it was recovered from ongoing housing benefit but there were strict limits per week and so it could take a long time to recover. Direct Earnings Attachment (DEA) was another method of collecting the debt – these had proven a successful method of collection over the last 6 months. As more customers move off housing benefit onto Universal Credit, it would mean recovery from ongoing housing benefit would not be an available method of recovery.

Table 1 in the report showed the sources of income for the Council as at 31<sup>st</sup> March 2019 and also for 2018 for comparison.

Table 2 in the report showed the level of arrears for the Council at 31<sup>st</sup> March for the last two financial years. This information was published in the Council's Statement of Accounts document each year.

Part of managing the debt was assessing the likelihood of future non-collection and at each year end an estimate of non-collection was made based on historic payment information for the same class of debt. This provision was often referred to as the bad debt provision. At each year-end, the provision balance for each class of debt was reviewed, compared against latest arrears balances to ensure it still covered the amount of non-collection in case of 'write-off' debts and either increased or decreased, whichever was appropriate.

Table 3 in the report showed the bad debt provision for each class of debtor at 31<sup>st</sup> March for the last two financial years:

Indicators for debt collection were monitored through the 'Perform' system and reported at quarterly performance meetings. Targets for collecting income and reducing arrears for each class of debt were set and monitored. Performance data on debt collection was also reported quarterly to the Executive meetings.

Table 4 in the report showed for 2018/19, the movement since last financial year, in the value of each source of income, the amount that was outstanding as arrears and the bad debt provision, which related to that source of income. Overall in 2018/19, the Council had received £6.6m more in income; arrears had been reduced by £0.184m and the bad debt provisions had reduced by £0.032m as they were no longer needed.

In response to a Member's query, the Section 151 Officer advised that NNDR arrears were shown in the report as a credit – this was because some customers pay NNDR in advance. It was noted that the Council's NNDR arrears were quite low.

Moved by Councillor Ray Heffer and seconded by Councillor Ton Munro  
**RESOLVED** that Council's Corporate Debt as at 31<sup>st</sup> March 2019 be noted.

The Section 151 Officer and the Strategic Director – People left the meeting.

## BUDGET SCRUTINY COMMITTEE

### 0033. BUDGET SCRUTINY COMMITTEE WORK PROGRAMME 2019/20

Committee considered their Work Programme for 2019/20.

The Scrutiny & Elections Officer drew Members attention to the Budget Scrutiny Committee meeting in November 2019 where Arlingclose, the Council's Treasury Management Advisors, would be in attendance to provide a presentation to the Committee.

Members were requested to inform the Scrutiny & Elections Officer if they required additional training around financial scrutiny. A Member replied that he felt that 'hands-on' training was needed for Members and should include 'mock ups' and 'tests'.

Moved by Councillor Rita Turner and seconded by Councillor Ray Heffer  
**RESOLVED** that the Budget Scrutiny Work Programme for 2019/20 be noted.

### 0034. UPDATE FROM SCRUTINY CHAIRS

#### Growth Scrutiny

Councillor Jenny Wilson, Chair of the Growth Scrutiny Committee, advised the meeting that the first meeting of the Committee would take place on 12<sup>th</sup> June 2019. Agenda items would include;

- The Monitoring Report on the Growth Strategy for Q3 and Q4 2018-19
- Q4 Performance Report for the Corporate Plan
- Setting our Work Programme and Review topics for the year

Last year's work had now moved in to the Post-Scrutiny Monitoring phase and the Committee would be receiving reports throughout the year for its Review of Income Generation.

#### Customer Service & Transformation Scrutiny

Councillor Rose Bowler, Chair of the Customer Service & Transformation Scrutiny Committee, advised the meeting that the first meeting of the Committee would take place on 17<sup>th</sup> June 2019. Agenda items would include:

- The final Monitoring Report from our Review of Disability Adaptations to Council Properties
- Q4 Performance Report for the Corporate Plan
- Setting our Work Programme and Review topics for the year

Last year's work had now moved in to the Post-Scrutiny Monitoring phase and the Committee would be receiving reports throughout the year for its Review of Delivery of Environmental Health & Licensing and Review of Standards Committee.

## **BUDGET SCRUTINY COMMITTEE**

The Committee was also finalising dates to receive updates on the work of the Transformation Governance Group and would keep colleagues updated on the work of the Committee on this area of service delivery.

### Healthy, Safe, Clean & Green Communities Scrutiny

Councillor David Downes, Chair of the Healthy, Safe, Clean & Green Communities Scrutiny Committee, advised the meeting that the first meeting of the Committee would take place on 21<sup>st</sup> June 2019. Agenda items would include:

- Q4 Performance Report for the Corporate Plan
- Setting the Committee's Work Programme and Review topics for the year

Last year's work had now moved in to the Post-Scrutiny Monitoring phase and the Committee would be receiving reports throughout the year for its Review of The Authority's Perception of Young People.

The meeting concluded at 1050 hours.



**Bolsover District Council**

**Budget Scrutiny Committee**

**1<sup>st</sup> August 2019**

**Budget Monitoring Report  
Quarter 1 – April to June 2019**

**Report of the Chief Accountant and S151 Officer**

This report is public

**Purpose of the Report**

- To update Budget Scrutiny Committee on the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account (HRA), Capital Programme and Treasury Management activity.

**1 Report Details**

- 1.1 Officers have continued the integrated approach to budget monitoring in the first quarter with Performance, Risk and Finance being considered together at the combined Directorate meeting held during July 2019. The scope of this report is therefore to report the current financial position following the 2019/20 quarter one monitoring exercise.

**General Fund Revenue Account**

- 1.2 The General Fund Revenue Account summary is shown in **Appendix 1**. The original budget for 2019/20 showed a funding deficit of £0.083m. The current budget now shows that this is £0.037m surplus after the Council tax increase and other movements are included. As savings are identified and secured they are moved into the relevant cost centres within the main General Fund Directorates. Officers have reviewed the opportunities to reduce the salary budgets where savings arose in the first quarter and a further amount of £0.093m will now be removed from budgets.
- 1.3 Within the Directorates there is the following to report:
- The People Directorate shows an adverse variance of £0.184m. This relates mainly to:
    1. Under spends due to invoices not yet paid and vacancies at the end of the quarter (£0.230m) – favourable.
    2. Income received in advance of any expenditure (£0.756m) – favourable.

3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.548m) – adverse.
  4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.308m) – adverse.
  5. Over spends against quarter 1 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.264) – adverse.
- The Place Directorate shows a favourable variance of £0.549m. This relates mainly to:
    1. Under spends due to invoices not yet being paid and vacancies at the end of the quarter (£0.022m) – favourable.
    2. Income received in advance of any expenditure (£0.917m) – favourable.
    3. Annual invoices were paid in quarter 1 which makes the profiled budget look overspent (£0.283m) – adverse.
    4. Expenditure has been spent but the income hadn't been received as it is claimed in arrears (£0.113m) – adverse.
    5. Over spends against quarter 1 budget due to less income received, new pressures or where expenditure is seasonal and not profiled over 4 quarters (£0.031) – adverse.
- 1.4 In order to improve the monitoring and control of Section 106 monies received by the Council, the sums due to be utilised in a financial year are now recorded within the General Fund directorate budgets with the expenditure recorded against these sums. The amount budgeted to be spent in 2019/20 is £0.962m. Of this £0.028m had to be spent by 28<sup>th</sup> May this year or the funding would have been lost. Officers worked to ensure that this spend was undertaken in line with the S106 legal requirements.
- 1.5 The overall position at the end of quarter 1 shows that there is a favourable variance of £0.365m. This is mainly due to receiving income in advance of spend for the year. There are also no real budget pressures identified in quarter 1 but officers will continue to monitor the position during the next quarter.
- 1.6 The table that follows illustrates that even though the savings target for 2019/20 has been met, there is still a need for ongoing savings. The shortfall in future years will be addressed through the transformation programme which will include a combination of income maximisation, business redesign and business cost reduction options.
- 1.7 Officers will begin working with budget managers during the next quarter to compile a revised budget for 2019/20. This will amend the current budgets to capture additional budget savings and reduce spending where it is anticipated that there will be a minimal impact upon service delivery. Where possible the budget in future years will be amended to reflect savings identified to assist with projected budget shortfalls. The revised budget position will be presented to Executive in December.

<b>Table 1</b>	<b>2019/20 Budget £000</b>	<b>2020/21 Budget £000</b>	<b>2021/22 Budget £000</b>	<b>2022/23 Budget £000</b>
Budget Shortfall – MTFP Feb 2019	83	974	1,559	2,204
Efficiencies identified to date (removed from budget)	(119)	(115)	(115)	(123)
<b>Current Budget Shortfall</b>	<b>(36)</b>	<b>859</b>	<b>1,444</b>	<b>2,081</b>
Efficiencies identified <u>not yet realised</u>	(339)	(551)	(734)	(916)
Target Budget Shortfall	(375)	308	710	1,165

### **Business Rates Retention**

- 1.8 As reported in the Medium Term Financial Plan (MTFP), the income for Business Rates reverts back to existing pooling arrangements for 2019/20 and future years.
- 1.9 At the time of approving the budget the NNDR1 form for 2019/20 had not been completed and therefore no changes were made to previous estimates for that year. However, on completion based on the growth achieved in our Business Rates income since the previous estimates were made, the NNDR1 form does show an increase in predicted income of £0.600m.
- 1.10 This increase is based on an estimate of business rates growth that could fluctuate during the year as businesses move in and out of the district. It is also possible for the income to be reduced to pay for refunds to business rate payers if their valuation appeal is successful with the Valuation Office. This presents a risk to the budget as should the growth not be achieved, the income to the Council would be decreased.
- 1.11 For this reason it is suggested that the estimated increase in income be added to the budget at revised budget time in December, but be transferred to the NNDR Growth Protection Reserve to mitigate changes likely to effect the Council in the future when the new Business Rates system is announced.

### **The National Funding Settlement 2020/21**

- 1.12 A number of fundamental changes to local authority funding are currently being considered by the Government for the future. These were scheduled to be incorporated into the 2020/21 finance settlement. Delay caused by Brexit and other political uncertainty in Government has increased the likelihood that these may be delayed for at least one year. These are summarised below:

#### Fair Funding Review (FFR)

- 1.13 The national funding allocations formula was last reviewed in 2013/14. Initial modelling on suggested changes showed that the recalculated Settlement

Funding Assessment (SFA) would redirect resources to those based on “need” which would impact negatively on most shire districts.

- 1.14 The risk of losses from the FFR would be much greater for district councils because of their ability to raise council tax. This puts a greater burden on the local decision making with regards council tax setting each year.

### Business Rates Reset

- 1.15 The business rates baseline funding level (BFL) calculates by formula each council’s share of overall resources and is based on each Councils’ business rates baseline, taken from the NNDR1 each year. A full reset of the BFL was planned for 2020/21 although as mentioned earlier there is some debate currently around the timing of this. Should a full reset proceed this would mean that any business rates growth accumulated since 2013/14 (the last reset) would be rolled into each Council’s BFL, effectively wiping the benefit of that growth out. This growth would then be redistributed according to need. In general terms, districts have benefited most from this growth so would therefore be the worst affected by the reset.
- 1.16 There is also a proposal to increase the local share for business rates to 75% from 2020/21. However, it is expected that county councils will benefit from this increase rather than district councils whose share is likely to stay at 40% or maybe even reduce.
- 1.17 There are still too many variables to put any huge reliance on the impact of a business rates reset or change to the local share at this stage but it is likely to affect district councils which is a risk to the current MTFP.
- 1.18 If there is, as expected, a delay in the planned three year spending review this would mean there would be a roll-over year for 2020/21. There would likely be very little change in funding allocations and then a two year spending review that announces a new funding settlement starting in 2021/22.

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

- 1.19 The Housing Revenue Account summary for the first quarter of 2019/20 is set out in **Appendix 2** to this report. At the end of quarter 1 the HRA is showing a net deficit of £0.361m.

#### **Income**

- 1.20 The quarter 1 income figures show an adverse variance of £0.447m. This is mainly due to the timing of the rent free week falling into the first quarter. The annual budget is profiled to receive 12 weeks in the first quarter when actually only 11 weeks were billed.

#### **Expenditure**

- 1.21 Expenditure shows an overall favourable variance of £0.086m. The main areas to highlight are listed below:

1. Employee costs at £0.921m are £0.094m lower than forecast which is mainly due to vacancies in repair and maintenance. The budget is

currently being reviewed as part of the outturn and budgets no longer required will be removed before the next quarter.

2. Premises Related expenditure at £0.311m is £0.023m under spent due to a combination of sub-contractor invoices which have not yet been paid and the Council Tax Liability on void properties which are yet to be processed.
3. Hired + Contracted services at £0.235m are £0.176m higher than the three month profiled budget as it is a commitment against the 12 month budget.
4. A revenue contribution to the capital programme is not transferred until year end and is showing as an under spend of £0.125m.

### **HRA – Overall Summary**

- 1.22 In light of the above and the expenditure patterns to date, there are no significant issues to report regarding the overall position for the HRA at the end of the first quarter.

## **Capital Programme**

### **Capital Expenditure**

- 1.23 The capital programme summary for the first quarter of 2019/20 is provided in **Appendix 3** to this report.

- 1.24 In headline terms, the capital programme profiled budget for quarter 1 is £3.913m and the actual spend and known commitments total £2.830m, which is £1.083m behind the planned spend position. The main areas to highlight are listed below:

1. The Re-Roofing scheme is £0.128m under spent. The scheme is expected to progress in quarter two.
2. General Fund Vehicle Replacements appear over spent at £0.123m but the scheme shouldn't be quarterly profiled.
3. Dragonfly loan and acquisition of share capital are showing as £0.545m under spent which is due to the next phase of the scheme not yet commencing.
4. The miscellaneous property scheme B@home is currently £0.434m under spent for the quarter due to the phasing of the individual schemes.

- 1.25 Whilst there are no significant financial issues to report regarding capital expenditure at the end of the first quarter, it must be noted that the delivery of the approved capital programme is slightly behind the profiled position as at quarter 1. Officers will continue to closely monitor the delivery of the Programme.

### **Capital Resources**

- 1.26 HRA – The Council has sufficient capital resources in place to finance the HRA actual expenditure and commitments at the end of the first quarter.  
General Fund – The financing of the General Fund part of the capital programme is in line with the approved financing arrangements.

## **Treasury Management**

- 1.27 The treasury management function covers the borrowing and investment of Council money. This includes both the management of the Council's day to day cash balances and the management of its long term debt. All transactions are conducted in accordance with the Council's approved strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.28 The Council approved the 2019-2023 Treasury Management Strategy at its meeting in February 2019. **Appendix 4** identifies the Treasury Management activity undertaken during the first quarter of 2019/20 and demonstrates that this is in line with the plans agreed as part of the strategy. The income received from investments is currently higher than budgeted, however interest rates are variable and therefore it is too early in the financial year to predict if this trend will continue. A full assessment of this will be done during the next quarter with a view to amend the budgets accordingly.

## **2 Conclusions and Reasons for Recommendation**

- 2.1 The report summarises the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury management activity.

## **3 Consultation and Equality Impact**

- 3.1 There are no equalities issues arising directly out of this report.

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

- 4.1 The Budget Monitoring report for 2019/20 is primarily a factual report which details progress against previously approved budgets. Accordingly there are no alternative options to consider.

## **5 Implications**

### **5.1 Finance and Risk Implications**

- 5.1.1 Financial implications are covered throughout this report.
- 5.1.2 The issue of Financial Risks is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register. While officers are of the view that these risks are being appropriately managed it needs to be recognised that there may be pressures on all of the Council's main budgets as these have been or are being reduced to minimum levels. These will need to be managed carefully during the course of this financial year if the Council are to protect the existing levels of financial balances.

### **5.2 Legal Implications including Data Protection**

There are no legal issues arising directly from this report.

### 5.3 Human Resources Implications

There are no human resource issues arising directly out of this report

## 6 Recommendations

- 6.1 That Budget Scrutiny Committee notes the monitoring position at the end of the first quarter of 2019/20 in respect of the General Fund (Appendix 1), the Housing Revenue Account (Appendix 2), the Capital Programme (Appendix 3) and Treasury Management activity (Appendix 4) and the key issues highlighted within this report.

## 7 Decision Information

<p><b>Is the decision a Key Decision?</b>  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:  <i>BDC: Revenue - £75,000</i> <input type="checkbox"/>  <i>Capital - £150,000</i> <input type="checkbox"/>  <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/>  <i>Capital - £250,000</i> <input type="checkbox"/>  <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p><b>Is the decision subject to Call-In?</b>  (Only Key Decisions are subject to Call-In)</p>	No
<p><b>Has the relevant Portfolio Holder been informed?</b></p>	Yes
<p><b>District Wards Affected</b></p>	All
<p><b>Links to Corporate Plan priorities or Policy Framework</b></p>	Providing Excellent customer focussed services. Continually improving our organisation

## 8 Document Information

Appendix No	Title
1	General Fund Summary
2	HRA Summary
3	Capital Programme
4	Treasury Management Update
<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))</p>	

you must provide copies of the background papers)	
<b>Report Author</b>	<b>Contact Number</b>
Chief Accountant and S151 Officer	2458



## GENERAL FUND SUMMARY - 2019/20

Appendix 1

	Per Exec 18/2/19	Per FMS			
	Original Budget £	Current Budget £	3 months Budget £	3 months Actuals £	3 months Variance £
People (including recharge to HRA)	6,686,102	7,032,511	1,758,128	2,121,201	363,073
Place	3,156,636	3,341,686	835,422	515,273	(320,148)
<u>S106 due in year</u>					
People	10,013	362,212	90,553	(88,761)	(179,314)
Place	0	600,248	150,062	(79,026)	(229,088)
<b>Net Cost of Services</b>	<b>9,852,751</b>	<b>11,336,657</b>	<b>2,834,164</b>	<b>2,468,688</b>	<b>(365,477)</b>
Debt Charges	1,087,636	1,087,636	271,909	271,909	0
Investment Interest	(258,884)	(258,884)	(64,721)	(64,721)	0
Contributions to Reserves	161,625	161,625	40,406	40,406	0
Contributions from Earmarked Reserves	(643,071)	(934,610)	(233,653)	(233,653)	0
Contribution (from)/to S106 Holding A/cs, Grant A/cs and Miscellaneous Holding A/cs	(549,573)	(1,748,733)	(437,183)	(437,183)	0
Parish Precepts	2,901,779	2,901,779	725,445	725,445	0
Parish Council Tax Support Grant	167,933	167,933	41,983	41,983	0
<b>Total Spending Requirement</b>	<b>12,720,196</b>	<b>12,713,403</b>	<b>3,178,351</b>	<b>2,812,874</b>	<b>(365,477)</b>
Revenue Support Grant	(1,169,290)	(1,169,290)	(292,323)	(292,323)	0
Business Rate Retention	(4,445,944)	(4,445,944)	(1,111,486)	(1,111,486)	0
NNDR Collection Fund deficit	453,469	453,469	113,367	113,367	0
New Homes Bonus Grant	(811,095)	(811,095)	(202,774)	(202,774)	0
BDC Council Tax Requirement	(3,762,808)	(3,875,302)	(968,826)	(968,826)	0
Parish Council Council Tax Requirement	(2,901,779)	(2,901,779)	(725,445)	(725,445)	0
<b>Funding Requirement</b>	<b>(12,637,447)</b>	<b>(12,749,941)</b>	<b>(3,187,485)</b>	<b>(3,187,485)</b>	<b>0</b>
<b>Funding gap/(surplus)</b>	<b>82,749</b>	<b>(36,538)</b>	<b>(9,135)</b>	<b>(374,611)</b>	<b>(365,477)</b>

## APPENDIX 2

### Housing Revenue Account

Description	Full Years Budget £	3 months Budget £	3 months Actuals £	3 months Variance £
<b>Expenditure</b>				
Repairs and Maintenance	5,412,470	1,353,118	1,143,616	(209,501)
Supervision and Management	5,331,998	1,333,000	1,509,371	176,371
Rents, Rates, Taxes + Other Charges	266,564	66,641	14,141	(52,500)
Debt Management Expenses	8,120	2,030	4,011	1,981
Special Services	549,994	137,499	127,983	(9,515)
Supporting People - Wardens	606,571	151,643	136,838	(14,805)
Supporting People - Central Control	224,968	56,242	68,446	12,204
Tenants Participation	74,379	18,595	23,015	4,421
New Bolsover Project	10,000	2,500	8,016	5,516
<b>Total Expenditure</b>	<b>12,485,064</b>	<b>3,121,266</b>	<b>3,035,438</b>	<b>(85,828)</b>
<b>Income</b>				
Dwelling Rents	(20,025,070)	(5,006,268)	(4,568,287)	437,980
Non-dwelling Rents	(144,027)	(36,007)	(60,529)	(24,522)
Repairs and Maintenance	(16,445)	(4,111)	(7,579)	(3,468)
Supervision and Management	(380)	(95)	(60)	35
Special Services	(138,135)	(34,534)	(20,262)	14,271
Supporting People - Wardens	(515,863)	(128,966)	(129,195)	(229)
Supporting People - Central Control	(245,522)	(61,381)	(46,209)	15,171
Tenants Participation	0	0	0	0
New Bolsover Project	(10,000)	(2,500)	0	2,500
Leasehold Flats and Shops Income	(26,980)	(6,745)	(1,995)	4,750
Other Income	(1,310)	(328)	(136)	192
<b>Total Income</b>	<b>(21,123,732)</b>	<b>(5,280,933)</b>	<b>(4,834,252)</b>	<b>446,681</b>
<b>Net Cost of Services</b>	<b>(8,638,668)</b>	<b>(2,159,667)</b>	<b>(1,798,814)</b>	<b>360,853</b>
<b>Appropriations</b>				
Provision for Doubtful Debts	150,000	37,500	37,500	0
Interest Costs	3,513,950	878,488	878,488	0
Interest Income	(21,750)	(5,438)	(5,438)	0
Depreciation	3,200,000	800,000	800,000	0
Transfer to Major Repairs Reserve	908,249	227,062	227,062	0
Contribution to HRA Reserves	1,130,000	282,500	282,500	0
Use of HRA Earmarked Reserves	(264,556)	(66,139)	(66,139)	0
<b>Net Operating (Surplus) / Deficit</b>	<b>(22,775)</b>	<b>(5,694)</b>	<b>355,159</b>	<b>360,853</b>

## APPENDIX 3

CAPITAL PROGRAMME SUMMARY	Full Years	3 months	3 months	3 months
Description	Budget £	Budget £	Actuals £	Variance £
<b>General Fund</b>				
<b>Asset Management Plan</b>				
Leisure Buildings	17,491	4,373	2,784	(1,589)
Pleasley Vale Business Park	123,505	30,876	42,321	11,445
Riverside Depot	23,136	5,784	23,043	17,259
The Arc	25,569	6,392	23,444	17,052
The Tangent	1,992	498	1,992	1,494
Asset Management Plan not yet allocated to an individual scheme	52,674	13,169	0	(13,169)
<b>Assets</b>				
Car Parking at Clowne	105,203	26,301	0	(26,301)
Pleasley Vale Mill - Dam Wall	114,825	28,706	1,661	(27,045)
Pleasley Vale Fire Compartmentation & Fire Doors	99,150	24,788	23,095	(1,693)
Pleasley Vale Man safe System	29,229	7,307	29,197	21,889
Pleasley Vale Rock Face Stabilisation Work	20,000	5,000	0	(5,000)
Refurbishment of Oxcroft House	27,500	6,875	0	(6,875)
Shirebrook Contact Centre	19,515	4,879	2,238	(2,640)
The Tangent - Phase 2	8,388	2,097	(1,448)	(3,545)
	<b>668,177</b>	<b>167,044</b>	<b>148,327</b>	<b>(18,717)</b>
<b>ICT Schemes</b>				
ICT infrastructure	164,077	41,019	14,931	(26,088)
	<b>164,077</b>	<b>41,019</b>	<b>14,931</b>	<b>(26,088)</b>
<b>Leisure Schemes</b>				
Pleasley Vale Outdoor Centre	29,770	7,443	0	(7,443)
Go-Active Leisure Facility	45,211	11,303	(250)	(11,553)
Go Active Equipment	15,000	3,750	0	(3,750)
Go-Active Pool Cover	30,000	7,500	23,696	16,196
	<b>119,981</b>	<b>29,995</b>	<b>23,446</b>	<b>(6,549)</b>
<b>Private Sector Schemes</b>				
Disabled Facility Grants	999,472	249,868	266,283	16,415
	<b>999,472</b>	<b>249,868</b>	<b>266,283</b>	<b>16,415</b>
<b>Joint Venture</b>				
Dragonfly Joint Venture Shares	1,806,002	451,501	0	(451,501)
Dragonfly Joint Venture Loan	375,750	93,938	0	(93,938)
	<b>2,181,752</b>	<b>545,438</b>	<b>0</b>	<b>(545,438)</b>
<b>Vehicles and Plant</b>				
Vehicle Replacements	934,000	233,500	378,939	145,439
Vehicle Diagnostic Equipment	14,000	3,500	0	(3,500)
Vehicle Wash Area	94,707	23,677	8,781	(14,895)
CAN Rangers Equipment	14,532	3,633	0	(3,633)
	<b>1,057,239</b>	<b>264,310</b>	<b>387,721</b>	<b>123,411</b>
<b>Total General Fund</b>	<b>5,190,698</b>	<b>1,297,675</b>	<b>840,708</b>	<b>(456,967)</b>

### APPENDIX 3

CAPITAL PROGRAMME SUMMARY	Full Years	3 months	3 months	3 months
Description	Budget £	Budget £	Actuals £	Variance £
<b>Housing Revenue Account</b>				
<b>New Build Properties</b>				
Ash Close Pinxton	1,850	463	1,850	1,388
Ashbourne Extension	0	0	0	0
Highcliffe Ave Shirebrook	443	111	443	332
Hilltop	7,948	1,987	7,947	5,960
Keepmoat Properties at Bolsover	825,408	206,352	(7,295)	(213,647)
Recreation Close Clowne	161,648	40,412	145,252	104,840
St Michaels Drive South Normanton	498	125	498	374
The Paddock Bolsover	1,369,381	342,345	8,702	(333,643)
	<b>2,367,176</b>	<b>591,794</b>	<b>157,398</b>	<b>(434,396)</b>
<b>Vehicle Replacements</b>	172,500	43,125	0	(43,125)
	<b>172,500</b>	<b>43,125</b>	<b>0</b>	<b>(43,125)</b>
<b>Public Sector Housing</b>				
Electrical Upgrades	200,000	50,000	64,551	14,551
Environmental Works	50,000	12,500	0	(12,500)
External Door Replacements	105,519	26,380	18,490	(7,890)
Flat Roofing	50,000	12,500	3,052	(9,448)
Kitchen Replacements	300,000	75,000	29,258	(45,742)
Re Roofing	750,000	187,500	59,054	(128,446)
Regeneration Mgmt & Admin	69,320	17,330	17,330	0
Safe & Warm	2,947,019	736,755	756,001	19,246
Soffit and Facia	100,000	25,000	18,760	(6,240)
Unforeseen Reactive Capital Works	200,000	50,000	37,421	(12,580)
Welfare Adaptations	175,000	43,750	13,291	(30,459)
	<b>4,946,858</b>	<b>1,236,715</b>	<b>1,017,207</b>	<b>(219,508)</b>
<b>ICT Schemes</b>	17,205	4,301	6,569	2,268
	<b>17,205</b>	<b>4,301</b>	<b>6,569</b>	<b>2,268</b>
<b>New Bolsover Scheme (inc HLF)</b>				
New Bolsover-Regeneration Scheme	2,956,101	739,025	808,201	69,176
	<b>2,956,101</b>	<b>739,025</b>	<b>808,201</b>	<b>69,176</b>
<b>Total HRA</b>	<b>10,459,840</b>	<b>2,614,960</b>	<b>1,989,375</b>	<b>(625,585)</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>15,650,538</b>	<b>3,912,635</b>	<b>2,830,082</b>	<b>(1,082,552)</b>

**APPENDIX 3**

<b>CAPITAL PROGRAMME SUMMARY</b>	<b>Full Years</b>	<b>3 months</b>	<b>3 months</b>	<b>3 months</b>
<b>Description</b>	<b>Budget</b>	<b>Budget</b>	<b>Actuals</b>	<b>Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Capital Financing</b>				
<b>General Fund</b>				
Better Care Fund	999,472	249,868	266,283	16,415
Prudential Borrowing	3,792,241	948,060	535,257	(412,803)
Reserves	335,700	83,925	37,179	(46,746)
Capital Receipts	63,285	15,821	1,988	(13,833)
	<b>5,190,698</b>	<b>1,297,675</b>	<b>840,708</b>	<b>(456,967)</b>
<b>HRA</b>				
Major Repairs Allowance	6,562,909	1,640,727	1,686,501	45,774
Prudential Borrowing	2,187,176	546,794	157,398	(389,396)
Vehicle Reserve	172,500	43,125	0	(43,125)
HRA Direct Revenue Financing	500,000	125,000	0	(125,000)
Capital Receipts	780,000	195,000	0	(195,000)
External Funding	257,255	64,314	145,476	81,162
	<b>10,459,840</b>	<b>2,614,960</b>	<b>1,989,375</b>	<b>(625,585)</b>
<b>TOTAL CAPITAL FINANCING</b>	<b>15,650,538</b>	<b>3,912,635</b>	<b>2,830,082</b>	<b>(1,082,552)</b>

The Council's main current account is held with Lloyds Bank and the current contract is due to expire on 30th April 2022.

**PWLB Borrowing**

The Council has not taken any new loans from the PWLB during the first three months.

As at 1 April 2019 the Authority's total outstanding PWLB debt amounted to £102,100,000. The profile of the outstanding debt is analysed as follows: -

<b>PWLB Borrowing Term</b>	<b>Maturity Profile 30-Jun-19</b>
	£
12 Months	3,000,000
1-2 years	2,000,000
2-5 years	14,000,000
5-10 years	21,100,000
10-15 years	22,000,000
over 15 years	40,000,000
<b>Total PWLB Debt</b>	<b>102,100,000</b>

At 30 June 2019 nothing has been repaid to the PWLB.

**PWLB Interest**

The total interest cost to the Council of the PWLB debt for 2019/20 is estimated at £3,587,950. This cost is split between the HRA and General Fund based on the level of debt outstanding. Interest paid to the PWLB in the three months was £323,188

**Temporary Borrowing**

Cash flow monitoring and management identifies the need for short term borrowing to cover delays in the receipt of income during the year. No interest charges were incurred during the first three months on overdrawn bank balances. At 30 June 2019 the only temporary borrowing undertaken by the Council was £627,877 which is the investment balances held on behalf of Parish Councils.

**Compliance with Treasury Limits**

During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

	<b>Actual to Date 2019/20</b>	<b>Approved Limits 2019/20</b>
Authorised Limit (Total Council external borrowing limit)	£125,667,428	£131,921,000
Operational Boundary	£120,667,428	£126,921,000

Temporary Investments

Interest Received

The performance of the Council's investments is as follows:

	3 months Actual	3 months Budget	3 months Variance
Interest generated	£80,991	£61,906	£19,085
Average rate of interest	0.84%	0.75%	0.09%
Bank of England base rate	0.75%	0.75%	0.00%

The investments have been made in accordance with the Council's Treasury Management Strategy.

The Bank of England base rate is currently 0.75%, the above actual figure is the 3 month average rate.

Interest rates offered by most institutions remain low.

The following tables show the investments and interest earned to 30 June 2019:

Investments on call

Counterparty	Balance at 1/4/19 £	Deposits £	Withdrawals £	Interest received £	Balance at 30/06/19 £
Aberdeen (MMF)	0	5,000,000	(5,004,227)	4,227	0
Federated (MMF)	2,500,000	2,500,000	(8,702)	8,702	5,000,000
Invesco (MMF)	0	4,000,000	(4,001,314)	1,314	(0)
CCLA (MMF)	2,500,000	6,500,000	(5,008,303)	8,303	4,000,000
	5,000,000	18,000,000	(14,022,546)	22,546	9,000,000

## Fixed-term investments

Counterparty	Term of Loan	Balance at 1/4/19	Deposits	Withdrawals	Interest received in Quarter	No of Days Interest in Quarter	Balance at 30/06/19
		£	£	£	£		£
<b>Banks / Building Societies</b>							
Close Brothers	6 Months	5,000,000			13,712	91	5,013,712
<b>Local Authorities</b>							
Lancashire County Council	1 year	5,000,000		(5,000,000)	2,212	17	2,212
West Dunbartonshire Council	1 year	5,000,000		(5,000,000)	5,293	42	5,335
Kingston Upon Hull	6 Months	2,000,000		(2,000,000)	2,811	57	2,868
Shirebrook Town Council	3 Months	450,000	451,193	(450,000)	843	91	452,036
Eastleigh Borough Council	4 Months	5,000,000			11,843	91	5,011,843
Salford City Council	6 Months	2,000,000			4,887	91	2,004,887
London Borough of Harrow	6 Months	5,000,000			12,466	91	5,012,466
Thurrock Council (Unitary)	1 year		5,000,000		3,255	24	5,003,255
Surrey County Council	6 Months		5,000,000		1,123	10	5,001,123
		29,450,000	10,451,193	(12,450,000)	58,445		27,509,737



**Bolsover District Council**

**Budget Scrutiny Committee**

**1<sup>st</sup> August 2019**

**Reduction in debt charges through use of reserves**

**Report of the Chief Accountant and S151 Officer**

This report is public

**Purpose of the Report**

- To provide Budget Scrutiny Committee with a report to reduce the cost of debt charges the Council pays, by using reserves to finance the capital programme.

**1 Report Details**

- 1.1 Details of the proposal are contained in the draft Executive report at Appendix 1.

**2 Conclusions and Reasons for Recommendation**

- 2.1 This report is to enable Budget Scrutiny Committee to consider the proposal prior to submission to Executive and Council.

**3 Consultation and Equality Impact**

- 3.1 The report forms the consultation with Budget Scrutiny Committee.

**4 Alternative Options and Reasons for Rejection**

- 4.1 N/A.

**5 Implications**

**5.1 Finance and Risk Implications**

See details in the attached report to be submitted to Executive on 16<sup>th</sup> September 2019.

**5.2 Legal Implications including Data Protection**

None arising directly from this report.

**5.3 Human Resources Implications**

None arising directly from this report.

## 6 Recommendations

- 6.1 That Budget Scrutiny Committee consider the report concerning reducing the Council's cost of debt charges by using reserves to finance the capital programme.

## 7 Decision Information

<p><b>Is the decision a Key Decision?</b>  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:  <i>BDC: Revenue - £75,000</i> <input type="checkbox"/>  <i>Capital - £150,000</i> <input type="checkbox"/>  <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/>  <i>Capital - £250,000</i> <input type="checkbox"/>  <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	No
<p><b>Is the decision subject to Call-In?</b>  (Only Key Decisions are subject to Call-In)</p>	No
<p><b>Has relevant Portfolio Member been informed?</b></p>	Yes
<p><b>District Wards Affected</b></p>	None directly.
<p><b>Links to Corporate Plan priorities or Policy Framework</b></p>	All

## 8 Document Information

Appendix No	Title
<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>	
<b>Report Author</b>	<b>Contact Number</b>
Theresa Fletcher – Chief Accountant and S151 Officer	01246 242458

**Bolsover District Council****Executive****16<sup>th</sup> September 2019****Reduction in debt charges through use of reserves****Report of the Portfolio Holder - Finance & Resources**

This report is public

**Purpose of the Report**

- To seek approval to swap the financing of the general fund capital programme to the use of reserves from borrowing to make substantial savings through reduced debt charges.

**1 Report Details**

- 1.1 The Medium Term Financial Plan was approved by Members in February 2019. This covered the financial years 2019/20, 2020/21, 2021/22 and 2022/23. After being updated for the 2019/20 council tax increase, the latest budget position for the Council is shown in **table 1**.
- 1.2 As the table shows, the extent of the current budget shortfall totals £4.384m over the life of the current plan after the estimated surplus for the current year.

<b><u>Table 1</u></b>	<b>2019/20 Budget £000</b>	<b>2020/21 Budget £000</b>	<b>2021/22 Budget £000</b>	<b>2022/23 Budget £000</b>
Budget Shortfall – MTFP Feb 2019	83	974	1,559	2,204
Efficiencies identified to date (removed from budget)	(119)	(115)	(115)	(123)
<b>Current Budget Shortfall</b>	<b>(36)</b>	<b>859</b>	<b>1,444</b>	<b>2,081</b>
Efficiencies identified <u>not yet realised</u>	(339)	(551)	(734)	(916)
Target Budget Shortfall	(375)	308	710	1,165

- 1.3 The Council's financial position is not dissimilar to other Councils throughout the country and is in fact a better position than quite a few, particularly Counties. The Council has for a number of years been successful in making efficiency savings and increases to income through proactive business decisions.
- 1.4 In response to the national funding position, The Institute of Fiscal Studies published a report in March 2019 on the options for expanding local taxation. *“Local Government in England already raises local taxation (council tax and business rates) that funds 81% of the expenditure it controls. However, these taxation streams are not buoyant because they do not increase with growth in the economy and will not increase sufficiently rapidly to keep pace with rising costs and demands for services in the future. It is therefore highly likely that either funding from central government grants will have to be increased or new sources of locally raised revenues will have to be found.*
- 1.5 In the Local Government Finance Settlement for 2019/20, government funding increased in line with inflation with no new funding for district councils. A number of fundamental changes to future local authority funding are currently being considered by the Government. Funding is likely to be moved away from districts to other tiers of local government. The Fair Funding Review and Business Rates Reset are both likely to negatively affect district councils. The impact of these reviews was expected to be incorporated into the 2020/21 settlement but this has been delayed and will not now be implemented until 2021/22.
- 1.6 The Council's Transformation Plan was formally launched in March 2018 as a direct result of the changes in central government funding and the future financial position facing the Council. These were seen as both considerable challenges and considerable opportunities over the coming years.
- 1.7 At 31<sup>st</sup> March 2019, the Council's transformation reserve had a balance of £8.354m. Commitments already made against the reserve for 2019/20 and future years amounted to £2.356m leaving £5.998m uncommitted. This reserve is available to support investment in cost reduction and income growth, reflecting the Council's proactive approach to addressing the financial challenges it faces.
- 1.8 A suggestion has been made as part of the Transformation Programme which would reduce the amount of General Fund debt charges the Council pays each year. Instead of borrowing to finance the future capital programme, an amount from the transformation reserve would be used to fund the expenditure instead.
- 1.9 The figures in **table 2** show the total amount of General Fund capital expenditure to be funded from borrowing currently included in the approved capital programme as £6.573m for the whole three years. The debt charges associated with this level of borrowing are already included in the General Fund budget at £1.441m. The debt charges associated with the £3.793m borrowing in 2019/20 is £0.312m and this is payable for every year of the life of the asset. This is why the total debt charges in the table are not simply £0.733m.

<b>Table 2</b>	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000
Total cost of capital expenditure	3,793	770	2,010	6,573
Total cost of borrowing for capital expenditure	312	84	337	1,441
<b>Cost of high value/low life assets</b>	<b>2,732</b>	<b>460</b>	<b>745</b>	<b><u>3,937</u></b>
<b>Cost of borrowing for those assets</b>	<b>191</b>	<b>70</b>	<b>127</b>	<b>841</b>
<b>Proposed total saving in debt charges</b>	<b>191</b>	<b>261</b>	<b>389</b>	<b>841</b>

- 1.10 If the Council didn't have to borrow at all the Council could save £1.441m over this period which would eventually total £6.573m over the whole life of the capital programme as the cost is simply divided over the life of the assets. As the Council does not have enough reserves to do this, calculations have been done to make the most benefit for the Council from any reserve amount used. The way debt charges are calculated means the largest savings can be made on the highest value assets with the shortest lives for example vehicles.
- 1.11 **Table 2** shows that by using £2.732m of reserves in 2019/20, £0.191m can be saved in that year. Again this will be saved for all three of the years. If a further £0.460m in 2020/21 and £0.745m in 2021/22 of reserves were used, over the full three years £0.841m would be saved. Over the whole life of the capital programme for these assets the total used from the reserve would be saved in the General Fund (£3.937m). While most assets included have a life estimated to be less than ten years, one expensive scheme is estimated at fifty.
- 1.12 CIPFA's 'Treasury Management Code' and the Ministry for Housing, Communities and Local Government 'Statutory Guidance on Local Government Investments' both state *"Where organisations invest in other financial assets and property primarily for profit, these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that the same robust procedures for the consideration of risk and return are applied to these decisions. Robust and transparent governance procedures and decision making remain critical in all investments an authority makes"*.
- 1.13 With both these documents in mind each transformation idea must be considered for risk and reward. The Council's Capital Strategy approved in February 2019 states that the Council accepts higher risk on commercial investment than with treasury investments and that the financial viability of each individual potential investment opportunity will be fully assessed within a comprehensive business case. This is in

order to reflect the potential risk that may arise as a consequence of undertaking commercial property investment.

- 1.14 There are no financial risk associated with using reserves in this way. There is however always the opportunity to spend/invest the money on other things before we have replenished the reserve. In all likelihood a scheme in excess of £3m in value would almost certainly be capital and in which case we would borrow the money and incur debt charges at that time, subject to a business case. If substantial revenue funds were required the General Fund has a working balance of £2m.
- 1.15 The reward from swapping the reserves for the borrowing is £0.841m revenue savings over 3 years as outlined in **table 2**, plus £3.096m over the remaining life of the assets. The return on the amounts borrowed for each year are 2019/20 7%, 2020/21 15% and 2021/22 17%, all for each year of the asset.
- 1.16 As a comparison, a neighbouring authority has purchased a number of commercial investment properties over the last five years at a cost in the region of £24m. The return on the individual investments ranges from 4.98% to 8.78%. This return on investment is not without risk. Tenant financial stability, sector risk, condition of the building are all risks with can be outside of the control of the Council and significantly impact on the value of the investment.
- 1.17 As a final note, there will be no effect on investment interest as a result of making this change. The financing of the capital programme by reserves does not cause any more money to leave the Council's bank account than using borrowing.
- 1.18 If the recommendation is approved and £3.937m of reserves is swapped for borrowing the updated budget position for the Council will be as shown in **table 3**. The savings occur in the year after the reserves are used as that is how debt charges have to be calculated.

**Table 3**

	2019/20	2020/21	2021/22	2022/23
	Budget £'000	Budget £'000	Budget £'000	Budget £'000
Budget Shortfall - MTFP Feb 2019	83	974	1,559	2,204
Efficiencies identified to date (removed from budget)	(119)	(115)	(115)	(123)
Savings from reduced debt charges	0	(191)	(261)	(389)
<b>Updated Budget Shortfall</b>	<b>(36)</b>	<b>668</b>	<b>1,183</b>	<b>1,692</b>
Efficiencies identified <u>not yet realised</u>	(339)	(551)	(734)	(916)
Target Budget Shortfall	(375)	117	449	776

## **2 Conclusions and Reasons for Recommendations**

- 2.1 In considering CIPFA's 'Treasury Management Code' and the Ministry for Housing, Communities and Local Government 'Statutory Guidance on Local Government Investments' a risk v's reward approach has been taken to review the financing the capital programme through reserves rather than borrowing. Put simply, using the savings account to fund capital purchases rather than a credit card.
- 2.2 There is little or no financial risk in the proposal and with favourable rates of return compared with other forms of investment, as follows:

<b>Options</b>	<b>Risk</b>	<b>Return</b>
Report proposal	None	7% - 17%
Commercial Investment Portfolio (Neighbouring authority)	Tenant financial stability, sector risk, condition of the building, lease length, etc.	4.98% - 8.78%

- 2.3 In conclusion, it is recommended that Executive invest £3.937m of Transformation Reserve to finance the Capital Programme generating a revenue return of £0.841m over three years and a further £3.096m over the remaining life of the assets. This would reduce the Transformation Reserve from £8.354m (as of 31 March 2019) to £4.417m with £2.061m uncommitted.

## **3 Consultation and Equality Impact**

- 3.1 There are no equality impact implications from this report.

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

- 4.1 Rather than fund the full £3.937m from Transformation Reserve, a smaller amount of reserve could be utilised. This would reduce the overall revenue saving achieved from the proposal and any alternative Transformation Reserve scheme will incur more financial risk.
- 4.2 Do nothing. Executive could choose not to spend the reserve on refinancing as proposed. As an unspent reserve the interest accrued is less than 1%. Any alternative investment project is likely to involve more financial risk and a return below 7%-17%.

## **5 Implications**

### **5.1 Finance and Risk Implications**

- 5.1.1 Financial issues and implications are covered in the relevant sections throughout this report.
- 5.1.2 The risks are covered throughout the report.

### **5.2 Legal Implications including Data Protection**

- 5.2.1 There are no Data Protection issues arising directly from this report.

### 5.3 Human Resources Implications

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

### 6 Recommendations

6.1 That Executive agree to invest £3.937m to finance the Capital Programme as outlined in paragraph 1.11.

6.2 That Executive recommend to Council that the Capital Programme is re-financed in line with paragraph 1.11.

### 7 Decision Information

<p><b>Is the decision a Key Decision?</b></p> <p>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: Revenue - £75,000</i> <input type="checkbox"/></p> <p><i>Capital - £150,000</i> <input type="checkbox"/></p> <p><i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/></p> <p><i>Capital - £250,000</i> <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	<p>No</p>
<p><b>Is the decision subject to Call-In?</b></p> <p>(Only Key Decisions are subject to Call-In)</p>	<p>No</p>
<p><b>Has the relevant Portfolio Holder been informed</b></p>	<p>Yes</p>
<p><b>District Wards Affected</b></p>	<p>All</p>
<p><b>Links to Corporate Plan priorities or Policy Framework</b></p>	<p>Transforming Our Organisation: Ensuring financial sustainability and increasing revenue streams</p>



8 **Document Information**

Appendix No	Title
<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)	
Report Author	Contact Number
Chief Accountant and Section 151 Officer	2458

**Bolsover District Council**

**Budget Scrutiny Committee**

**1<sup>st</sup> August 2019**

**Budget Scrutiny Committee Work Programme 2019/20**

**Report of the Scrutiny & Elections Officer**

This report is public

**Purpose of the Report**

- To provide members of the Scrutiny Committee with an overview of the meeting programme of the Committee for 2019/20.

**1 Report Details**

- 1.1 The main purpose of the report is to inform Members of the meeting programme for the year 2019/20 and planned agenda items (Appendix 1).
- 1.2 This programme may be subject to change should additional reports/presentations be required, or if items need to be re-arranged for alternative dates.
- 1.3 Members may raise queries about the programme at the meeting or at any time with the Chief Accountant and Section 151 Officer or the Scrutiny & Elections Officer should they have any queries regarding future meetings.

**2 Conclusions and Reasons for Recommendation**

- 2.1 This report sets the formal Committee Work Programme for 2019/20 and the items identified for review.
- 2.2 The Scrutiny Programme enables challenge to service delivery both internally and externally across all the Corporate Plan Ambitions.
- 2.3 Part 3.6(2) of the Council's Constitution requires each Scrutiny Committee to set an annual work plan.

**3 Consultation and Equality Impact**

- 3.1 All Scrutiny Committees are committed to equality and diversity in undertaking their statutory responsibilities and ensure equalities are considered as part of all Reviews. The selection criteria when submitting a topic, specifically asks members to identify where the topic suggested affects particular population groups or geographies.

3.2 The Council has a statutory duty under s.149 Equality Act 2010 to have due regard to the need to advance equality of opportunity and to eliminate discrimination.

3.3 As part of the scoping of Reviews, consideration is given to any consultation that could support the evidence gathering process.

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

4.1 There is no option to reject the report as Part 3.6(2) of the Council's Constitution requires each Scrutiny Committee to set an annual work plan.

#### **5 Implications**

##### **5.1 Finance and Risk Implications**

5.1.1 None from this report.

##### **5.2 Legal Implications including Data Protection**

5.2.1 In carrying out scrutiny reviews the Council is exercising its scrutiny powers as laid out in s.21 of the Local Government Act 2000 and subsequent legislation which added to/amended these powers e.g. the Local Government and Public Involvement in Health Act 2007.

##### **5.3 Human Resources Implications**

5.3.1 None from this report.

#### **6 Recommendations**

6.1 That Members note this report and the Programme attached at Appendix 1. All Members are advised to contact the Scrutiny & Elections Officer should they have any queries regarding future meetings.

## 7 Decision Information

<p><b>Is the decision a Key Decision?</b>  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>     <i>Revenue - £75,000</i>   <input type="checkbox"/>                    <i>Capital - £150,000</i>   <input type="checkbox"/></p> <p><i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/>                    <i>Capital - £250,000</i>   <input type="checkbox"/></p> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<p><b>Is the decision subject to Call-In?</b>  (Only Key Decisions are subject to Call-In)</p>	No
<p><b>Has the relevant Portfolio Holder been informed</b></p>	N/A
<p><b>District Wards Affected</b></p>	All
<p><b>Links to Corporate Plan priorities or Policy Framework</b></p>	All

## 8 Document Information

Appendix No	Title	
1.	Work Programme 2019/20	
<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>		
Previous versions of the Committee Work Programme.		
<b>Report Author</b>		<b>Contact Number</b>
Joanne Wilson, Scrutiny & Elections Officer		2385

**Budget Scrutiny Committee**

**Work Programme 2019/20**

**Formal Items – Report Key**

Treasury Management Strategy	Capital Strategy	Borrowing & Investment Strategy	Budget Monitoring Reports	Update from Scrutiny Chairs

Date of Meeting	Items for Agenda	Lead Officer
<b>6<sup>th</sup> June 2019</b>	• Q4 Budget Monitoring/Financial Outturn 2018/19	Head of Finance & Resources
	• Q4 Corporate Debt Monitoring – Performance Report	Head of Finance & Resources
	• Budget Scrutiny Committee Work Programme 2019/20	Scrutiny & Elections Officer
	• Update from Scrutiny Chairs	Scrutiny & Elections Officer
<b>1<sup>st</sup> August 2019</b>	• Q1 Budget Monitoring/Outturn	Head of Finance & Resources
	• Q1 Corporate Debt Monitoring – Performance Report	Head of Finance & Resources
	• Budget Scrutiny Committee Work Programme 2019/20	Scrutiny & Elections Officer
	• Update from Scrutiny Chairs	Scrutiny & Elections Officer
<b>28<sup>th</sup> November 2019</b>	• Q2 Budget Monitoring/Outturn	Head of Finance & Resources
	• Q2 Corporate Debt Monitoring – Performance Report	Head of Finance & Resources
	• Presentation by Arlingclose	Head of Finance & Resources/Arlingclose
	• Revised Budgets and Setting of Council Tax 2020/21	Head of Finance & Resources
	• Budget Scrutiny Committee Work Programme 2019/20	Scrutiny & Elections Officer
	• Update from Scrutiny Chairs	Scrutiny & Elections Officer

Date of Meeting	Items for Agenda	Lead Officer
30 <sup>th</sup> January 2020	• Q3 Corporate Debt Monitoring – Performance Report	Head of Finance & Resources
	• Proposed Budget 2020/21 and Estimated Outturn 2019/20	Head of Finance & Resources
	• Treasury Management Strategy	Head of Finance & Resources
	• Capital Strategy	Head of Finance & Resources
	• Investment Strategy	Head of Finance & Resources
	• Budget Scrutiny Committee Work Programme 2019/20	Scrutiny & Elections Officer
	• Update from Scrutiny Chairs	Scrutiny & Elections Officer