

Bolsover District Council

Executive

19th February 2018

Medium Term Financial Plan 2018/19 to 2021/22

Report of the Leader and Portfolio Holder – Strategic Planning and Regeneration

This report is public

Purpose of the Report

- To seek approval of the proposed budget for 2018/19 for the General Fund, Housing Revenue Account and Capital Programme as part of the Council's Medium Term Financial Plan covering the years 2018/19 to 2021/22.
- To provide Elected Members with an overview of the Council's financial position in order to inform the decision making process.

1 Report Details

Introduction

1.1 This report presents the following budgets for Members to consider:

- General Fund – **Appendix 1 and 2**
- Housing Revenue Account (HRA) – **Appendix 3**
- Capital Programme – **Appendix 4**

In particular financial projections are provided for:

- 2017/18 Estimated Outturn Position – this is the current year budget, revised to take account of changes during the financial year that will end on 31st March 2018.
- 2018/19 Original Budget – this is the proposed budget for the next financial year, on which the Council Tax will be based, and will commence from 1st April 2018.
- 2018/19 Original Budget – this is also the year proposed increases on rents and charges for the Housing Revenue Account will be included.
- 2019/20 to 2021/22 Financial Plan - In accordance with good practice the Council agrees its annual budgets within the context of a Medium Term Financial Plan (MTFP). This includes financial projections in respect of the next three financial years.

- 1.2 Once Executive has considered this report and the appendices, recommendations agreed by Executive will be referred to the Council meeting of 21st February 2018 for members' consideration and approval.

General Fund

2017/18 Estimated Outturn

- 1.3 In February 2017, Members agreed a budget for 2017/18 to determine Council Tax. There was a requirement to achieve efficiencies of £0.170m to balance the budget. It has therefore been necessary to actively manage budgets throughout the year and to remove savings from the budget once they have been agreed.
- 1.4 The Revised Budget was considered by Executive at its meeting on the 4th December 2017. A surplus to the General Fund of £0.780m was estimated, representing an improved position of £0.950m. The key factors for the improvement are summarised in the following table.

| | £000's |
|--|------------|
| Go Active Leisure Centre | 105 |
| Council Tax Increase | 100 |
| Crematorium | 85 |
| Vacancy Management | 378 |
| Increase in Planning Income | 187 |
| Miscellaneous Expenditure Reductions | 95 |
| Total Increase in Income / Reduction in Expenditure | 950 |

- 1.5 The estimated surplus in the year will be dependent on the actual financial performance out-turning in line with the revised budgets. Whilst these estimates reflect the position at the time of setting there can be some volatility from the budget to the outturn position. It was agreed that the surplus generated in the financial year be transferred to the Transformation Reserve where it can finance the Council's transformation plans, service developments and any restructuring costs.

2018/19 Original Budget and 2019/20 to 2021/22 Financial Plan

- 1.6 The proposed budget for 2018/19 currently shows a surplus of £1.027m. However, based on current information the requirement to achieve financial savings for future years is 2019/20 £0.034m; 2020/21 £0.550m; 2021/22 £1.184m (**Appendix 1**). The main factors taken into account in developing the Council's financial plans are set out within the sections below.

Level of Government Funding

- 1.7 The current financial year 2017/18 is the second year of the four year settlement announced in December 2015. The Provisional Local Government Finance Settlement announced in December 2017, provided an update and further clarity with respect to Revenue Support Grant, New Homes Bonus and Business Rates Retention (formally National Non Domestic Rates - NNDR). The key issues affecting Bolsover District Council are:

Business Rates Retention

- 1.8 Members will be aware that Bolsover District Council has been a member of the Derbyshire Business Rates Pool since its establishment in 2015/16. Being a member of the pool allows us to keep more of our Business Rates income locally.
- 1.9 As part of the changes to Business Rates Retention the Government sought bids from pools to be 100% Business Rates pilots for 2018/19. The settlement announced in December 2017 confirmed the Derbyshire Business Rates pool had been accepted as one of ten, 100% Business Rates Retention pilot pools for 2018/19. All figures received in the settlement assume the pilot is only for one year.
- 1.10 The settlement figures for being a pilot authority mean an increase to Bolsover District Council in 2018/19 of £1.955m. However, as a consequence of being a 100% pilot authority the Revenue Support Grant to be received by Bolsover District Council in 2018/19 is now zero which is a loss of £1.558m. Therefore the net benefit of being a 100% Business Rates pilot authority is £0.397m for 2018/19 only.
- 1.11 Income for Business Rates for 2019/20 and future years reverts back to existing pool arrangements of 50% rates retention. These figures have been revised after receiving updated baseline funding level information and tariff amounts in the settlement. The increase each year to the financial plan is 2019/20 £0.488m; 2020/21 £0.297m and 2021/22 £0.257m. Again as the settlement only includes figures for 2019/20, estimates have been used for future years.

Revenue Support Grant

- 1.12 The provisional settlement has confirmed that Revenue Support Grant will be phased out. Bolsover District Council will receive £1.169m in 2019/20, the last year of this settlement. As the settlement does not yet cover 2020/21, an estimate of £0.769m has been included in the budget for 2020/21 as an estimate of Government's transitional arrangements for those Councils worst affected. No funding has been included for Revenue Support Grant in 2021/22 as it is assumed any transitional funding will have been phased out by this year.

New Homes Bonus

- 1.13 Due to the uncertainty created by the consultation on the future of New Homes Bonus payments, prudent estimates were included in the budget during 2016/17. The provisional allocations now received mean we can update the estimates previously included. Provisional allocation figures increase receipts for 2018/19 by £0.077m each year. Updated estimates for future years mean £0.027m for 2019/20; £0.226m for 2020/21 and £0.265m for 2021/22, all to be received for four years. Therefore in our financial plan years, the increases will be 2018/19 £0.077m; 2019/20 £0.103m; 2020/21 £0.330m and 2021/22 £0.594m.

Expenditure, income levels and efficiencies

- 1.14 In developing the financial projections covering the period 2018/19 to 2021/22, officers have made a number of assumptions. The major assumptions are:

- A pay award of 2% has been included in staffing budgets for financial years 2018/19 and 2019/20. For 2020/21 and 2021/22, 1% has been included in staffing budgets.
 - Employer superannuation contributions are fixed amounts for 2018/19 and 2019/20. For 2020/21 and 2021/22 a 1% increase on the 2019/20 cost has been assumed.
 - Inflation specific budgets such as energy costs and fuel have been amended to reflect anticipated price changes.
 - With respect to planning fees, a base level for income has been included for all future years of £0.325m. Where income levels and the associated workload increase above this level, then part of the additional income may be used to fund costs such as agency staff. For 2018/19 a further £0.175m in income has been assumed in the budget based on the current level of expected applications.
 - Fees and charges – service specific increases as agreed by Members.
- Additionally, the Council's transformation programme seeks to contribute to the financial challenges faced through the progression of innovative and forward thinking ideas.

Appendix 2 details the net cost of each cost centre by Directorate.

Council Tax Implications

Council Tax Base

- 1.15 In preparation for the budget, the Chief Finance Officer under delegated powers has determined the Tax Base at Band D for 2018/19 as 21,473.52.

Council Tax Options

- 1.16 The Council's part of the Council Tax bill in 2017/18 was set at £166.20 for a Band D property. This was an increase of 3.08%.
- 1.17 The Council has a range of options when setting the Council Tax. The Government indicate what upper limit they consider acceptable. For 2018/19 District Councils are permitted to increase their share of the Council Tax by 3% or £5 without triggering the need to hold a referendum.
- 1.18 The table below shows some of the options and the extra revenue generated.

| Increase | New Band D £ | Annual Increase £ | Weekly Increase £ | Extra Revenue £ |
|----------|-----------------|----------------------|----------------------|--------------------|
| 1.00% | 167.86 | 1.66 | 0.03 | 35,689 |
| 1.50% | 168.69 | 2.49 | 0.05 | 53,533 |
| 2.00% | 169.52 | 3.32 | 0.06 | 71,378 |
| 2.99% | 171.17 | 4.97 | 0.10 | 106,710 |

- 1.19 The level of increase each year affects the base for future years and the proposed increase for 2018/19 is 1.50%, generating additional revenue of £53,533.

Financial Reserves – General Fund

- 1.20 The Council's main uncommitted Financial Reserves are the General Fund Working Balance of £2.0m and the uncommitted element of the Transformation Reserve of £2.256m. Due to the uncertainty surrounding local authority income and the fact that the Council has reduced budgets to a minimal level, it is important that the Council continues to review whether we have an acceptable General Fund Working Balance.

Housing Revenue Account (HRA)

2017/18 Estimated Outturn

- 1.21 In February 2017, Members agreed a budget for 2017/18. Rent levels were set in line with Government regulations with a reduction of 1%, effective from 1st April 2017. HRA fees and charges were also set, effective from the same date.
- 1.22 The Revised Budget was considered by Executive at its meeting on the 4th December 2017. A surplus of £0.137m was estimated, which was £0.125m higher than the current budget of £0.012m. The key factors for the improvement were detailed in the report but were mainly a reduction in expenditure of £0.282m.
- 1.23 The estimated surplus in the year will be dependent on the actual financial performance out-turning in line with the revised budgets. The surplus will be utilised to fund improved services to Council tenants in future financial years and it was agreed that £0.100m of the surplus be transferred to the HRA development reserve.
- 1.24 The working balance brought forward from 2016/17 was £1.905m. After taking account of the projected surplus of £0.037m, this produces an anticipated working balance at 31st March 2018 of £1.942m.

2018/19 Original Budget and 2019/20 to 2021/22 Financial Plan

- 1.25 The proposed budget for 2018/19 currently shows a surplus of £0.027m. Based on current information the surplus for future years is 2019/20 £0.038m; 2020/21 £0.007m; 2021/22 £0.007m (**Appendix 3**).
- 1.26 The HRA budget is made up of the same assumptions as the General Fund budget for staff costs, superannuation costs and inflation. There are however, some assumptions that are specific to the HRA. The main factors taken into account in developing the Council's financial plans for the HRA are set out within the sections below.

Level of Council Dwelling Rents

- 1.27 Government rent policy is currently that rent levels will reduce by 1% per annum for four years from April 2016. Therefore for 2018/19 and 2019/20 the income for dwelling rents has been included in the budget on this basis. For 2020/21 and 2021/22 it has been assumed that we will return to the previous policy, based upon increases in line with inflation.

1.28 Debt Repayment

In response to the loss of rental income the level of debt repayment has been reduced from the original levels included in the 30 year Business Plan. The reductions in planned repayments have been 2018/19 £0.272m; 2019/20 £0.772m; 2020/21 £0.772m. In order to secure the objective of repaying the debt within the 30 year Business Plan, it will be necessary to accelerate debt repayment in the later years of the Plan.

Fees and Charges

1.29 Although the main source of income for the HRA is property rents, the HRA is also dependent for its financial sustainability on a range of other charges. These charges are set on the principle that wherever possible charges for services should reflect the cost of providing those services.

1.30 A schedule of the proposed charges is set out at **Appendix 3, table 1**. For 2018/19 the charges are recommended to be increased by 3%.

Financial Reserves - HRA

1.31 The Council's main uncommitted Financial Reserves are the Housing Revenue Account Working Balance of £1.905m. In addition to the Working Balance there are further reserves for the HRA used only to fund the Council's HRA capital programme. These are the Major Repairs Reserve, New Build Reserve, Vehicle Repair and Renewal Reserve and the Development Reserve.

Capital Programme

1.32 There will be a separate report to Council on 21st February 2018 concerning the Council's Treasury Management Strategy. The report will consider capital financing such as borrowing which enables the proposed capital programme budgets to proceed.

2017/18 Estimated Outturn

1.33 In February 2017, Members approved a Capital Programme in respect of 2017/18 to 2020/21. Scheme delays and technical problems can cause expenditure to slip into following years and schemes can be added or extended as a result of securing additional external funding. Where capital expenditure slipped into 2017/18, the equivalent amount of funding was not applied during 2016/17 and is therefore available in 2017/18 to meet the delayed payments.

1.34 The Revised Capital Programme was considered by Executive at its meeting on the 4th December 2017. An amount of £6.516m was removed from 2017/18 and re-profiled into 2018/19. An estimated outturn of £18.297m was proposed.

General Fund Capital Programme 2018/19 to 2021/22

1.35 The proposed Capital Programme for the General Fund totals £1.981m for 2018/19; £1.019m for 2019/20; £1.450m for 2020/21 and £1.782m for 2021/22 (**Appendix 4**).

Housing Revenue Account Capital Programme 2018/19 to 2021/22

- 1.36 The proposed Capital Programme for the Housing Revenue Account totals £20.492m for 2018/19; £4.282m for 2019/20; £5.142m for 2020/21 and £5m for 2021/22 (**Appendix 4**).
- 1.37 An analysis of all the schemes and associated funding are attached as **Appendix 4** to this report.

Robustness of the Estimates

- 1.38 Under the provisions of the Local Government Act 2003, the Council's Section 151 Officer is required to comment on the robustness of the estimates made and on the adequacy of the financial reserves.

The Council's Section 151 Officer (The Assistant Director – Finance, Revenues and Benefits) is satisfied that the estimates are considered to be robust, employee costs are based on the approved establishment, investment income is based on the advice of the Council's Treasury Management Advisors and income targets are considered to be achievable.

Likewise the Section 151 Officer is satisfied that the levels of reserves are considered to be adequate to fund planned expenditure and potential issues and risks that face the Council.

2 Conclusions and Reasons for Recommendations

- 2.1 This report presents a budget for consideration by Executive. It seeks to ensure approval to budgets in respect of the General Fund, the Housing Revenue Account and the Capital Programme.

3 Consultation and Equality Impact

- 3.1 The Council is required to consult with stakeholders on the proposed budget. This consultation is part of the Council's service planning framework and has effectively been taking place throughout the financial year. These mechanisms include active participation in the Local Strategic Partnership, a range of meetings with local groups and associations and a performance management framework. These meetings help to inform the Council's understanding of what is expected of it by our local communities.
- 3.2 There are no equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 Alternative options are considered throughout the report.

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 Council has a risk management strategy and associated framework in place and the Strategic Risk Register is regularly reviewed through the Council's performance management framework. Strategic risks along with the mitigation in place to ensure such risks are manageable are reported to the Audit and Corporate Governance Scrutiny Committee at each meeting. The risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register and is therefore closely monitored through these practices and reporting processes.

5.2 Legal Implications including Data Protection

- 5.2.1 The Council is legally obliged to approve a budget prior to the commencement of the new financial year in April 2018. This report together with the associated budget timetable has been prepared in order to comply with our legal obligations.
- 5.2.2 The recommended budget for the General Fund, Housing Revenue Account and Capital Programme comply with the Council's legal obligation to agree a balanced budget.
- 5.2.3 There are no Data Protection issues arising directly from this report.

5.3 Human Resources Implications

- 5.3.1 These are covered in the main report and supporting Appendices where appropriate.

6 Recommendations

- 6.1 That all recommendations below are referred to the meeting of Council on the 21st February 2018.

The following overall recommendations to Council are made:

- 6.2 That the view of the Chief Financial Officer, that the estimates included in the Medium Term Financial Plan 2018/19 to 2021/22 are robust and that the level of financial reserves whilst at minimum levels are adequate, be accepted.
- 6.3 That officers report back to Executive and to the Audit Committee on a quarterly basis regarding the overall position in respect of the Council's budgets. These reports to include updates on achieving the savings and efficiencies necessary to secure a balanced budget for 2019/20 and future years.

GENERAL FUND

- 6.4 A Council Tax increase of £2.49 is levied in respect of a notional Band D property (1.50%).
- 6.5 The Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1** of this report be approved as the Estimated Outturn Budget 2017/18, as the Original Budget in respect of 2018/19, and the financial projection in respect of 2019/20 to 2021/22.
- 6.6 That any under spend in respect of 2017/18 is transferred to the Transformation Reserve.
- 6.7 On the basis that income from Planning Fees is anticipated to exceed £0.500m in 2018/19, the Chief Executive in consultation with the Leader be granted delegated powers to authorise such additional resources as are necessary to effectively manage the resultant increase in workload.

HOUSING REVENUE ACCOUNT

- 6.8 That Council sets its rent levels in line with Government regulations, reducing rent levels by 1% to apply from 1st April 2018.
- 6.9 That the increases in respect of other charges as outlined in **Appendix 3 Table 1** be implemented with effect from 1 April 2018.
- 6.10 The Medium Term Financial Plan in respect of the Housing Revenue Account as set out in **Appendix 3** of this report be approved as the Estimated Outturn Budget in respect of 2017/18, as the Original Budget in respect of 2018/19, and the financial projection in respect of 2019/20 and 2021/22.

CAPITAL PROGRAMME

- 6.11 That the Capital Programme as set out in **Appendix 4** be approved as the Estimated Outturn in respect of 2017/18, and as the Approved Programme for 2018/19 to 2021/22.
- 6.12 The Assistant Director (Property and Estates) be granted delegated powers in consultation with the Portfolio Member and the Asset Management group to approve the utilisation of the £260,000 of AMP Refurbishment allocation, with such approvals to be reported back to Executive through the Quarterly Budget Monitoring Report.

7 Decision Information

| | |
|---|---|
| <p>Is the decision a Key Decision? 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:</i> <i>Revenue - £75,000</i> <input checked="" type="checkbox"/> <i>Capital - £150,000</i> <input checked="" type="checkbox"/> <i>NEDDC:</i> <i>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> | Yes |
| <p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p> | Yes |
| <p>District Wards Affected</p> | All |
| <p>Links to Corporate Plan priorities or Policy Framework</p> | Providing our customers with excellent service. Transforming our organisation. |

8 Document Information

| Appendix No | Title |
|---|-------------------------|
| 1 | General Fund Summary |
| 2 | General Fund Detail |
| 3 | Housing Revenue Account |
| 4 | Capital Programme |
| <p>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)</p> | |
| | |
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| Chief Accountant | 01246 242458 |