

Committee:	Executive	Agenda Item No.:	7.
Date:	6 <sup>th</sup> February 2012	Status	Open
Category	3. Part of the Budget and Policy Framework		
Subject:	Medium Term Financial Plan		
Report by:	Director of Corporate Resources		
Other Officers Involved	Chief Accountant		
Director	Director Of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council		

## **RELEVANT CORPORATE AIMS**

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

### **TARGETS**

The development of Policy Led Budgeting will help to inform future spending plans and assist in the delivery of annual efficiency gain targets.

### **VALUE FOR MONEY**

The Budget Process challenges existing spending levels and new spending proposals to ensure that resources are effectively used and directed towards the delivery of the Corporate Aims.

## **Introduction**

1. This report presents the following budgets and financial plans for Members consideration & approval:
  - General Fund Revenue account which is attached as Appendix 1 to this report.
  - Housing Revenue Account (HRA) account which is attached as Appendix 2 to this report.
  - Capital Programme which is attached as Appendix 3 to this report.

2. While all of the above accounts are detailed separately in order to comply with relevant legislation and good practice guidance they are presented together within this report so as to enable Council to obtain an overview of both its financial position and of the range of services that it is planned to deliver to local residents.
3. Within the reports which follow in respect of each of the Council's main accounts there are a number of common features. In particular financial projections are provided with regard to the following:
  - 2011/12 Estimated Outturn Position – this is the current years budget revised to reflect changes which have taken place or are anticipated to take place during the course of the year. It will therefore provide a more accurate indication of the likely outturn position than the original budget.
  - 2012/13 Original Budget – this is the proposed budget for the next financial year commencing 1<sup>st</sup> April 2012 based on the recommendations it is proposed to make to Council concerning the level of Council Tax which is to be set at the meeting of Council on 1 March 2012.
  - 2013/14 and 2014/15 Financial Plan – In accordance with good practice the Council agrees its annual budgets within the context of a Medium Term Financial plan which includes financial projections in respect of the next 3 financial years. This provides the Council with a longer planning horizon over which to develop service plans and to ensure that its underlying level of expenditure remains in line with its underlying level of resources. Effective multi year planning is particularly important in the current climate where the Comprehensive Spending Review of Autumn 2010 introduced a 4 year planning period characterised by significant year on year expenditure reductions. There is also a significant amount of legislative reform proposed which will impact upon both the services delivered to local people and upon the Council's financial position. The detailed budgets for both years and future year projections are shown in the Appendices to this report.

#### **Robustness of the Estimates.**

4. 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 also on the adequacy of the proposed financial reserves. The Council's S151 Officer (the Director of Corporate Resources) is satisfied that the methodology adopted to calculate the estimates are robust, and provides Members with reliable information on which to base their decisions. Likewise, the S151 Officer is satisfied that the proposed level of reserves while at minimum levels are adequate to cover the issues and potential risks which face the Council. The adequacy of the current level of reserves is considered in Appendix 1 in relation to the General Fund, in Appendix 2 in relation to the HRA, and in Appendix 3 in relation to the Capital Programme.

5. In arriving at his assessment that the methodology adopted is robust the Chief Financial Officer is satisfied that the policies upon which the estimates are based is reasonable, and that these policies have been applied consistently across the Council's activities. The approach that has been adopted has taken account of the following:
- The Council's actual expenditure and income both in the previous financial year (2010/11) and to date in the current financial year as at the end of September 2011. The views of cost centre managers concerning the level of expenditure which will be incurred during the remainder of the 2011/12 financial year has also been taken into account. Where necessary these figures have been validated by considering the incidence of income and expenditure up to the end of December 2011. This process has enabled a robust Revised Estimate to be prepared in respect of the current financial year (2011/12), which has formed the basis for the 2012/13 Budget and the financial forecasts in respect of 2013/14 and 2014/15.
  - With regard to estimates for 2011/12 onwards these have been developed with and agreed by the responsible cost centre managers who will have the primary responsibility for managing them during the course of the financial year. This process has helped to ensure that service developments and changes in the level of demand for services, etc. have been taken in account. While the Chief Financial Officer is satisfied that the budgets which have been agreed are robust it does need to be recognised that non-employee related expenditure heads have been minimised, and will need to be carefully managed during the course of the financial year if the Council is to operate within its approved budgets.
  - The Accountancy Section have co-ordinated the preparation of the budget, and have ensured that all estimates are reasonable and have been developed in a consistent fashion. While the budgets that have been agreed are challenging and will need to be reviewed in the light of changing circumstances and priorities over the three year period of the Medium Term Financial Plan the Chief Financial Officer is satisfied that they constitute a firm foundation on which to base the Council's financial management.

## **5 Financial Implications**

These may be summarised as follows:

- With respect to the General Fund the Council is currently anticipating that a balanced budget with no call on general fund balances will be achieved in respect on both 2011/12 and 2012/13. With respect to 2011/12 this will be dependent upon the use of the full amount of Transition Grant provided to the Council in respect of 2011/12, together with the agreement to capitalise a range of Invest to Save schemes. The key position to note is that a savings target of some £0.974m remains to be achieved in respect of the General Fund for 2012/13. While officers are in the process of implementing an

- agreed range of measures to secure these savings progress will need to be monitored during the course of the coming financial year.
- With regard to the Housing Revenue Account (HRA) the key issues are that the average rent increase required to comply with Government requirements is one of 9%. Secondly, 2012/13 also sees the introduction of a fundamental reform of the financial operation of all local authority Housing Revenue Accounts. While this reform will have no direct impact upon our tenants it will see the Council buy itself out of the responsibility to make an annual payment of negative housing subsidy to the Government of some £5m. Instead of an annual payment to central government the Council will be required to take on additional debt of some £94.386m which will need to be funded from loan. Officers are satisfied that the proposed reform will be sustainable both financially and with respect to the provision of a high quality housing service to our tenants.
  - Finally in respect of the capital programme the majority of expenditure will continue to be in respect of the HRA Programme which is funded by capital resources ring fenced to the Council's HRA. With regard to the General Fund the key issue will be the Council's ability to generate sufficient capital receipts to fund its Capital Programme.

Finally, in respect of all three accounts (General Fund, HRA and Capital Programme) it should be noted that this Council along with all other local authorities is operating within the context of the financial constraints established by the Government's Comprehensive Spending Review of Autumn 2010. This will require the achievement of significant financial savings in all the years of the current Medium Term Financial Plan if the Council is to continue to operate within the level of financial resources available to it.

## 6. **Legal Implications.**

- The Council is legally obliged to approve a budget prior to the commencement of the new financial year in April 2012. This report together with the associated budget timetable has been prepared in order to comply with our legal obligations.

## 7. **Other Considerations (eg Human Resources, Environmental, Crime and Disorder, Design and Community Safety)**

- These are covered in the Service Plans which are based upon the resources allocated by the Budgets recommended for approval within the Medium Term Financial Plan.

## 8. **Equalities Issues**

- These are covered in the Service Plans which are based upon the resources allocated by the Budgets recommended for approval within the Medium Term Financial Plan.

## 9. Risk Management and Policy and Performance Issues

- A Financial Risk Register has been developed in respect of each of the main accounts which is provided at **Appendix 1 Table 2** , **Appendix 2 Table 3**, and **Appendix 3 Table 2**.
- Policy and Performance Issues are covered in the Service Plans which are based upon the resources allocated by the Budgets recommended for approval within this Medium Term Financial Plan.

### Recommendation(s)

10. The following recommendations are made:

- a) That the view of the Chief Financial Officer that the estimates included in the Medium Term Financial Plan 2012/13 to 2014/15 are robust and that the level of financial reserves whilst at minimum levels are adequate be accepted.
- b) That officers be required to report back to Executive and to the Audit Committee on at least a quarterly basis regarding the overall position in respect of the Council's budgets, these reports to include updates on progress in achieving the range of identified efficiencies necessary to achieve a balanced budget by the end of the 2012/13 financial year.

In addition to the above the following recommendations are made in respect of each of the main accounts of the Council.

### 11. **GENERAL FUND**

- a) That no Council Tax increase is levied for the financial year 2012/13 based on the proposed Government grant compensation arrangements and this recommendation is submitted for approval by the Council at its meeting on 1<sup>st</sup> March 2012.
- b) That Executive recommends to Council (at its meeting on 15 February 2012) the Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1 Table 1** of this report and agrees the Revised Budget 2011/12 with a budget requirement of £10, 891,159 together with the original budget for 2012/13 with a budget requirement of £11,136,390 as detailed in **Appendix 1 Table1**.
- c) That Officers continue to work towards delivering a balanced budget in respect of 2011/12, and continue to progress the implementation of measures designed to secure a balanced budget in respect of 2012/13.

- d) That in order to protect the level of General Fund balances it is recommended that an amount of capital expenditure of up to £1m currently planned to be funded from transition grant is charged against the Council's capital programme, with this expenditure to be supported if necessary by prudential borrowing pending the achievement of sufficient capital receipts to fund this work. That this recommendation be taken forward as part of the Council's Treasury Management Strategy which will be considered by Council on 1<sup>st</sup> March 2012.
- e) That Executive agrees to restore the level of General Fund balances as at April 2012 to one of £1.2m by utilising the Transition Grant to be received by the Council in respect of 2012/13.
- f) That officers be required to report back to Executive and Audit Committee on at least a quarterly basis regarding the overall position in respect of the budget, these reports to include updates on progress in implementing the efficiencies necessary to achieve a balanced budget by the end of 2011/12.

## 12. HOUSING REVENUE ACCOUNT

- a) That Executive introduces the Government recommended rent increases with effect from 4 April 2012. The recommended increase will bring about an average increase in rents of some 9%. However, the actual percentages will vary depending on the type of property.
- b) That the increases in respect of other charges as outlined in Appendix 2 Table 3 be implemented with effect from 2 April 2012.
- c) That the Housing Revenue Account as set out in **Appendix 2 Table 1** be approved as the Revised Budget in respect of 2010/11 and as the Original Budget in respect of 2011/12.

## 13. CAPITAL PROGRAMME

- (a) The Capital Programme for 2010/11 to 2013/14 as set out in **Appendix 3 Table 1** be approved.

ATTACHMENTS: Y  
FILE REFERENCE: None  
SOURCE DOCUMENT: Background papers held in Financial Service

Committee:	Executive	Agenda Item No.:	7. Appendix 1
Date:	6 <sup>th</sup> February 2012	Status	Open
Category	3. Part of the Budget and Policy Framework		
Subject:	Medium Term Financial Plan – General Fund		
Report by:	Director of Corporate Resources		
Other Officers Involved	Chief Accountant		
Director	Director Of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council		

## **RELEVANT CORPORATE AIMS**

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

### **TARGETS**

The development of Policy Led Budgeting will help to inform future spending plans and assist in the delivery of annual efficiency gain targets.

### **VALUE FOR MONEY**

The Budget Process challenges existing spending levels and new spending proposals to ensure that resources are effectively used and directed towards the delivery of the Corporate Aims.

## **Introduction**

4. This report considers the elements of the Medium Term Financial Plan relating to the Council's General Fund revenue budgets. As such it covers all of the Council's revenue expenditure other than those elements which relate to the provision of Council Housing which are accounted for within the Housing Revenue Account (HRA). While this report is predominantly concerned with financial issues it needs to be recognised that the Council's financial plans are part of a wider service planning framework which incorporates both service plans together with the range of related Council strategies and policies.

5. The General Fund Budget report will form part of the Council's Medium Term Financial Plan.
6. The main areas covered by this report are as follows:

Item	Page
2011/12 Estimated Outturn	2
2012/13 Original Budget	6
• Level of Government Grant	7
• Expenditure, income Levels and efficiencies	8
Medium Term Financial Plan 2012/13 to 2014/15	10
Options for Council Tax Levels	12
Financial Reserves	13
Consultation	13
Risk Register	14
Recommendations	15
Summary Medium Term Financial Plan	Table 1
General Fund Risk Register	Table 2

7. The provisional budgets for both 2011/12 (Estimated Outturn) and 2012/13 (Original Budget) are shown in Table 1 to this report. The Table also details the projected position – on the basis of current patterns of income and expenditure – for both 2013/14 and 2014/15. The provisional Budget as set out in this report has been considered by Executive at its meeting on 9<sup>th</sup> January 2012 and by a special working group of the Scrutiny Committees on 13<sup>th</sup> January 2012. The provisional budget has also been reviewed by the Scrutiny Committees during late January and early February before being considered by Executive at its meeting on 6<sup>th</sup> February 2012. Executive will then recommend a budget for consideration by Council on 15<sup>th</sup> February 2012.

### **2011/12 Estimated Outturn**

8. In February of 2011 Members agreed a budget in respect of the current financial year 2011/12. That original budget is set out in detail in Table 1 to this report, where it can be compared against the Estimated Outturn Budget for 2011/12 which it will be recommended that Members approve as part of the current budget setting process. A number of pressures and variances from the original budget have been reported on during the course of the current financial year and the current position is set out within Table 1. The net outcome of the variations that have currently been identified is that an additional utilisation of Transitional Grant of some £0.498m will be required at the end of the current financial year in order to avoid a further call on General Fund balances.



9. With regard to this additional call on balances it should be noted that in overall terms service budgets have been effectively managed during the course of the year, with projected outturn expenditure being in line with approved budgets at cost of service level. The Council has agreed during the course of the year a number of investments of Transitional Grant to finance Invest to Save work and continuation projects. While the Council has achieved those savings which were categorised as 'green' the delivery of the amber and red savings have not been fully realised in the current financial year, although a number of the specific proposals are now in the final stages of implementation and will generate ongoing savings from next financial year. In particular it should be noted that many of the savings included in the original budget as Savings Strategy items – such as the Alternative Bin Collection - have secured savings during the course of both 2011/12 and future years, with those financial savings being captured as part of service expenditure.
10. The key feature that has driven the Council's financial position during 2011/12 has been the reduction in the level of central government grant as a result of the Government's Comprehensive Spending Review of Autumn 2010. Bolsover was one of the 10 English local authorities which suffered the maximum reduction in spending power of 8.8%, and this level of grant loss was one of the key factors which lay behind Central Government's decision to provide Transition Grant of some £2.311m in respect of 2011/12 and £1.930m in respect of 2012/13. In respect of 2011/12 the Council's grant loss was in excess of £3m. Against this background Bolsover District Council clearly needed to take significant steps in order to bring its underlying level of expenditure back into line with its underlying level of resources. The budget agreed with respect to 2011/12 set the Council a savings target of £1.979m.
11. Progress against that savings target has been good and by the end of the current financial year the Council will have measures in place which will reduce its underlying budget in line with that target. It has not, however, been possible to achieve the entire savings target in the current financial year and on the basis of current estimates the savings achieved in the current financial year amount to in excess of £1m. While the remainder of the savings are in the course of being delivered the measures to achieve those unrealised savings were introduced part way through the financial year and there have been some associated restructuring costs arising from implementation. As a result of these factors it will not be possible to achieve the full savings target in this financial year.
12. As a result of the fact that the financial benefits of the agreed organisational change will not all be achieved within the current financial year it will be necessary to charge an additional £0.498m against transitional grant or other balances at the year end. In addition to this £0.498m call on grant Members should note that the Council is currently in the process of consultation regarding a number of restructuring proposals arising largely from the ongoing programme of Strategic Alliance reviews. To the extent to which these proposals are agreed it will be necessary to charge the associated restructuring costs against the

2011/12 accounts. Given that these restructuring measures will secure on going financial savings it is appropriate that they be charged against transition grant. On the basis of the Estimated Outturn position the Council will have some £0.165m of transitional grant available at the end of the financial year which it is anticipated will be sufficient to fund the restructuring costs that may be incurred in this financial year.

13. As part of the measures to identify savings in respect of 2012/13 and future years officers have been considering the issue of the backfunding of pensions costs. Currently the Council pays Derbyshire Pensions Fund such backfunding costs over a period of 5 financial years. There would, however, be a significant financial advantage in repaying this amount prior to 31<sup>st</sup> March 2012, amounting to a cash saving of some £53,000 against a sum of £415,000 which it is currently planned to repay over the next 4 years. While this would be offset by a loss of cash flow interest to Bolsover District Council that amount would not exceed £15,000 at current interest rates, giving a significant financial saving to this authority. Given the significant saving that is achieved together with the reduction of the administrative burden it should be noted that officers are recommending that these pension backfunding costs are paid from transition grant or balances in the current financial year. Officers would also propose that in future all pension costs relating to those staff who leave the authority before their normal retirement age should be paid in full in the initial year.
14. Given the requirement to protect the level of General Fund Balances while funding the range of transitional costs – including the restructuring of senior management planned to take place before the year end – and Invest To Save measures the level of costs currently planned to be charged against Transition Grant is in excess of the level of Transition Grant available to the Council in the current financial year (2011/12). In part this pressure will be relieved by the fact that not all of the expenditure planned to be charged against the transition grant will be incurred in this financial year. The other main option open to the Council is the capitalisation of some of the expenditure currently planned to be charged against Transition Grant.
15. In order to free up sufficient transition grant to fund the restructuring costs, a range of Invest to Save measures and to protect the General Fund balances from the budget shortfall in 2011/12 it will be necessary for Members to give consideration to the capitalisation of that expenditure which meets the definition of capital that is currently planned to be charged directly against the Transition Grant. Agreement to capitalise this expenditure would require that the expenditure – which meets the definition of capital expenditure – should be charged against the Capital Programme and the Council's capital resources. It is clear that significant elements of the expenditure currently planned to be charged against the transition grant will meet the definition of capital expenditure. In particular expenditure undertaken on the Sherwood Lodge site in order to make it more attractive to a potential purchaser for use as a retail outlet is clearly an appropriate charge against the Council's capital resources. This expenditure is necessary to uplift the value of the site for retail purposes. In addition there is

expenditure of £0.085m in respect of vehicle Tracker devices. In total it is likely that the level of capital expenditure will amount to a figure approaching £1m. The exact figure is not known at this stage as a significant element of the Expenditure remains to be incurred, and further consideration will need to be given as to whether a limited number of items of expenditure meet the capitalisation criteria.

16. Members should, however, note that while this represents an appropriate treatment of these costs that on the basis of the capital receipts received to date there is insufficient funding within the capital programme to finance this expenditure at the year end. At this point in time officers are in the final stages of achieving a significant capital receipt which will be received in the latter part of the current financial year, or the early stages of next financial year. In a situation in which that capital receipt is not achieved by the end of the current financial year end then if Members accept the Officer recommendations that this expenditure should be capitalised then it will be necessary to fund these costs from prudential or unsupported borrowing pending the achievement of an appropriate level of capital receipts. While the Council would be entering into a significant level of unsupported borrowing interest rates are currently low, and the level of receipts that the Council is planning to achieve over the next two years significantly exceeds the planned level of capitalisation. If Members accept the recommendation to fund this expenditure of up to £1m by charging it against the capital programme and potentially funded in the short term by unsupported borrowing then that recommendation will need to be considered by Council as part of its consideration of the Treasury Management Strategy 2012/13.
17. On the basis that Council accepts the proposals in respect of funding expenditure currently charged against the Transition Grant then this will enable the level of General Fund balances to be maintained at the current figure of some £1.064m. This is just below the agreed minimum level of £1.2m. The balance was reduced to some £1.064m as a result of adverse movements at the end of the previous financial year (2010/11), and it is important that action is taken to restore the balances at the earliest opportunity. Accordingly, it is recommended that the General Fund balance be restored to a figure of £1.2m as at 1st April 2012 by a contribution from the Transition Grant allocated to the Council in respect of 2012/13. In addition Members need to give consideration to a further charge of £0.3m against the Transition Grant in order to support the Council's financial resilience to tackle issues arising from the CSR in respect of both 2012/13 and 2013/14 onwards. The remaining balance of Transition Funding would then be available during 2012/13 to fund the changes necessary to address the issue of balancing the Council's budget in respect of 2013/14 where a further shortfall arising from grant loss will arise.
18. Given the pressures that are evident in respect of the current financial year and over the period of the Medium Term Financial Plan Members have indicated strong support for a policy of restraining all non essential expenditure during the final quarter of the current financial year. According Executive agreed at its meeting of 9<sup>th</sup> January 2012 a policy of reducing a number of budgets, together with a procedure under which any expenditure in excess of £250 will require the

authorisation of both the responsible Director, and that of one of the Council's three statutory officers (or their nominee). While officers were already exercising tight control on expenditure – especially on employee costs which are the most significant single item - it was felt that the agreed process will add a further downward pressure on non employee expenditure. This will help protect future employment levels, should help secure improved value for money and will assist in achieving future budget savings. Budgets have already been amended to reflect the agreed level of savings and the revised expenditure controls should ensure that expenditure against revised budgets is minimised. In respect of the revised budget Officers are of the view that continued application of the vacancy and other employee savings will secure further savings of some £0.070m above those already achieved and allocated in the budget, and that the ongoing controls on non employee expenditure will secure further savings of some £0.030m.

19. While officers will continue to manage expenditure closely for the remainder of the financial year, it needs to be recognised that the Council is in the process of delivering a number of major initiatives designed to reduce our underlying level of expenditure. These include reviews of the Heads of Service tier of management, Street Scene Services and Environmental Health as part of the Programme of Joint Working with North East Derbyshire District Council. While many of these reviews remain subject to consultation, to the extent to which they are agreed before the end of the financial year it will be necessary to make provision within the accounts for the initial costs of structural change. At this stage pending the outcome of consultation it is not possible to make a realistic estimate of the level of restructuring costs which will be incurred as a result of the current proposals. It is, however, clear that there are likely to be some significant restructuring costs which it is anticipated will be funded from the remaining balance of Transition Grant at the year end.
20. While the impact of the proposed restructuring will effectively fully utilise the Council's 2011/12 transition grant it needs to be recognised that these costs need to be incurred in order to move the Council into a position of longer term financial sustainability. In essence the proposed restructuring exercises will in financial terms be undertaken on an Invest to Save basis. In particular it should be noted that early decision regarding restructuring will be an important factor in securing a balanced budget in respect of 2012/13.

### **Original Budget 2012/13**

21. One of the key purposes of this report is for the Council to agree its detailed income and spending proposals in respect of the next financial year which commences on the 1<sup>st</sup> April 2012. The provisional budget which is recommended for consideration by Members is detailed in Table 1 of this report.
22. In developing the proposed budget the main elements which have been taken into account are as follows:

- Grants from Government
- Expenditure, income levels and efficiencies
- Options for the level of Council Tax in respect of 2012/13
- Use of Reserves in the short term to fund any shortfall in income over expenditure, provided that the level of reserves remains adequate in the light of the risks facing the organisation.

Each of the above themes is now considered in greater detail in the sections below:

### **Level of Government Grant**

23. In the December of 2010 the Government provided details of the level of Grant that would be available to local authorities for the two year period which covered the 2011/12 and the 2012/13 financial years. The formula grant which is available is set out in the table below, together with the Council's assumptions regarding the level of grant which will be available in respect of 2013/14 and 2014/15. While the issue of the level of formula grant in respect of the final two years of the proposed Medium Term Financial Plan will be covered in more detail in a later section of the report it should be noted that as of yet no details regarding the level of grant available at individual local authority level for these later years has been provided by the Government:

#### **Bolsover District Council – Government Formula Grant**

<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>(£'m) - Actual</b>	<b>(£'m) – Actual</b>	<b>(£'m) – Estimate</b>	<b>(£'m) – Estimate</b>
6.259	5.532	5.255	4.992

24. On the basis of the above table Bolsover District Council is clearly facing significant ongoing reductions in the level of government grant that will be available to support the provision of services. It should also be noted that the most significant of the grant losses actually occurred between 2010/11 and 2011/12 and that the Transition Grant which was provided to partially cover that grant loss ends in 2012/13. In addition to the significant reduction in the level of grant the position locally is made more difficult by the fact that the District is heavily dependent upon government grant to provide core funding, and has relatively limited opportunities to raise local income from sources such as car parking or other charges.
25. At this stage the assumed level of grant reduction is one of 5% in respect of both years. While this is an appropriate position to adopt on the basis of current information it should be noted that there is an emerging view that the loss of grant may be in excess of that 5% assumption. If the grant loss over the two financial years were a further 5% then it would require further savings of some £0.250m. Officers will continue to monitor the position and will bring back further reports as and when further information becomes available. In the light of current information it is, however, considered to be appropriate to include this item within

the Financial Risk Register with a gross risk of £0.5m and a probability of 40%. This increases the notional value of the identified financial risks facing the Council to one of some £1.3m. While this level of identified risk is broadly in line with the target level of General Fund Reserves it is appropriate that the Council does give some consideration to raising its target level of reserves to a figure in the region of £1.5m.

### **Expenditure, income levels and efficiencies**

26. Given the ongoing reductions in the level of Government Grant Support and the limited opportunities to raise income locally the key opportunity for the Council to balance its budget arise in respect of managing expenditure levels and securing efficiencies.
27. Before moving on to consider expenditure levels and efficiencies it should be noted that Council at its meeting of 9th January 2012 considered the level of fees and charges for 2012/13 and agreed the position that has been incorporated into the recommended budget. In broad terms the income from fees and charges will remain stable between 2011/12 and 2012/13, with a key factor for the authority being that it has a very limited opportunity to raise additional income from these charges.
28. With regard to the progress that has been made to date in securing reductions in expenditure this is covered in some detail in the sections (above) which deal with the revised outturn position in respect of the current financial year. The budget which is recommended for Members consideration as set out in Table 1 is a balanced one, which requires the use of Transition Grant but no call on General Fund balances. In order to secure the objective of a balanced budget in respect of 2012/13 the Council is already benefitting from the significant level of efficiencies which have been secured during 2011/12.
29. While significant progress has been made in balancing the Council's underlying budget Members should note that a number of key projects are currently in progress which have the objective of securing further savings amounting to some £0.974m. While this is a significant savings target officers are of the view that the measures which are being proposed to secure these savings can be in place by April 2012 and thus will secure full year financial savings. The savings that are proposed in order to secure a balanced budget are as follows:
  - Vacancy Factor £250,000. All vacancies – including maternity leave, requests for additional annual leave, etc - will continue to be subject to review by Senior Alliance Management Team and will be controlled in order to secure financial savings. Where appropriate reports will be brought forward for Members to consider the disestablishment of posts which it is not considered to be appropriate to fill. While the target of £0.250m is a challenging one it is in line with the savings that have been achieved during the current financial year.

- The Environmental Health Review which has been undertaken in conjunction with North East Derbyshire has identified that Bolsover can achieve savings of some £0.1m in 2012/13, with a potential to increase the level of savings to one of £0.180m with respect from 2013/14 onwards. While the indicative savings figure of £0.180m has been built into future years projections the service will be subject to ongoing monitoring during the course of 2012/13 in order to ensure that appropriate service standards are maintained. The outcome of this review has been formally agreed and the process of implementation has begun. It is currently anticipated that the the new arrangements will be in place by 1<sup>st</sup> April 2012.
- A review of review of the Garage Fleet has been concluded and again is in the process of implementation. Savings of some £0.050m are anticipated subject to Member approval of the proposals.
- The proposals for Joint Working around the third tier management structures of the two authorities in the Strategic Alliance are currently out for consultation. While on the basis of the current timetable formal approval will not be achieved until March 2012 savings of some £0.120m p.a. are anticipated to arise from these proposals.
- Finally, in terms of Service Reviews a further programme was agreed at the meeting of the Strategic Alliance Joint Committee on the 19<sup>th</sup> January. The two reviews concerned were Corporate Services and Street Scene. These two reviews have been tasked with delivering savings of some £0.150m for each of the authorities within the Strategic Alliance. In agreeing these reviews one of the key considerations for Members has been the importance of securing an agreed level of savings ideally by 1<sup>st</sup> April 2012, but if that is not achievable then such savings need to be secured as early as possible in the new financial year. The reviews chosen have been specifically designed to achieve that objective.
- On the basis of the current position nationally it would seem unlikely that an offer in respect of a pay award for local authority staff will be made in respect of the 2012/13 financial year. Currently there is provision within the 2012/13 budget for a pay award of 1% which has a cost of some £0.1m. Accordingly it is proposed to remove the provision for a pay award from within the budget.
- In section 15 (above) the procedures that are being put in place for controlling expenditure during the remainder of 2012/13 were outlined. Having considered the budgets that have been agreed with cost centre managers the Council's Senior Alliance Management Team are of the view that there is scope to reduce non staffing budgets by an amount of £0.2m. While this will place cost centre managers in the position of having to manage budgets which are considerably more restrictive, officers are of the view that these budgets are achievable. This step will also offset the pressures to further reduce employee costs. Officers have begun the process of agreeing amended budgets prior to the final consideration of next year's budget on 15<sup>th</sup> February 2012.
- Finally, as the sections below outline the Council faces having to find further efficiency savings in future years. Accordingly it may be

appropriate to look to secure further cost reductions as an outcome of the early implementation of savings targeted for future financial years. With regard to achieving future years savings it should be noted that the Council is already in the process of delivering a number of major initiatives such as the move from the Sherwood Lodge site which will realise some major financial efficiencies, whilst helping to secure the ongoing economic regeneration of the District. These savings are unlikely to be available to assist the 2012/13 position, but should be available to assist the Council's financial position in future years.

30. The savings that are proposed in order to address the 2012/13 are summarised in the table below:

#### Summary of Identified Savings

<b>Proposal</b>	<b>2012/13</b>	<b>2013/14</b>
	<b>£000's</b>	<b>£000's</b>
Vacancy Saving (inc disestablishment of posts)	250	250
Environmental Health Review	100	180
Head of Service Review	120	120
Garage and Fleet Review	50	50
Other Strategic Alliance Reviews	150	150
Remove allowance for Pay Award	100	100
Reduction in non employee budgets	204	200
Essential Car User Review		200
Savings to be Identified	0	628
Overall Savings Target	974	1,878

Given the importance of securing the above savings to the financial stability of the Council progress in securing these savings will be subject to monthly reports to Executive. It should also be noted that it is proposed that the Council should adopt a policy in respect of in year budgets whereby actual budgets are amended to take account of savings as soon as those savings are formally approved by Members. This will help to ensure that cost centre managers are fully aware of the budgets that they are working to, and that those savings which are identified are fully achieved during the initial year.

#### Medium Term Financial Plan 2012/13 to 2014/15

31. While the main focus of this report is on the Revised Outturn position in respect of the current financial year (2011/12) and upon securing approval for the original Budget in respect of 2012/13, it is important that decisions concerning these two financial years are taken in the context of the financial position of the Council over the period of its Medium Term Financial Plan which covers the 3 year period up to the end of March 2015.



32. The key feature of the Council's financial position over this period of time is the requirement to make ongoing revenue savings. The level of financial savings projected as being required – based on the additional savings required each year - are as follows:

**Summary of Required Level of Financial Savings**

<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>(£000's) – Actual</b>	<b>(£000's) – Actual</b>	<b>(£000's) – Est</b>	<b>(£000's) – Est</b>
1,979	974	628	847

While the level of savings required are based upon a number of assumptions - which are outlined below – it is clear that under any scenario that the Council faces a significant reduction in its spending power. This is consistent with the plans set out within the Government's Comprehensive Spending Review of Autumn 2010. Given the scale of the financial savings which are required over the period of the current Medium Term Financial Plan it is crucial that the Council acts to manage its financial position effectively, and in particular that it manages the financial position in such a way as to protect the level of services which are provided to local residents. Against this background of year on year reductions in spending power the Council is most likely to secure the best outcome for local residents and for its financial position by an ongoing process of securing savings at the earliest opportunity.

33. With the above in mind it has been agreed that the Council will establish a working group of Members and officers to undertake in effect a full Base Budget review of the Council's current service provision in order to identify both potential efficiency savings and those services which are of a relatively low priority and could be reduced with minimal impact on local residents. In reality a full Base Budget review is likely to take a minimum of 18 months to conduct and it is recommended that a rolling programme of reviews be developed for consideration by Executive, with the emphasis being on exploring the easier wins in the initial programme of work. While the Council could achieve a Base Budget review in a shorter period of time by employing consultants / external advisors it is considered that an in house review would be more cost effective and will secure better outcomes. This work in respect of an in house Base Budget review is likely to proceed parallel to the work that is being undertaken in respect of securing the savings which will arise from the rolling out of the Strategic Alliance with North East Derbyshire.
34. In developing the financial projections in respect of 2013/14 and 2014/15 which are included within Appendix 1 to this report officers have made a number of assumptions. The major assumptions which have been made are as follows:
- Pay increases of 1.5% in respect of 2013/14 and 2% in respect of 2014/15.
  - No allowance has been made in respect of General Inflation.
  - A Council Tax increase of 2% in respect of both 2013/14 and 2014/15.
  - Government Grant reductions of 5% in both years.

35. Perhaps the most significant assumption that has been made concerns the projected level of Government Grant in respect of future financial years. When the Government announced its financial settlement for local authorities arising out of the Comprehensive Spending Review in the December of 2010 it provided details of actual grant level at individual authority level in respect of the first two financial years of the CSR period. While the Government has outlined overall control totals at a national level details of the allocation of funding between the different tiers of local government has not been provided, there are a range of new initiatives such as the New Homes Bonus to be funded, and the grant system on which the current allocations to individual authorities are based has become increasingly complex and in need of reform. All of these factors mean that there is a significant level of uncertainty regarding the level of grant which will be available in the latter years of the current CSR. Section 20 (above) has already considered the issues around the uncertainty of future levels of Government Grant and concluded that an increase in the level of target General Fund balances to one of £1.5m should be considered.

### **Options for Council Tax Levels**

36. Members will recall that in the current financial year the Council decided on a nil tax increase which enabled the authority to take advantage of a Government scheme which entitled the Council to a grant from Central Government which was the equivalent of a 2.5% increase in Council Tax. In the case of the offer made from Central Government in the current financial year the additional grant – amounting to some 2.5% p.a. or £90k) was made available for a period which covered the life of the current Comprehensive Spending Review up to and including 2014/15.
37. Central Government has made a further offer to local authorities in respect of the 2012/13 financial year. The offer is, however, significantly less generous in that it proposes an additional grant equivalent to a 2.5% rise in Council Tax, but in respect of 2012/13 the additional grant is restricted to the 2012/13 financial year only. There is therefore a one year benefit only, and those local authorities that accept the Government's offer need to do so on the understanding that the decision will have an ongoing financial effect. With regard to 2012/13 the additional grant will amount to some £90k. If the Council chose to increase Council Tax by the same level then the additional income would continue to be available to it in future financial years. In simple terms if the Council chooses to accept the additional Government Grant then any increase in the Council Tax base will be lost and the Council will not benefit from the positive impact to its Taxbase that would have been secured by a Council Tax increase. This will require that in future years expenditure will need to be some £90,000 below what it otherwise would have been, or higher council tax rises will be necessary.
38. In reaching a decision regarding the appropriate level of Council Tax in respect of 2012/13 Members need therefore to give consideration to the Council's financial position in respect of 2013/14 which is covered in section 28 to 32 of this report. In summary officers are currently forecasting that expenditure reduction of some

£0.828m over and above those required in 2012/13 will need to be made in order to balance the 2013/14 budget. Of that figure some £0.090m arises on the basis that Members decide not to levy any Council Tax increase in respect of 2012/13 and instead accept Government Grant in respect of 2012/13.

39. While there are, significant arguments for opting for an increase in the level of Council Tax in 2012/13 in order to strengthen the Council's underlying financial position and to reduce the reliance on expenditure reductions as a means of balancing the budget in future financial years, this needs to be balanced against the detrimental impact which the current economic situation and the high level of inflation are having on local residents. It may be considered that the Council needs to take all appropriate steps in order to minimise the burden on local residents, and that to secure an increase in funding from national resources rather than local residents is the appropriate action at this point in time.
40. A further factor for Members to note is that the Government is in the process of establishing tighter rules in respect of 'capping' or controlling Council Tax increases which will make it increasingly more difficult for local authorities to increase Council Tax locally at a level beyond what the central government of the day would consider to be reasonable. Under the new arrangements which are being introduced under the Localism Bill where a local authority proposed increase in Council Tax exceeds what the government of the day consider to be a reasonable level then the local authority will be required to hold a referendum of local residents to determine whether or not the higher level should apply. For 2012/13 the Secretary of State has set that level at 3.5% for District Councils.

### **Financial Reserves**

41. The Council's main Financial Reserves which relate to its General Fund are the General Fund Reserve and the Transition Grant Reserve. On the basis of the proposals put forward in this report the level of General Fund reserves will be maintained at the current position of £1.064m which is just below the minimum agreed balance of £1.2m. One of the proposals within this report is that we utilise the transition grant received in respect of 2012/13 in order to restore the level of General Fund balances to one of £1.2m as at 1<sup>st</sup> April 2012.
42. With respect to the Transitional Grant the amount of £1.930m received in 2011/12 is likely to be fully utilised by the year end. Given the extent of the structural change that has been implemented during 2011/12 – which will all realise ongoing financial savings – the Council may find itself in the position of having insufficient grant in the current financial year to fund the expenditure incurred. In that case consideration will be given to the most appropriate method of funding as part of the year end close down process with a call on the General Fund reserve being the final option. Of the amount available in respect of 2012/13 up to £0.186m may be required if a decision is taken to increase General Fund balances to a level of £1.2m. A further £0.126m has already been approved to be utilised for expenditure in the year, leaving a balance of £1.312m unallocated.

## **Consultation**

43. The Council is required to consult with stakeholders on the proposed budget. This consultation which is part of the Council's service planning framework has effectively been taking place throughout the financial year. In addition the budget process has also sought to ensure that the knowledge of Members in their role as Community Champions has been used to inform the service development process. Finally, it should be noted the Council is required to consult with business ratepayers industrialists and other interested parties in the commercial sector with regard to its expenditure proposals. The outcome of that meeting which is scheduled for the evening of 6th February 2012 will be reported as part of the final consideration of the budget proposals.

## **Risk Register**

44. A financial Risk Assessment is set out in Table 2, which outlines the risks, the mitigation which is in place, the potential impact and the probability of the event occurring in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is currently facing. This indicates that the identified risks which the Council is currently facing amount to some £1.3m, which is in line with the Council's agreed minimum target level of General Fund Reserves of £1.2m on the basis that the recommendations made within this report are accepted. Given that the level of notional risks are marginally in excess of the level of General Fund balances consideration has been given elsewhere in the report to providing for an increase in the level of General Fund reserves. Members should, however, note that the figure given in the Risk Register is a notional one that is intended to convey the general scale of the potential risks facing the Council, rather than providing a precise guide as to the level of balances that are necessary.
45. The assessment concerning the level of risk is essentially used for two purposes. In the first place an understanding of the risks which the Council faces is crucial in agreeing an appropriate level of financial reserves which are required. This is covered in section 36(above). Secondly, the identification of the risks is the first stage in the process of more effectively managing, or of mitigating those risks. By identifying the risks it is possible to avoid them, to insure against them, to transfer the risk, or most likely actions can be taken to reduce or to mitigate the risk. The Council's Financial Risk Register is closely linked to both the Strategic and Operational Risk Registers. The Council has in place a comprehensive approach to Risk Management which is reported on a regular basis to Executive, and this process will continue to be utilised in order to manage the key financial risks.

## **Financial Implications**

46. These are covered throughout the report and associated appendices.

## **Legal Implications**

47. The Council is legally obliged to approve a budget prior to the commencement of the new financial year in April 2012. This report together with the associated budget timetable has been prepared in order to comply with our legal obligations.

## **Other Considerations (eg Human Resources, Environmental, Crime and Disorder, Design and Community Safety)**

48. These are covered in the Service Plans which are based upon the resources allocated by the Budgets recommended for approval within the Medium Term Financial Plan.

## **Equalities Issues**

49. These are covered in the Service Plans which are based upon the resources allocated by the Budgets recommended for approval within the Medium Term Financial Plan.

## **Risk Management and Policy and Performance Issues**

50. A Financial Risk Register in respect of the General Fund is provided at Table 2 to this report.
51. Policy and Performance Issues are covered in the Service Plans which are based upon the resources allocated by the Budgets recommended for approval within this Medium Term Financial Plan.

## **RECOMMENDATIONS**

- g) That no Council Tax increase is levied for the financial year 2012/13 based on the proposed Government grant compensation arrangements and this recommendation is submitted for approval by the Council at its meeting on 1<sup>st</sup> March 2012.
- h) That Executive recommends to Council (at its meeting on 15 February 2012) the Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1 Table 1** of this report and agrees the Revised Budget 2011/12 with a budget requirement of £10, 891,159 together with the original budget for 2012/13 with a budget requirement of £11,136,390 as detailed in **Appendix 1 Table1**.
- i) That Officers continue to work towards delivering a balanced budget in respect of 2011/12, and continue to progress the implementation of measures designed to secure a balanced budget in respect of 2012/13.

- j) That in order to protect the level of General Fund balances it is recommended that an amount of capital expenditure of up to £1m currently planned to be funded from transition grant is charged against the Council's capital programme, with this expenditure to be supported if necessary by prudential borrowing pending the achievement of sufficient capital receipts to fund this work. That this recommendation be taken forward as part of the Council's Treasury Management Strategy which will be considered by Council on 1<sup>st</sup> March 2012.
- k) That Executive agrees to restore the level of General Fund balances as at April 2012 to one of £1.2m by utilising the Transition Grant to be received by the Council in respect of 2012/13.
- l) That officers be required to report back to Executive and Audit Committee on at least a quarterly basis regarding the overall position in respect of the budget, these reports to include updates on progress in implementing the efficiencies necessary to achieve a balanced budget by the end of 2011/12.

ATTACHMENTS:                    **Y**  
FILE REFERENCE:                None  
SOURCE DOCUMENT:            Background papers held in Financial Services

## GENERAL FUND SUMMARY

Actual 2010/11 £	Details of Expenditure	Original Estimate 2011/12 £	Estimated Outturn 2011/12 £	Base Budget 2012/13 £	Forecast 2013/14 £	Forecast 2014/15 £
617,168	Community Safety	712,700	721,170	654,790	655,250	655,890
729,087	Customer Focused Services	1,050,180	1,047,120	1,029,309	1,070,950	1,071,910
4,916,907	Environment	4,827,310	4,776,620	4,381,370	4,329,480	4,336,280
742,200	Regeneration	661,910	774,240	612,170	615,860	615,780
1,639,508	Social Inclusion	1,224,589	1,118,150	858,079	827,929	803,799
2,895,675	Strategic Organisational Development	3,042,050	3,116,640	2,948,860	2,942,250	2,888,740
0	Contingency for Inflation and Other Items	25,000	0	101,060	252,080	451,970
9,919	Collection Fund Deficit	22,329	22,329	78,792	0	0
	Agreed Reduction in Non Staffing Budgets		(205,560)			
<b>11,550,464</b>	<b>TOTAL EXPENDITURE ON CORPORATE AIMS</b>	<b>11,566,068</b>	<b>11,370,709</b>	<b>10,664,430</b>	<b>10,693,799</b>	<b>10,824,368</b>
(415,853)	Depreciation - Reversal	(483,440)	(307,670)	(278,850)	(265,190)	(265,180)
1,763,884	Debt Charges	1,073,880	1,013,020	1,043,310	1,041,190	1,034,380
(247,649)	Investment Interest	(109,695)	(235,990)	(237,040)	(251,460)	(378,440)
<b>12,650,846</b>		<b>12,046,813</b>	<b>11,840,069</b>	<b>11,191,850</b>	<b>11,218,339</b>	<b>11,215,128</b>
	<b>Appropriations:</b>					
	Contributions to Reserves:					
6,000	Historic Buildings	6,000	0	0	0	0
75,250	ICT & Office Equipment	75,250	75,250	75,250	75,250	75,250
0	Local Development Scheme	50,000	50,000	50,000	50,000	50,000
12,600	Vehicle Replacement Reserve	12,600	12,600	12,600	12,600	12,600
(817,355)	Contribution from Earmarked Reserves	(257,840)	(1,086,760)	(193,310)	(93,680)	(31,410)
<b>11,927,341</b>	<b>TOTAL EXPENDITURE</b>	<b>11,932,823</b>	<b>10,891,159</b>	<b>11,136,390</b>	<b>11,262,509</b>	<b>11,321,568</b>
2,246,066	Parish Precepts **	2,246,066	2,246,066	2,246,066	2,246,066	2,246,066
<b>14,173,407</b>	<b>TOTAL SPENDING REQUIREMENT</b>	<b>14,178,889</b>	<b>13,137,225</b>	<b>13,382,456</b>	<b>13,508,575</b>	<b>13,567,634</b>
(7,926,941)	Formula Grant	(6,258,939)	(6,258,939)	(5,531,336)	(5,254,769)	(4,992,031)
	New Homes Bonus Grant		(117,290)	(303,243)	(303,243)	(303,243)
	Council Tax Grant (2010/11 Scheme)	(89,929)	(89,929)	(89,929)	(89,929)	(89,929)
	Council Tax Grant - (2012/13 one off)			(90,123)		
<b>6,246,466</b>	<b>AMOUNT BEING RAISED BY COUNCIL TAX</b>	<b>5,850,986</b>	<b>5,850,986</b>	<b>5,871,531</b>	<b>5,962,531</b>	<b>6,055,814</b>
420,124	<b>FUNDING GAP / (SURPLUS)</b>	1,979,035	820,081	1,496,293	1,898,103	2,126,618
	Carried forward to page 2					

\*\* to be confirmed

**GENERAL FUND SUMMARY continued**

<b>Actual 2010/11 £</b>	<b>Details of Expenditure</b>	<b>Original Estimate 2011/12 £</b>	<b>Estimated Outturn 2011/12 £</b>	<b>Base Budget 2012/13 £</b>	<b>Forecast 2013/14 £</b>	<b>Forecast 2014/15 £</b>
420,124	<b>FUNDING GAP / (SURPLUS)</b>	1,979,035	820,081	1,496,293	1,898,103	2,126,618
	<u>Adjusted for Savings Strategy Items:</u>					
	Single Person Discount Review	(22,000)	0	0	0	0
	Current Budget Spending Review	(250,000)	0	0	0	0
	Payments Strategy - Targets	(25,000)	0	0	(20,470)	(29,360)
	Alternate Bin Collection (all built in)	(100,000)	0	0	0	0
	New Homes Bonus (now on the summary)	(36,000)	0	0	0	0
	Income from Assets	(110,480)	0	0	0	0
	Service Efficiency Review/Joint Working targets	(700,000)	0	0	0	0
	Benefits Review	(75,000)	0	0	0	0
	Essential Car User Review	0	0	0	(200,000)	(200,000)
	Vacancy and Other Savings	(200,000)	(70,000)	(250,000)	(250,000)	(250,000)
	Environmental Health Review	0	0	(100,000)	(180,000)	(180,000)
	Head of Service Review	0	0	(120,000)	(120,000)	(120,000)
	Garage and Fleet Review	0	0	(50,000)	(50,000)	(50,000)
	Strategic Alliance - Further Reviews	0	0	(150,000)	(150,000)	(150,000)
	Reduction of pay award (12/13)	0	0	(100,000)	(100,000)	(100,000)
	Reduction in non-staffing budgets	0	(30,000)	(205,390)	(200,000)	(200,000)
	Use of transition grant	(221,841)	(720,081)	(520,903)	0	0
	Savings to be Identified				(627,633)	(847,258)
	<b>Use of Working Balance / (Surplus)</b>	<b>238,714</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>
(1,485,629)	Working Balance Brought Forward	(1,438,715)	(1,064,353)	(1,064,353)	(1,200,000)	(1,200,000)
0	Transfer from Transition Grant to General Fund	0	0	(135,647)		
(1,064,353)	Working Balance Carried Forward	(1,200,001)	(1,064,353)	(1,200,000)	(1,200,000)	(1,200,000)
	Minimum Working Balance	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)	(1,200,000)
	<b>Transition Grant:</b>					
	Opening Balance	<b>0</b>	<b>0</b>	<b>(165,106)</b>		
	Grant Award	(2,310,878)	(2,310,878)	(1,929,596)		
	<u>Allocations:</u>					
	Approved Use of Transition Funding	188,270	1,425,691	125,920		
	Transfer to General Fund			135,647		
	Budget Adjustment	221,841	720,081	520,903		
	Closing Balance	<b>(1,900,767)</b>	<b>(165,106)</b>	<b>(1,312,232)</b>		
	<u>Note: The savings achieved against the 2011/12 Savings Strategy items where already secured are recorded as reductions in service expenditure.</u>					



## Community Safety – Ensuring that communities are safe and secure

Details of Expenditure	Original Estimate	Estimated Outturn	Base Budget	Forecast	Forecast
	2011/12	2011/12	2012/13	2013/14	2014/15
	£	£	£	£	£
Bolsover Community Sports Coach Scheme	75,090	61,980	70,590	70,600	70,660
Bolsover Energised Youth Programme	95,810	89,780	97,480	97,520	97,650
Community Action Network	0	0	0	0	0
Community Safety	253,640	238,440	237,870	238,050	238,270
Community & Street Serv Mgmt & Admin	0	0	0	0	0
Domestic Violence Worker	0	39,330	0	0	0
Housing Anti Social Behaviour Fund	101,920	102,950	103,680	103,900	103,990
Neighbourhood Management	141,720	141,270	145,170	145,180	145,320
Neighbourhood Mgmt & Admin	0	0	0	0	0
Parenting Practitioner	44,520	47,420	0	0	0
Safer & Stronger Communities	0	0	0	0	0

<b>712,700</b>	<b>721,170</b>	<b>654,790</b>	<b>655,250</b>	<b>655,890</b>
----------------	----------------	----------------	----------------	----------------



## Customer Focused Services – Providing excellent customer focused services

Actual	Details of Expenditure	Original Estimate	Estimated Outturn	Base Budget	Forecast	Forecast
2010/11		2011/12	2011/12	2012/13	2013/14	2014/15
£		£	£	£	£	£
46,278	Benefits	324,200	348,880	325,689	367,140	367,600
635,811	Council Tax / NNDR	678,140	658,090	659,290	659,550	660,000
0	Customer Contact Service	0	0	0	0	0
27,394	Emergency Planning	26,060	25,830	26,720	26,720	26,730
0	Groundwork & Drainage Operations	0	0	0	0	0
19,603	Land Charges	21,780	14,320	17,610	17,540	17,580
0	Leisure Services Mgmt & Admin	0	0	0	0	0
0	Revenue Services	0	0	0	0	0
0	Security Services	0	0	0	0	0

<b>729,086</b>
----------------

<b>1,050,180</b>	<b>1,047,120</b>	<b>1,029,309</b>	<b>1,070,950</b>	<b>1,071,910</b>
------------------	------------------	------------------	------------------	------------------



Environment – Promoting and enhancing a clean and sustainable environment

Actual 2010/11 £	Details of Expenditure	Original Estimate 2011/12 £	Estimated Outturn 2011/12 £	Base Budget 2012/13 £	Forecast 2013/14 £	Forecast 2014/15 £
132,681	Animal Welfare	135,550	133,800	135,850	135,670	135,500
108,020	Building Control Consortium	105,170	112,150	119,950	128,280	138,440
23,449	Depot - Bolsover	48,000	36,590	36,890	36,890	36,890
0	Depot - Riverside	0	0	0	0	0
(11,133)	Depot - South Normanton	(7,280)	(6,240)	(6,200)	(6,200)	(6,200)
0	Development Mgmt & Admin	0	0	0	0	0
150,352	Drainage Services	146,690	150,500	111,350	111,490	111,560
260,604	Engineering Services	267,870	227,260	225,780	224,770	224,270
209,928	Food Safety	256,460	233,250	252,390	254,590	256,990
0	Grounds Maintenance	0	0	0	0	0
126,135	Health & Safety	136,900	120,070	135,180	135,950	136,760
12,552	Licensing	17,080	9,960	(4,841)	(4,400)	(3,871)
295,147	Parks, Playgrounds & Open Spaces	294,520	238,440	243,590	241,260	240,170
71,096	Pest Control	76,880	76,940	78,540	78,540	78,550
127,768	Planning Conservation	94,440	98,990	76,090	76,090	76,100
297,777	Planning Development Control	199,610	186,590	186,360	186,290	186,450
75,818	Planning Enforcement	76,660	80,030	80,750	80,750	80,760
3,423	Planning Environmental Initiatives	3,640	3,250	3,230	3,230	3,240
0	Planning Services Mgmt & Admin	0	0	0	0	0
360,660	Planning Policy	271,740	392,930	252,680	252,630	252,710
311,294	Pollution Reduction	316,390	340,100	314,680	314,610	314,720
34,427	Public Conveniences	39,910	33,310	30,700	30,700	30,700
35,390	Public Health	37,400	32,730	37,330	37,450	37,570
713,928	Street Cleansing	688,120	653,930	620,150	615,140	610,100
0	Vehicle Fleet	0	0	0	0	0
1,577,591	Waste Services	1,621,560	1,622,040	1,450,920	1,395,750	1,394,870
<b>4,916,907</b>		<b>4,827,310</b>	<b>4,776,620</b>	<b>4,381,370</b>	<b>4,329,480</b>	<b>4,336,280</b>



Regeneration – Developing healthy, prosperous and sustainable communities

Actual 2010/11 £	Details of Expenditure	Original Estimate 2011/12 £	Estimated Outturn 2011/12 £	Base Budget 2012/13 £	Forecast 2013/14 £	Forecast 2014/15 £
9,356	Alliance	14,680	14,790	14,760	14,770	14,770
71,244	Bolsover Wellness Programme	57,950	56,990	60,740	61,570	61,700
299,656	Economic Development	322,650	342,530	324,380	325,040	325,230
0	Economic Development Enterprise Academy	0	0	0	0	0
0	Economic Development Enterprise Coaching	0	0	0	0	0
0	Economic Development Project Officer	0	0	0	0	0
0	EMDA - Shirebrook Master Plan	0	0	0	0	0
44,240	Feasibility Studies / Development Briefs	0	17,500	0	0	0
0	Home Improvement Agency	(30)	0	0	0	0
0	LEGI - Making The Connection	0	0	0	0	0
0	LEGI - Public Procurement	0	0	0	0	0
39,460	Markets	38,120	59,440	0	0	0
(84,849)	Pleasley Vale Electricity Trading	(6,690)	(6,440)	(6,440)	(6,440)	(6,440)
51,000	Pleasley Vale Mills	(33,510)	(19,810)	(25,470)	(23,390)	(21,360)
(16,600)	Premises Development	(16,450)	12,990	(32,170)	(32,160)	(32,160)
242,500	Private Sector Housing Renewal	184,730	180,060	179,410	179,400	179,380
0	Regeneration Mgmt & Admin	0	0	0	0	0
0	Sherwood Lodge Development	0	18,000	0	0	0
0	Strategic Housing Projects	0	0	0	0	0
53,173	Strategic Sub-Regional Partnership	52,860	57,170	56,450	56,540	56,560
(400)	Street Trading	(840)	(840)	(930)	(930)	(930)
33,420	Tourism Promotion & Development	48,440	41,860	41,440	41,460	39,030
<b>742,200</b>		<b>661,910</b>	<b>774,240</b>	<b>612,170</b>	<b>615,860</b>	<b>615,780</b>



## Social Inclusion – Promoting fairness, equality and lifelong learning

Appendix 1e

<b>Actual 2010/11 £</b>	<b>Details of Expenditure</b>	<b>Original Estimate 2011/12 £</b>	<b>Estimated Outturn 2011/12 £</b>	<b>Base Budget 2012/13 £</b>	<b>Forecast 2013/14 £</b>	<b>Forecast 2014/15 £</b>
0	Bolsover Apprenticeship Programme	0	0	60	0	0
621,294	Concessionary Fares & TV Licenses	22,450	22,460	22,080	22,200	22,290
227,017	Creswell Leisure Centre	293,230	221,630	225,060	225,200	221,180
80,828	Culture & Heritage	84,330	82,730	69,660	69,680	69,740
0	Family Intervention Project	0	0	0	0	0
36,110	Frederick Gents School Community Use	37,640	36,080	39,670	39,680	39,750
52,498	GO Football	46,200	43,330	45,600	45,510	45,450
119,201	Homelessness	145,370	137,900	140,510	140,920	140,880
318,210	Kissingate Leisure Centre	319,740	309,270	100,000	70,000	50,000
(1,498)	Miscellaneous Expenses	79,030	74,350	6,530	6,530	6,530
93,302	Outdoor Sports & Recreation Facilities	86,890	86,960	90,220	89,500	89,220
2,267	Repair & Maintenance (G/F)	0	0	0	0	0
(17,121)	S106 - Formal & Informal Recreation	(7,470)	(7,470)	0	0	0
0	S106 - Percent for Art	0	0	0	0	0
123,527	Sports Development	127,430	127,960	135,740	135,760	135,810
(18,088)	Town Centre Housing	(12,250)	(17,050)	(17,050)	(17,050)	(17,050)
1,961	Welfare Services	2,000	0	0	0	0
<b>1,639,508</b>		<b>1,224,590</b>	<b>1,118,150</b>	<b>858,080</b>	<b>827,930</b>	<b>803,800</b>



## Strategic Organisational Development – Continually improving our organisation

Actual 2010/11 £	Details of Expenditure	Original Estimate 2011/12 £	Estimated Outturn 2011/12 £	Base Budget 2012/13 £	Forecast 2013/14 £	Forecast 2014/15 £
0	Audit Services	0	0	0	0	0
0	Building Cleaning	0	0	0	0	0
0	Catering	0	0	0	0	0
0	Chief Executive & Partnership Team	0	0	0	0	0
0	County Elections	0	0	0	0	0
1,080,608	Corporate Management	1,024,740	1,008,960	966,210	970,470	977,410
0	Customer Service & Performance	0	0	0	0	0
873,755	Democratic Representation & Mgmt	883,800	884,560	866,450	866,380	869,400
0	Democratic Services	0	0	0	0	0
7,263	District Council Elections	59,000	59,000	0	0	0
73,185	Electoral Registration	71,490	69,820	70,130	84,450	70,100
0	European Elections	0	0	0	0	0
0	Financial Services	0	0	0	0	0
0	Human Resources & Payroll	0	0	0	0	0
0	Information & Communication Technology	0	0	0	0	0
0	Joint Director of Corporate Resources	0	0	0	0	0
0	Joint Director of Development	0	0	0	0	0
0	Joint Director of Health & Wellbeing	0	0	0	0	0
0	Joint Director of Neighbourhoods	0	0	0	0	0
(0)	Legal Services	0	0	0	0	0
860,865	Non Distributed Costs	1,003,020	1,053,700	1,046,070	1,020,950	971,830
0	Parliamentary Elections	0	0	0	0	0
0	Parish Council Elections	0	0	0	0	0
0	Referendum	0	0	0	0	0
0	Reprographics	0	0	0	0	0
0	Shared Procurement Unit	0	0	0	0	0
0	Sherwood Lodge	0	0	0	0	0
0	Solicitor to the Council	0	0	0	0	0
0	Strategic Alliance with NEDDC	0	40,600	0	0	0
<b>2,895,675</b>		<b>3,042,050</b>	<b>3,116,640</b>	<b>2,948,860</b>	<b>2,942,250</b>	<b>2,888,740</b>

## Appendix 1 : Table 2

### BOLSOVER DISTRICT COUNCIL : GENERAL FUND RISK REGISTER

Risk and Mitigation in Place	Gross Value of Risk £000's	Probability	Potential Impact £000's
<p><b>1. Overspend on challenging revenue budgets.</b></p> <ul style="list-style-type: none"> <li>➤ The financial information system and budget monitoring arrangements are robust. The Council has a good record of managing spending against budgets.</li> <li>➤ Regular monitoring reports will be taken to Executive, Council and Audit Cttee.</li> <li>➤ Elected Members have a good awareness of the Council's budget position.</li> <li>➤ Additional controls on expenditure have been put in place, and these will help develop the understanding of the budget position amongst managers.</li> </ul>	1,000	25%	250
<p><b>2. Reduction in Government Grant in excess of the 5% allowed for in the MTFP</b></p>	500	40%	200
<p><b>3. Inability to achieve assumed level of efficiencies.</b></p> <ul style="list-style-type: none"> <li>➤ Regular reports will be taken to Executive to update Members, with progress to be outlined in regular reports to Council and Audit Committee.</li> <li>➤ Most of the necessary savings for 2012/13 are in the process of being implemented.</li> <li>➤ The Council has a good record of achieving savings during 2011/12 and will be able to build on that position.</li> </ul>	1,000	25%	250

<b>Risk and Mitigation in Place</b>	<b>Gross Value of Risk £'s</b>	<b>Probability</b>	<b>Potential Impact £'s</b>
<p><b>4. Overspend on Capital Programme or underachievement of capital receipts leads to a charge against the Revenue Position</b></p> <ul style="list-style-type: none"> <li>• The revenue framework outlined above will also govern the position in respect of the Capital Programme.</li> <li>• The Council has agreed a general principle of not entering into capital commitments unless the resources required to fund those commitments has been secured.</li> </ul>	250	40%	100
<p><b>5. A major Business Continuity Issue arises.</b></p> <ul style="list-style-type: none"> <li>• The Council has in place Business Continuity Plans and Insurance Arrangements which are intended to address these risks.</li> <li>• Previously in exceptional circumstances Central Government has provided financial support to authorities in these circumstances.</li> </ul>	2,000	5%	100
<p><b>6. Further falls in level of income from Business units, Leisure Services, property rent and planning fees.</b></p> <ul style="list-style-type: none"> <li>➤ Budgets have been established on a prudent basis.</li> <li>➤ The position on income levels will be monitored as part of the Council's routine monitoring procedures.</li> </ul>	1,000	25%	250

<p><b>6. Increased cost of housing benefits as a result of increasing costs not being fully covered by additional government grant.</b></p> <p>➤ Budgets have been established on a prudent basis.</p>	250	40%	100
<p><b>7. An increase in employee costs associated with a national pay award, or with changes in local terms and conditions.</b></p> <p>➤ The Council is of the view that its budget includes appropriate provision for any pay award or other increase in employee costs.</p>	250	20%	50
<p><b>Calculated Potential Financial Impact of Identified Risks</b></p>			<b>1,300</b>



Committee:	Executive	Agenda Item No.:	7. Appendix 2
Date:	6 <sup>th</sup> February 2012	Status	Open
Category	3. Part of the Budget and Policy Framework		
Subject:	Medium Term Financial Plan – Housing Revenue Account		
Report by:	Director of Corporate Resources		
Other Officers Involved	Chief Accountant		
Director	Director Of Corporate Resources		
Relevant Portfolio Holder	Councillor E. Watts, Leader of the Council		

### **RELEVANT CORPORATE AIMS**

STRATEGIC ORGANISATIONAL DEVELOPMENT – to continually improve the efficiency and effectiveness of all Council Services by maximising the potential use of Council resources.

### **TARGETS**

The development of Policy Led Budgeting will help to inform future spending plans and assist in the delivery of annual efficiency gain targets.

### **VALUE FOR MONEY**

The Budget Process challenges existing spending levels and new spending proposals to ensure that resources are effectively used and directed towards the delivery of the Corporate Aims.

### **Introduction**

52. This report considers the elements of the Medium Term Financial Plan relating to the Council's Housing Revenue Account (HRA) budgets. As such it covers the Council's revenue expenditure relating to the provision of Council Housing. While this report is predominantly concerned with financial issues it needs to be recognised that the Council's financial plans are part of a wider service planning framework which incorporates both service plans together with the range of related Council strategies and policies. This financial and service

planning framework clearly has a direct impact upon the quality of the housing provided by the Council to our tenants.

53. The Housing Revenue Account Budget report will form part of the Council's Medium Term Financial Plan.

54. The main areas covered by this report are as follows:

Item	Page
2011/12 Estimated Outturn	2
2012/13 Original Budget	3
• Housing Revenue Account Reform	3
HRA Budget 2012/13	
Level of Council House Rents	8
Fees and Charges	8
Financial Reserves	9
Level of HRA Balances	10
HRA Risk Register	10
Recommendations	
Housing Revenue Account Budget	Table 1
Proposed Service Charges	Table 2
Housing Revenue Account – Risk Register	Table 3

The provisional budgets for both 2011/12 (Estimated Outturn) and 2012/13 (Original Budget) are shown in Appendix 1 to this report. The Appendix also details the projected position – on the basis of current patterns of income and expenditure – for both 2013/14 and 2014/15. The provisional HRA budget has been considered by the Scrutiny Committees during late January and early February before being considered by Executive at its meeting on 6<sup>th</sup> February 2012. Executive will then recommend a budget for approval by Council on 15<sup>th</sup> February 2012.

### **2011/12 Estimated Outturn Budget**

55. In February of 2011 Members agreed a budget in respect of the current financial year 2011/12. That original budget is set out in detail in Table 1 of this report, where it can be compared against the Estimated Outturn Budget for 2011/12 which it will be recommended that Members approve as part of the current budget setting process. A number of pressures and variances from the original budget have been reported on during the course of the current financial year and the current position is set out within the Table. The net

outcome of the variations that have currently been identified is that an additional draw on balances of some £0.443m will be required at the end of the current financial year.

56. This additional call on balances has arisen because of 3 main factors which are a reduced recharge to the capital programme (£284k), an increase in the cost of providing the Supporting People Service (£80k), together with an increased contribution to an insurance reserve (£50k). While these represents a significant increase in costs the recharge to the capital programme will be reviewed at the year end when a higher charge may be considered to be appropriate, the increase in Supporting People costs arises from a reduction in government grant and the contribution to the Insurance Provision reflects increased costs arising out of the retendering of the Council's insurance contract. To a large extent these costs issues have arisen as a result of circumstances out of the Council's control. The overall impact of the Estimated Outturn is to turn a forecast surplus of some £0.237m into a projected year end deficit of £0.177m. The impact of the level of HRA balances is offset by the fact that the outturn position for 2010/11 was better than forecast and accordingly the working balance on the HRA at the year end falls from the opening balance of £1.084m to one of £0.879m.

## **Housing Revenue Account Budget 2012/13**

### **Housing Revenue Account Reform**

57. Before moving to consider the HRA budget that is proposed in respect of 2012/13 it is important that this budget is placed in the context of the Government's HRA reform. The reform that is currently in the process of being introduced has been the subject of consultation for a period of some 2 years having originally being proposed by the previous Government.
58. The key feature of the new HRA financial framework is that local authorities will be set free from the operation of the current national housing subsidy pool. In practical terms for Bolsover District Council the main impact will be that our current annual payment of some £5m to the national HRA pool will be replaced by a requirement to buy ourself out of the system by making a one off payment to central government currently estimated at £94.386m. The Council will effectively be obliged to make this payment and like other local authorities will need to fund this payment by entering into long term capital borrowing. At a national level the impact of the additional borrowing by local authorities will be to reduce the borrowing undertaken by national government. In terms of the public sector overall what will take place is effectively a redistribution of debt.
59. Given the scale of the additional borrowing that will be required as a consequence of the introduction of the revised HRA arrangements the Council's overall borrowing will increase from a figure of some £8m to one of

£103m. Clearly there will be a significant increase in the Council's costs in respect of interest payment and the repayment of debt but that will be offset the fact that the Council will no longer be required to pay over an annual sum in excess of £5m (which was increasing) into the national HRA pool. One of the uncertainties in setting this year's HRA budget will be the fact that the Council will not be entering into the new borrowing of £95m until the 26<sup>th</sup> March which is clearly after the HRA budget will be formally agreed at Council on the 15<sup>th</sup> February. While officers acting on the basis of advice from Sector our Treasury Management consultants have arrived at a view of the likely interest rate that will apply to the new borrowing given the size of the sum that is to be borrowed even a minor discrepancy in the actual as opposed to the anticipated interest costs will have a significant impact on the HRA budget for 2012/13. In the light of the inevitable uncertainty regarding the rate of interest which will be chargeable from April 2012 officers have taken the view that it would be appropriate to adopt the 4.5% rate of interest used in the 30 Year Business Plan model. On the basis of current information and interest rates officers have taken the view that the actual interest costs will be below those set out within the Business Plan. Once the actual borrowing has been undertaken in March 2012 then a further report will be brought back to Committee in April 2012 providing details of the actual interest rates at which borrowing has been undertaken, together with an assessment of the impact of that borrowing on the Business Plan.

60. While there remain some significant financial uncertainties surrounding the new financial regime for the HRA there is a general view that the proposed settlement is a manageable one especially in the light of the background of the public expenditure reductions introduced by the Comprehensive Spending Review of autumn 2010. With respect to the affordability of these proposals the Government has determined the settlement sum for each Council based on its discounted cash flow model which calculates income and expenditure cash flow for the HRA based on a range of assumptions over a 30 year period. The model provided by the Government has been reviewed by the Council's own officers and by a specialist external HRA advisor both of whom are of the view that on the basis of the settlement sum the Government's model shows that this Council's HRA will be able to afford to meet the capital financing costs that flow from this increased borrowing requirement.
61. While the new settlement should prove to be an affordable and a sustainable one the revised financial governance framework does place significantly more responsibility upon individual local authorities. While rent levels will in effect continue to be established by Central Government under the convergence requirement, individual local authorities will be responsible for the development and operation of a HRA business plan. Within the context of the Business Plan it will be necessary to ensure adequate financial provision to maintain and refurbish the stock to an appropriate standard and to meet the service expectations of our tenants. Members have already received training from an external consultant regarding the new roles and responsibilities and an

ongoing programme of involvement around the development of the HRA Business Plan will be important if the Council is to effectively manage its stock.

62. As outlined in section 9 (above) given the importance of the borrowing that will be undertaken in order to finance the transition into HRA reform a further report on the HRA budget in respect of 2012/13 and future financial years will be brought back to Members in April 2012. This will report the outcome of the exercise to undertake the level of borrowing necessary and will consider whether it has resulted in any significant variance from the position presented in the Medium Term Financial Plan. Members should also note that at its meeting of 1<sup>st</sup> March 2012 Council will be considering its Treasury Management Strategy for the period 2012 /13 to 2014/15. While the Council will continue to operate within the context of the established prudential framework the scale of the Council's HRA debt will be required to increase from a level of £8m to one of £103m which clearly constitutes a major change.
63. In financial terms it is intended that the costs of servicing the borrowing (interest and principal repayments) will be offset by the cessation of the housing subsidy payments to central government. While this will offer greater financial freedom and certainty to local authorities it will not change the relationship between the local authority and its tenants. The existing tenancy arrangements and legislative frameworks will remain in place leaving the position of our tenants unchanged as a direct result of this particular reform. Crucially Central Government will retain its current powers to set rent levels and has maintained its long standing commitment to the convergence of rents between Council Housing and other forms of social housing. Under this principle the target level for rent convergence requires tenants in Council Housing to pay broadly the same level of rent as other providers of social housing. Rents within Bolsover are significantly below the 'target' rents. Nationally rents will increase by inflation plus ½%. For tenants of Bolsover District Council it is anticipated that individual rents will move towards the 'target' rents, but that no individual rent will increase by more than inflation plus ½% plus £2 as a result of the national rent convergence policy. Most rents will meet the target after 5 years. It is worth noting that the debt settlement has been calculated by government on the basis that Bolsover District Council continues to follow the rent convergence model. Failure to increase rents in line with the convergence formula will undermine the Business Plan, and impact upon the services provided to tenants this will cause a risk to the Business Plan.

### **Housing Revenue Account Budget 2012/13**

64. The proposed HRA budget in respect of 2012/13 has been established in the light of the HRA reform which is outlined in the above section of this report. A copy of the proposed budget is set out in Table 1 to this report. It is planned that the Council will be in a position to increase the level of its HRA General Reserves by an amount of some £0.334m which will take them to a level of

£1.214m as at the end of March 2012. As already outlined the main focus of the figures provided in respect of 2012/13 concerns the estimate of the likely interest charge in respect of next financial year. Officers have worked on the basis that the overall rate interest rate will be one of 4.5% which is derived from the latest HRA Business Plan. However, as already outlined this will need to be reviewed in the light of the interest rates secured on the borrowing the is actually entered into on the 28<sup>th</sup> March 2012 in order to fund the buyout payment to central government necessary to exit the current Housing Subsidy system.

65. At this point in time it is recommended that no repayment of principal is scheduled for the early years of the reformed HRA system. This approach is consistent with the work undertaken on the Business Plan which indicates that the first repayment of principal should take place in 2015/16, with the initial debt to be repaid over 25 years. The recommendation that no debt be repaid during the early years of HRA reform reflects the fact that there is an acknowledgement that in the early years of the new system those authorities which are currently charging rent at a level significantly below the rent convergence figure will be financially challenged during the early years of reform. In common with a number of local authorities in this area Bolsover District Council is charging a rent below the target level that is assumed within the Government's settlement figures. As a consequence income in the short term will be constrained below the underlying levels of income assumed in the Government's model. In addition to the shortfall of income the Council has some identified capital requirements where it would be appropriate to undertake further borrowing in the initial years of the new HRA system in order to fund the capital work concerned. Again under the current Business Plan the Council would borrow up to the HRA debt ceiling – as prescribed by the Government – in the years up to 2015/16 before repayment began. Given that the Government has provided the Council with headroom of some £10 m above the current need to borrow the Business Plan has taken the view that the longer term financial stability of the HRA would be promoted by undertaking such borrowing before repayment commenced in 2015/16. This has been taken into account in the Business Plan which has been developed with external consultants which indicates that the Council will be in a position to commence principal repayments with effect from the 2015/16 financial year. A copy of the summary of that 30 year Business Plan is attached as Appendix 2 to this report for information.
66. In addition to decisions about the level of principal repayment of the HRA loan the Council also now needs to give active consideration to the level of capital expenditure which it is able to fund. Under the current system the level of investment is determined by the Government setting the Major Repairs Allowance, by it providing additional funding such as grant or borrowing power or by the Council agreeing a contribution from the HRA revenue account in order to fund its capital expenditure requirements. Under the revised HRA which will operate from 2012/13 individual local authorities will be able to

determine the level of capital expenditure, but they will be restricted by the Government's HRA borrowing ceiling – which controls the amount of borrowing that may be undertaken- and by the ability to generate a cash or revenue surplus from the HRA operational activities with which to fund capital expenditure.

67. On the basis of the current HRA budget as set out in Table 1 the Council will be able to fund a HRA Capital Programme of some £4m in respect of 2012/13. This level is in line with the Approved Programme in respect of 2011/12 the final year of the current HRA system. Once the Council has undertaken the necessary borrowing at the end of March 2012 and refreshed the Business Plan accordingly then consideration will be given as to whether to increase the capital programme on the basis of funding from the revenue account, or by undertaking additional borrowing which will move the Council closer to the borrowing level allowed by the HRA borrowing ceiling. The capital funding of £4m already identified will provide the Council with a sufficient funding to cover existing commitments and programmes in respect of next year's Capital Programme. Officers are currently working with members and tenants to develop a more detailed Asset Management Strategy and Plan and this will be reported to a future meeting. On the basis of the currently available details the Council will be in a position to increase the size of its HRA capital programme over the next few years in line with the growing requirement for additional investment in the housing stock in order to maintain a position where all out homes are at decency standard.
68. Other than for the replacement of the payments of negative Housing Subsidy into the national HRA pool with the increased capital financing costs the proposed HRA budget in respect of 2012/13 is essentially a roll forward one. It is planned that tenants will see a continuation of existing levels of service over the period of the current Medium Term Financial Plan. The expectation that tenants will see a continuation of existing services is in line with the Government's approach to the implementation of HRA reform.
69. At the conclusion of this section of the report it is perhaps important to restate that HRA reform does not change in any way the relationship between the Council and its tenants.

### **Planning Budgets 2013/14 to 2014/15**

70. In line with established good practice the MTFP sets out the Council's projected financial position over a 3 year period. The forecasts in respect of the latter two years are largely based upon a roll forward of the budgets in respect of the next financial year. While the Council's MTFP will continue to be based upon a 3 year rolling forecast that will be underpinned by the 30 Year HRA Business Plan. That Business Plan will in particular set out the capital expenditure required and the level of loan repayment that will be possible in

future years. While the Business Plan will have a significant influence upon both the current year's budget and the MTFP planning period, current levels of income and expenditure and performance will in turn need to inform and update the projections which are set out in the Business Plan.

71. Within the budgets in respect of these latter two years the key assumptions that are made are as follows :
- The Council continues with its agreed policy of implementing rent convergence. Given that rent convergence is needed within the 30 year HRA Business Plan in order to secure a sustainable HRA this is a key assumption.
  - Interest rates remain at current levels with a rise in Bank Rate – which determines short term borrowing and investment costs – in the region of 1%.
  - That salary costs rise by 1% in 2013/14 and 2% in 2014/15
  - No general figure has been allowed for inflation but allowance has been made for specific items where that is considered to be appropriate.

### **Level of Council House Rents**

72. Since 2002/03 central government has required local authorities to comply with the Rent Restructuring requirement. These arrangements were established to remove the large discrepancies between the rent charged for similar properties both by different Council's and by Registered Social Landlords (RSL's) in the same area. While rent restructuring has required that rent levels for council housing have been and continue to increase at above the rate of inflation the policy is intended to maintain rents for socially rented properties at affordable levels, and generally considerable below private sector levels..
73. For 2012/13 the calculation set out within the rent convergence formula requires an average rent increase for the tenants of Bolsover District Council of 9% or £6.14 over the 48 week rent period. As a result the average rent for a council house in Bolsover District Council will amount to some £74.39 in 2012/13. This is clearly a significant rise for local residents. The two main factors at work in the Government's calculation are the rate of inflation as at September 2011 (5.6%), together with the principle of rent convergence under which Council rents need to be in line with those of other providers. Under the rent convergence principles there is a further £2 a week increase plus 0.5%. Given that there is a significant gap locally between Council House rents and those of Housing Associations this factor also builds a significant increase into the formula. While the national rent guideline increase is set at 6.1% the fact that in the case of Bolsover District Council there is a greater discrepancy between Council House and target rents results in an increase significantly above the national level. Given that this situation applies across our region a number of other neighbouring local authorities are proposing a similar increase in rent levels.



74. While the formula provided by Central Government only contains full details in respect of 2012/13 the information that is available does indicate that rent levels will continue to rise by approaching 6 % in respect of both 2013/14 and 2014/15. It is clear that the principle of rent convergence will remain a key element of Government policy towards the social housing sector which suggests that rents will continue to increase at a greater rate than inflation. Given the financial pressures of HRA reform there are strong financial drivers for local authorities themselves to adhere to this approach if they wish to retain high levels of service to their tenants.

### **Fees and Charges**

75. While the main source of income for the HRA arises from the rents charged in respect of the housing stock the HRA is also dependent for its financial sustainability upon a range of other charges. These charges are now set in the light of an agreed principle that wherever possible the Council should seek to move as quickly as possible to a position where charges for the service reflect the cost of providing that service.
76. While the Council has adopted the general principle that charges to tenants should reflect the cost of providing the services, in many cases the historical charge was a notional one. Accordingly Members have recognised that the move to full charging should be phased in over a number of years. The revised pricing that is proposed in respect of 2012/13 reflects this continued approach.
77. A schedule of proposed charged – which have been incorporated into the proposed budget for 2012/13 – are set out within Table 3 to this report.
78. With respect to the services provided one of the key services provided to HRA tenants is the warden service. The majority of the warden's service is funded through a contract with the Supporting People Team at Derbyshire County Council. Current indications are that this contract will have no uplift for inflation in respect of 2012/13, and more generally the Supporting People Programme is subject to a major review. This will continue to be monitored and if appropriate further reports will be brought back to Council.
79. The proposed fees and charges in respect of those tenants who are funded through Supporting People are based upon charges being maintained at the current level.
80. However, there are a number of people who receive supporting people services which they choose to fund themselves. Currently the Council does not pass on the full cost of those services to customers. It is proposed that in respect of 2012/13 that these charges will increase by £2.05 ( 26%) for the

static warden service and £0.45 (17%) for the mobile warden service. Tenants on benefits will continue to have their service paid through Supporting People Grant.

**Level of HRA Balances.**

81. The Council has an established policy of seeking to maintain HRA working balances at a minimum level of £1m. The financial projections given in Appendix 1 (summarised below) show that the level of HRA balances is projected to fall just below that level with respect to 31<sup>st</sup> March 2012 with the recommended budget for 2012/13 seeing a rise to a level in excess of the £1M agreed minimum. The financial projections given in respect of future financial years show that on the basis of our current plans that the Council will continue to maintain this minimum balance over the period of the current Medium Term Financial Plan.

**Projected HRA Balances**

31 March 2012	31 March 2013	31 March 2014	31 March 2015
£m's	£m's	£m's	£m's
0.879	1.214	1.500	1.750

82. In the light of the HRA Risk Register which is provided at Table 4 to this report a level of working balances above £1m would appear to be adequate. HRA reform does offer local authority HRA's some increased flexibility around the opportunities to borrowing and our HRA borrowing limit does leave some flexibility of manoeuvre. While the Council will have some increased flexibilities under HRA Reform it will also have increased responsibilities and in considering the level of balances available to the HRA it will need to take into account future capital expenditure or other cash flow requirements as identified within the Business Plan.

**HRA Risk Register**

83. A financial Risk Assessment is set out in Table 3, which outlines the risks, the mitigation which is in place, the potential impact and the probability of the event occurring in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is currently facing. This indicates that the identified risks which the Council is currently facing amount to some £0.8m, which is in line with the Council's agreed minimum target level of HRA Reserves of £1m on the basis that the recommendations made within this report are accepted.
84. The assessment concerning the level of risk is essentially used for two purposes. In the first place an understanding of the risks which the Council

faces is crucial in agreeing an appropriate level of financial reserves which are required. This is covered in section 32 (above). Secondly, the identification of the risks is the first stage in the process of more effectively managing, or of mitigating those risks. By identifying the risks it is possible to avoid them, to insure against them, to transfer the risk, or most likely actions can be taken to reduce or to mitigate the risk. The Council's Financial Risk Register is closely linked to both the Strategic and Operational Risk Registers. The Council has in place a comprehensive approach to Risk Management which is reported on a regular basis to Executive, and this process will continue to be utilised in order to manage the key financial risks.

85. On the basis that the current proposals are implemented there will be a change in the nature of the strategic risks facing the HRA. While the HRA should benefit from greater financial certainty as a result of the ending of annual financial settlements from central government, this will only lead to greater financial stability overall if the Council is able to develop and deliver a robust 30 year Business Plan. The HRA Business Plan and Treasury Management Strategy are both crucial elements in mitigating the risk of financial instability or unsustainability for our local HRA housing stock. The Council, and our Tenants will each have a greater degree of influence under the new system than they have under the current system. This increased level of local influence will, however, need to operate within the context of a framework where rent levels will continue to be set nationally, where the housing stock is required, at a minimum, to meet the Decent Homes standard, and where a good level of service continues to be delivered to local tenants.
86. While much has been made of the difficulties experienced by local authority housing operations as a result of the fact that financial resources are only made available on an annual basis, it needs to be recognised that the current system also had some important flexibilities built into it. In particular the annual settlement acknowledged issues such as reductions in the level of stock arising from demolition, transfer and right to buy, while it also took account of changes in the costs of operating a housing service. These risks were in a sense transferred to central government and the national housing pool. With the introduction of HRA reform these risks will now need to be managed locally, and they emphasise the importance of robust local planning for the management of our Housing stock.

## **Financial Implications**

87. These are covered throughout the report and associated appendices.

## **Legal Implications**

88. The Council is legally obliged to approve a budget prior to the commencement of the new financial year in April 2012. This report together with the associated budget timetable has been prepared in order to comply with our legal obligations.

## **Other Considerations (eg Human Resources, Environmental, Crime and Disorder, Design and Community Safety)**

89. These are covered in the Service Plans which are based upon the resources allocated by the Budgets recommended for approval within the Medium Term Financial Plan.

## **Equalities Issues**

90. These are covered in the Service Plans which are based upon the resources allocated by the Budgets recommended for approval within the Medium Term Financial Plan.

## **Risk Management and Policy and Performance Issues**

91. A Financial Risk Register in respect of the Housing Revenue Account is provided at Table 3 to this report.

92. Policy and Performance Issues are covered in the Service Plans which are based upon the resources allocated by the Budgets recommended for approval within this Medium Term Financial Plan.

## **RECOMMENDATIONS**

- a) That Executive introduces the Government recommended rent increases with effect from 2<sup>nd</sup> April 2012. The recommended increase will bring about an average increase in rents of some 9%. However, the actual percentages will vary depending on the type of property.
- b) That the increases in respect of other charges as outlined in Appendix 2 Table 3 be implemented with effect from 2<sup>nd</sup> April 2012.

- d) That the Housing Revenue Account as set out in **Appendix 2 Table 1** be approved as the Revised Budget in respect of 2010/11 and as the Original Budget in respect of 2011/12.

ATTACHMENTS: Y  
FILE REFERENCE: None  
SOURCE DOCUMENT: Background papers held in Financial Services



Actual 2010/11 £	Details of Expenditure	Original Budget 2011/12 £	Estimated Outturn 2011/12 £	Base Budget 2012/13 £	Forecast 2013/14 £	Forecast 2014/15 £
<b>HOUSING REVENUE ACCOUNT</b>						
<b>Expenditure</b>						
3,800,931	Repairs and Maintenance	4,464,240	4,753,040	4,366,220	4,403,950	4,406,400
3,025,493	Supervision and Management	3,115,190	3,188,650	3,325,470	3,318,660	3,312,150
426,039	Special Services	500,250	475,270	479,760	479,880	479,880
192,022	Supporting People	154,100	233,600	223,929	224,289	224,709
104,518	Tenants Participation	118,360	101,090	114,070	114,070	114,050
114,731	Increase in Bad Debts Provision	100,000	100,000	150,000	150,000	150,000
4,441,806	Housing Subsidy Payable	5,349,450	5,349,450	0	0	0
326,160	Cost of Capital	363,290	311,930	4,579,930	4,579,930	4,579,930
6,743	Debt Management Expenses	7,520	6,510	11,850	11,850	11,850
0	Vacancy Factor	(30,000)	0	0	0	0
0	Contingency for Inflation and Other Items	0	0	32,170	49,510	67,020
<b>12,438,443</b>	<b>Total Expenditure</b>	<b>14,142,400</b>	<b>14,519,540</b>	<b>13,283,399</b>	<b>13,332,139</b>	<b>13,345,989</b>
<b>Income</b>						
(16,061,210)	Income	(17,584,038)	(17,586,618)	(19,090,019)	(20,168,734)	(21,194,232)
<b>(16,061,210)</b>	<b>Total Income</b>	<b>(17,584,038)</b>	<b>(17,586,618)</b>	<b>(19,090,019)</b>	<b>(20,168,734)</b>	<b>(21,194,232)</b>
<b>(3,622,767)</b>	<b>Net Cost of Services</b>	<b>(3,441,638)</b>	<b>(3,067,078)</b>	<b>(5,806,620)</b>	<b>(6,836,595)</b>	<b>(7,848,243)</b>
<b>Appropriations</b>						
2,113,597	Depreciation	2,539,930	2,166,490	2,167,270	2,168,080	2,168,920
1,053,792	T/f to Major Repairs / Capital Reserve	664,170	1,055,560	3,255,180	4,332,156	5,379,324
0	Contribution to Insurance Reserve	0	50,000	50,000	50,000	50,000
<b>(455,378)</b>	<b>Net Operating (Surplus) / Deficit</b>	<b>(237,538)</b>	<b>204,972</b>	<b>(334,170)</b>	<b>(286,359)</b>	<b>(249,999)</b>
<b>(629,065)</b>	<b>Working Balance at Beginning of Year</b>	<b>(735,309)</b>	<b>(1,084,443)</b>	<b>(879,471)</b>	<b>(1,213,641)</b>	<b>(1,500,000)</b>
(455,378)	Contribution to/(from) Balances	(237,538)	204,972	(334,170)	(286,359)	(249,999)
<b>(1,084,443)</b>	<b>Working Balance at End of Year</b>	<b>(972,847)</b>	<b>(879,471)</b>	<b>(1,213,641)</b>	<b>(1,500,000)</b>	<b>(1,750,000)</b>

## **APPENDIX 2 - TABLE 2**

### **HRA Fees and Charges 2012/13**

During the work to set charges for 2010/11 Members accepted a methodology where charges made to tenants should reflect the cost of providing the services.

In many cases, the actual charge made to tenants was a nominal charge only, and Members recognised that the move to full charging should be phased over a number of years.

The increases in charges shown below carry forward the methodology previously adopted and applies this to the increase for 2012/13

Each charge shows:

- a. The current charge:
- b. The proposed charge
- c. The increase – in financial terms and percentages.
- d. Information on the cost of provision
- e. The level of subsidy on 2011/12 – per user per week (ie d minus b)

And at the end of each section is information on:

- f. The loss income to the Council if the changes are not implemented (impact of no change) shown for a full year, and
- g. The total subsidy for the services (i.e. e. multiplied by the number of chargeable weeks and the number of customers)

## Section A – Charges made over 48 weeks

Types of charge	Current charge per week (£)	Proposed charge per week (£)	Increase (£ / %)	Cost of provision	2011/12 subsidy (£)
<b>a. HEATING</b>				Estimate	
Bedsit (sheltered)	6.89	8.32	£1.43/21%	12.88	£4.56
1 bed flat (sheltered)	9.78	11.80	£2.02/21%	18.26	£6.46
Wardens Flat	18.23	22.00	£3.77/21%	34.04	£12.04
1 bed bungalow	10.85	13.10	£2.25/21%	20.28	£7.18
2 bed flat	14.44	17.43	£2.00/21%	26.97	£9.54
2 bed bungalow	16.36	19.97	£3.61/22%	30.56	£10.59
					Total subsidy
	<b>Impact of no change</b>			<b>£53,130</b>	<b>£212,153</b>
<b>b. WARDEN SERVICES</b>					
Static (self funded)	7.86	9.91	£2.05/26%	£22.79	£12.88
Mobile Warden (self funded)	2.61	3.06	45p/17%	£4.84	£1.78
					Total subsidy
	<b>Impact of no change</b>			<b>£116.871</b>	<b>£174,260</b>
<b>c. WARDEN SERVICES</b>					
Static (SP funded)	22.79	13.10	Contract		See notes
Mobile Warden (SP)	4.84	4.84	Contract		
					Total subsidy
	<b>Impact of no change</b>			<b>n/a</b>	<b>n/a</b>
<b>d. SPECIAL SERVICES</b>					
Special Services	8.55	10.76	£2.21/26%	£20.67	£9.91
					Total subsidy
	<b>Impact of no change</b>			<b>£31,187</b>	<b>£139,849</b>
<b>e. BUGGY PARKING (inc electricity)</b>					
Buggy parking	2.75	3.00	25p / 9%	n/a	n/a
					Total subsidy
	<b>Impact of no change</b>			<b>£240</b>	<b>£0</b>
<b>f. GARAGES* (no subsidy)</b>					
Garages (direct debit)	7.00	7.50	50p/7%	7.50 est	n/a
Garages (other)	9.00	10.00	£1/11%	10.00 est	n/a
* note VAT will be charged to non-tenants.					
					Total subsidy
	<b>Impact of no change</b>			<b>£17,160</b>	<b>£0</b>

## Section b - Charges made over 52 weeks – not subsidised

Types of charge	Current charge per week (£)	Proposed charge per week (£)	Increase (£ / %)	Cost of provision	2011/12 subsidy (£)
Lifeline – Bronze	3.75	3.95	20p / 5%	3.95 est	0
Lifeline – Gold	5.80	6.10	30p / 5%	6.10 est	0
Lifeline – RSL	3.75	3.95	20p / 5%	3.95 est	0
					Total subsidy
	<b>Impact of no change</b>			<b>5.335.20</b>	<b>£0</b>



## Section C - Annual Charge – not subsidised

Types of charge	Current charge per year (£)	Proposed charge per year (£)	Increase (£ / %)	Cost of provision	2011/12 subsidy (£)
Garage Plot *	140	160	20 / 14%	£160 est	0
* note VAT will be charged to non-tenants.					
					Total subsidy
	<b>Impact of no change</b>			<b>£6,000 est</b>	<b>£0</b>

Notes – Supporting People.

The Council are currently in negotiation with Derbyshire Accommodation Support Team (formerly known as Supporting People) over longer term contracts. This will need that the costs and service specification need to be reviewed within the next few months.

## Section D – Proposed New Charges.

- It is proposed to introduce a new charge for applicants who require a weekly copy of the CBL listings. This would be set at £1 per week to cover postage costs.
- The Council are currently considering the purchase of a number of Tarran replacement bungalows. The rent and service charge for these properties cannot be determined at this stage but may be introduced during 2013/14. At that stage a further report will be brought back to Members for consideration.

## APPENDIX 2 Table 3

### HOUSING REVENUE ACCOUNT: RISK REGISTER

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
<p><b>1. With effect from April 2012 the Government has introduced a new financial regime to manage the HRA. Given the scale of the changes there are invariably some risks that the system will not operate as intended.</b></p> <ul style="list-style-type: none"> <li>• While the new system brings with it uncertainty and associated risks the flexibility incorporated within the system means that risks are more likely to materialise in respect of the longer term sustainability of the HRA.</li> <li>• The Council has undertaken appropriate preparation for the introduction of the reformed HRA including the use of specialist consultants to validate the Business Plan.</li> <li>• A longer term risk is that stock numbers will decline. This will be picked up through the Business Plans</li> </ul>	£1,000,000	25%	£250,000
<p><b>2. Rental collections fall as a result of the wider economic position and proposed changes to benefits system.</b></p> <ul style="list-style-type: none"> <li>• Assumed income levels have been calculated on the basis of previous experience and are based on prudent assumptions with appropriate bad debt provisions in place.</li> <li>• The Council will work with tenants to maximise benefits eligibility and to ensure rent payments are kept up to date.</li> </ul>	£500,000	50%	£250,000

<ul style="list-style-type: none"> <li>The Council has recently strengthened its procedures for the recovery of arrears and has established appropriate financial provisions should write offs be required.</li> </ul>			
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--	--

<b>Risk and Mitigation in Place</b>	<b>Gross Value of Risk £'s</b>	<b>Probability</b>	<b>Potential Impact £'s</b>
<p><b>3. There are unanticipated pressures on demand led budgets such as repairs and maintenance, or costs rise more quickly than anticipated in the budget.</b></p> <ul style="list-style-type: none"> <li>All budgets are based on previous experience of expenditure / income and should be sufficiently robust to cope with the expected range of fluctuation.</li> </ul>	£500,000	25%	£125,000
<p><b>4. A significant Business Continuity issue arises.</b></p> <ul style="list-style-type: none"> <li>The Council have developing Business Continuity Plans which should reduce these risks.</li> <li>Appropriate insurance arrangements are in place.</li> <li>In exceptional circumstances Central Government has provided an element of financial support.</li> </ul>	£2,000,000	5%	£100,000
<p><b>5. Loss / Reduction of Supporting People Grant from the County Council.</b></p> <ul style="list-style-type: none"> <li>The Council will be consulted regarding any proposed changes to the current regime and this would provide an opportunity to consider options.</li> </ul>	£200,000	50%	£100,000
<b>Calculated Potential Financial Impact of Identified Risks</b>			<b>£825,000</b>