Agenda Item No 12

Bolsover District Council

Executive

1st February 2016

Medium Term Financial Plan 2016/17 to 2018/19

Report of Councillor Ann Syrett, Leader of the Council

Purpose of the Report

- To secure the approval of Council to the proposed budget in respect of 2016/17 as part of a consideration of the Council's Medium Term Financial Plan covering the years 2016/17 to 2018/19.
- To provide Elected Members with an overview of the Council's financial position in order to inform the decision making process.

1 Report Details

Introduction

1. This report presents the following budgets and financial plans for Executive to consider:

   - 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.

   Once Executive has considered the position as set out within this report and the associated appendices then any recommendations made by Executive will be referred to the Council meeting of 3rd February 2016 in order to secure agreement to the Council's budget in respect of the 2016/17 financial year. It should be noted that the report has previously been considered by both the Budget Scrutiny Committee at its meeting of 21st January 2016 and by the Audit Committee at its meeting on 18th January 2016.

2. While all of the above accounts are detailed separately within the report it is important that Executive gives appropriate consideration to the Council's overall financial position which encompasses the three separate accounts as outlined within this report and to the range of services that it is planned to deliver to local residents. In addition to the consideration of the above three reports Council at its meeting of 3rd February 2016 will also be requested to consider the Council's proposed Treasury Management Strategy which links the above three accounts into the Borrowing and Investment strategy. This helps to ensure that the Council's financial plans are affordable, prudent and sustainable.

3. 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 incorporating both service plans together with the range of related Council strategies and policies. This framework helps ensure that the available resources are targeted at securing agreed Council priorities.

4. 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:

- <u>2015/16 Estimated Outturn Position</u>
  This is the current year budget revised to reflect changes which have taken place or which it is anticipated will take place during the remainder of this financial year. It will therefore provide a more accurate indication of the likely outturn position than the original budget in respect of the current financial year.

- <u>2016/17 Original Budget</u>
  This is the proposed budget for the next financial year commencing 1st April 2016 which Council will consider for approval at its meeting on 3rd February 2016.

- <u>2017/18 and 2018/19 Financial Plan</u>
  In accordance with good practice the Council agrees its annual budgets within the context of a Medium Term Financial Plan (MTFP) which includes financial projections in respect of the next three financial years. This approach 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 given that the Autumn Spending Review and other Central Government announcements are based upon plans which incorporate significant year on year expenditure reductions for local government.

Robustness of the Estimates

5 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 Executive Director Operations) is satisfied that the methodology adopted to calculate the estimates is 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, 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.

6 In arriving at the assessment that the methodology adopted is robust the Chief Financial Officer is satisfied that the policies upon which the estimates are based are 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 (2014/15) and to date in the current financial year as at the end of September 2015. The views of cost centre managers concerning the level of expenditure which will be incurred during the remainder of the 2015/16 financial year have 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 2015. This process has enabled a robust Estimated Outturn to be prepared in respect of the current financial year (2015/16), which has formed the basis for the 2016/17 Budget and the financial forecasts in respect of 2017/18 and 2018/19.

- With regard to estimates included within this report these have been developed with and agreed by the responsible cost centre managers who have the primary responsibility for managing them during the course of the financial year. This process has helped to ensure that agreed service developments, potential cost increases and changes in the level of demand for services, etc. have been taken into account. While the Chief Financial Officer is satisfied that the budgets which have been agreed are robust it does need to be recognised that with the agreement of cost centre managers non-employee related expenditure heads have been minimised and will need to be carefully managed if the Council is to operate within its approved budgets. This increases the risk of an overspend developing during the year as there is reduced capacity to manage unforeseen items of expenditure. This increased level of financial risk is taken into account in the Financial Risk Register which has been developed in respect of each of the three main accounts of the Council.

- 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.

2. **Conclusions and Reasons for Recommendations**

This report presents a budget for consideration by Executive and Council. It seeks to ensure approval to budgets in respect of the General Fund, the Housing Revenue Account and the Capital Programme which are fully funded within the year and therefore meet the Council's legal obligation to agree a balanced budget.

3 Consultation and Equality Impact

Consultation

- Given that this budget report is based on the assumption that in overall terms existing levels of service will continue to be delivered by the current staffing establishment then there is no requirement for an extensive consultation process to be undertaken. A specific meeting to consult on the impact of the proposed budget on the local business and commercial sector was held on the 25th January. The outcome of this meeting will be reported verbally at Executive and at the meeting of Council on the 3rd February.
- 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. These mechanisms which include active participation in the Local Strategic Partnership, a range of meetings with local groups and associations and a performance management framework which actively considers customer comments and complaints helps ensure that the Council remains responsive to local residents. These meetings help to inform the Council's understanding of the expectations of our local communities. 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.
- It should be noted that the budget process itself does not propose any significant change or amendment in the level of services provided to local residents, or any significant change to staffing structures or ways of working. Where significant change is planned this is subject to an appropriate consultation process - as set out in the Organisational Review Policy - concerning the specific proposal under consideration. The outcome of these consultation processes are reported back to Executive or Council for consideration as part of the decision making process.
- In terms of internal consultation on the budget consideration of a draft version of this report has been undertaken by both the Budget Scrutiny Committee at its meeting on 21st January and by the Audit Committee on the 18th January. The main themes of the report have also been discussed at the monthly meetings between trade union representatives and management.

Equality Impact.

- Equalities issues are covered in the Service Plans which are linked to the resources allocated by the budgets recommended for approval within the Medium Term Financial Plan.

4 Alternative Options and Reasons for Rejection

4.1 Alternative options are considered throughout the report.

5 Implications

5.1 Finance and Risk Implications

These are covered throughout the report and associated Appendices but may be summarised as follows:

General Fund

- Estimated Outturn 2015/16:
  The Council set the original budget for 2015/16 on the basis that it was necessary to secure £0.350m of savings. Due to a variety of factors including a reduction in debt charges (£0.6m), an improvement in non domestic rates income (£0.2m), net reduction in general expenditure combined with the ability to charge certain Invest to Save costs against the Transformation Reserve that position has been managed to one where there is a currently anticipated surplus of £1.317m. This is a significant achievement and provides the Council with a firm basis to address its forecast financial position over the period of the Medium Term Financial Plan. These underspends will be transferred to the Transformation Reserve where they will be available to support agreed priorities in future financial years.

- **Original Budget 2016/17:**
  The budget in respect of 2016/17 currently shows a shortfall of £57k. As part of the Council's longer terms plans to reduce expenditure in line with the reducing resource base officers are of the view that these financial savings will be secured during the course of next financial year. With respect to the element of Revenue Support Grant arising from the former Efficiency Grant (£0.843m) it is proposed that this be transferred to the Transformation Reserve. This will help maintain the momentum on the growth and transformation agenda and crucially will put the Council in a better position to secure the projected financial savings of £1.4m which it is anticipated will be necessary by 2018/19. By allocating the Efficiency Grant to the Transformation Reserve the Council will also be putting itself in a better position to manage the impact of ongoing Central Government austerity measures over the period of the current parliament. Managing our expenditure down over a period of

time is the approach most likely to protect the quality of services to local residents. Given the Council's performance over the previous four financial years the efficiency target of £0.057m should be readily achievable. The minimal level of savings required in respect of next year reflects the work that the Council has continued to undertake in order to secure efficiencies and to take advantage of the opportunities offered by the growth and transformation agenda in previous years. A continuation of that approach is essential to secure the necessary level of financial savings in future years whilst minimising the impact on local residents. As part of a strategy for addressing the Council's financial position over the period of the current parliament it is recommended that the Council agrees to an increase in Council Tax of 1.95%, which will provide a £0.065m contribution towards balancing next year's budget.

- **Budgets 2017/18 and 2018/19**

  With the Autumn Statement and subsequent information concerning the local government finance settlement released during December 2015 the Council has updated figures in terms of both anticipated expenditure and Government funding over the period of the MTFP. It does, however, need to be recognised that under the localism agenda the Council's budget is more dependent upon Non Domestic Rates and other income which fluctuate depending upon wider economic circumstances. Likewise, there is a significant change proposed in respect of both New Homes Bonus and NNDR which currently account for 50% of the Council's funding. While the savings target in respect of next financial year is relatively modest the identified shortfall grows to £1.1m in 2017/18 and £1.4m in 2018/19. While these are significant savings that need to be addressed it should be recognised that the position at Bolsover has been significantly mitigated by our strong record in respect of economic growth. Given the Government's spending plans it is clear that further reductions will continue to be required. While clearly these ongoing expenditure reductions will continue to have an impact on services it should be noted that the Council's current approach if continued will enable changes to budgets and service plans to be appropriately considered, planned and managed. This gradual ongoing planned approach is the most appropriate method for securing efficiencies to minimise the impact upon local residents.

Housing Revenue Account (HRA)

- The key issue for the HRA over the period of this Medium Term Financial Plan will be the Government's announcement made as part of the Budget Statement in July 2015 that rent levels would be reduced by 1% p.a. for a period of four years starting in April 2016. Given that the HRA Business Plan together with the transfer of £94.3m of debt to Bolsover District Council were based on rent increases in line with inflation as Council house rents moved towards target rent the estimated loss of rent income for Bolsover District Council is one of £0.4m in 2016/17, rising to one of £2m in 2019/2020 on the basis of current low inflation rates. Over the four year period the Council sees a cumulative loss of rental income of £5m, and given that rental levels in April

2020 will be £2m below planned levels this loss of rental income will cost in the order of £60m over the period of the 30 Year Business Plan. If inflation were to average 1.5% over the next 4 years then the loss of rental income would rise from £2m to one of £3m in the final year of the Government's current rent policy.

- A policy objective for the Government is to secure savings on the welfare budgets and given that nationally 60% of Council Tenants receive housing benefit those savings amount to £2.4bn of the Government £12bn target for welfare savings.

- While the reduced rent levels may well be welcomed by tenants and may be viewed as being preferable to other welfare cuts, they undermine the ability of the Council's Housing Revenue Account to provide homes which exceed the Decent Homes Standard and services which meet the expectations of our tenants. Given the Council's history of providing cost effective services, together with the high standard of the majority of our housing stock Bolsover District Council are in a better position than most authorities to manage these reductions in rental income. In order to continue to provide expected levels of service to our tenants and to fund the capital work necessary to maintain our stock at the Decent Homes standard Officers will need to operate within a range of more challenging budgets and secure significant efficiency savings. In addition it will be necessary to manage the HRA Capital Programme carefully to operate within the context of a rental stream which has the capacity to support £5m to £6m of capital upgrades per annum (which is broadly equivalent to current budgets). While the stock condition survey indicates that the Council can continue to maintain its stock at a good standard it will be necessary to phase the timing of work in line with the level of resources available. In addition there will be a reduction in our capacity to build new homes for local people. Council should, however, note that while our ability to deliver new homes will be reduced that we remain in a position to deliver the 100 properties under the approved B@home initiative.

- Officers will continue to monitor the position in respect of the HRA by maintaining an up to date 30 year Business Plan. While officers are of the view that the changes to rent setting arrangements can be managed without impacting on its long term sustainability, other factors such as increasing numbers of Right to Buy given the more generous discount rates, the potential forced sale of vacant high value properties and the risk that the rent reductions will go on beyond 2020 will threaten to undermine the financial viability of the HRA.

- **Estimated Outturn 2015/16**
  The Estimated Outturn figures shown within this report are in line with those previous reported to Executive in November 2015. While rental income was reduced by £0.261m largely as a result of increased voids this has been offset by reductions of a similar magnitude in the expenditure budgets. As a consequence the estimated HRA working balance of £1.891m remains in line with that agreed as part of the original budget for the year. While the Council

was working towards securing general HRA balances of £2m this objective will be difficult to achieve following the introduction of the policy of rent reduction. While £2m may seem a generous ‘buffer’ it is less than £400 per property.

- **Original Budget 2016/17**
  The key issues for 2016/17 as set out above are that an average rent reduction of 1% is required to comply with Government rent guidelines for social housing. That has the impact of reducing the average rent for a Council house from £85.28per week (on a 48 week basis) to one of £84.43 per week. While the Council is conscious that even these reduced rent levels are a significant burden on many of our tenants they are the only source of funding to deliver a housing service which meets tenant expectations. It should also be recognised that rental levels for Council housing are and will continue to be significantly below those in the private rented sector.

- **Forecasts 2017/18 and 2018/19**
  The forecast position for the latter two years of the proposed MTFP effectively project or roll forward the figures in respect of 2016/17. These figures indicate that despite the range of recent changes to the HRA which have reduced the future rental stream and made the loss of stock under Right to Buy more likely that the HRA remains financially sustainable. This position is supported by the HRA Business Plan which covers a 30 year period. Recent changes have, however, substantially impacted on the financial model which underpinned the localism of the HRA under which Bolsover District Council was allocated a debt of £94.3m to repay. These changes which all serve to reduce the longer term rental income of the HRA will add a further impetus to the ongoing work to secure efficiencies in the delivery of the Housing service.

Capital Programme

- Finally, with respect to 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. The financial provision to fund the ongoing programme of housing refurbishment work is planned to continue at a level of £5m per annum over the period of the proposed MTFP. After 2019/20 it will be necessary to increase the rate of spend as key elements of the Housing Stock, such as roofs, kitchens and bathrooms need replacement. At this stage given the reduced income flowing from the rent reduction it will become more challenging to fund the required level of capital works from within the resources available to the HRA.
- In addition to this routine work the Council is also in the process of commencing a £10m refurbishment at Bolsover Model Village which will refurbish the buildings externally reinstating a number of the key original features, whilst internally a major investment will be made in modernising the houses including thermal insulation. These measures will be part funded by the Heritage Lottery in respect of those houses which are privately owned. The investment should help address the level of voids in the Council’s Housing Stock in this area, whilst showcasing one of the District’s key heritage assets.

There is a more detailed report on the Executive Agenda of 1st February 2016 which provides further details concerning the New Bolsover scheme.

- Since the introduction of HRA reform in 2012 the Council has already built 55 new houses and this programme is set to continue with work now commenced on site to deliver 7 homes on a former garage site at Rodgers Avenue Cresswell. Further plans are in place for a further 93 new homes under the B@home programme. While the Council only progresses building new Council Houses on the basis that they are financially viable (generating income in excess of expenditure), the increasingly challenging financial position of the HRA will reduce the financial capacity for building new homes and place an increased dependency upon external funding to make sites viable..
- With regard to the General Fund the main schemes will include the revised plans for service delivery within Bolsover town. The Council is working to deliver a new contact centre co-located with Job Centre Plus on Cotton Street in the centre of the town. It is anticipated that partner organisation currently located in Sherwood Lodge will be moved into refurbished premises at Oxcroft House, allowing the Sherwood Lodge site to be redeveloped by its private sector owner. In addition work has now commenced on the enhanced Leisure Facility at Clowne which should be open before the end of the next financial year (2016/17). The Council is currently working with Shirebrook Town Council in order to secure a shared contact centre located in the Market Square. These facilities will serve to enhance the services that are provided to local residents whilst contributing to the sustainability of three of the main towns within the District.

Risk Issues

- A Financial Risk Register has been developed in respect of each of the main accounts and is provided at **Appendix 1 Table 4**, **Appendix 2 Table 3**, and **Appendix 3 Table 2**.

5.2 Legal Implications including Data Protection

- The Council is legally obliged to approve a budget prior to the commencement of the new financial year in April 2016. This report together with the associated budget timetable has been prepared in order to comply with our legal obligations. The recommended budget in respect of the Council’s three main accounts complies with the Council’s legal obligation to agree a balanced budget.
- There are no Data Protection issues arising directly from this report.

5.3 Human Resources Implications

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

6 Recommendations

That all recommendations below are referred to the meeting of full Council on the 3rd February 2016.

The following overall recommendations to Council are made:

a) That the view of the Chief Financial Officer that the estimates included in the Medium Term Financial Plan 2015/16 to 2018/19 are robust and that the level of financial reserves whilst at minimum levels are adequate, be accepted.

b) That officers report back to Executive and to the Audit Committee on a quarterly basis regarding the overall position in respect of the Council's budgets. These reports to include updates on progress in achieving the agreed range of savings and efficiencies necessary to secure a balanced for the 2016/17 financial year, together with progress on actions to ensure the longer term financial sustainability of the Council.

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

GENERAL FUND

a) A Council Tax increase of 1.95% as part of a range of measures necessary to manage the continued reduction in the level of central government funding.

b) That the grant subsidy provided to Town and Parish Council's in respect of the Local Council Tax scheme is revised with the grant phased out by March 2020, rather than the currently agreed date of March 2023.

c) The Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1** of this report be approved as the Estimated Outturn Budget in respect of 2015/16, as the Original Budget in respect of 2016/17, and the financial projection in respect of 2017/18 and 2018/19.

d) Officers continue to progress the implementation of measures designed to secure the forecast surplus in respect of 2015/16 and the agreed savings targets in respect of 2016/17 with progress to be reported back to Executive, Budget Scrutiny and Audit Committee on a quarterly basis.

e) That any underspend in 2015/16 - above that necessary to increase General Fund balances to £2m - is transferred to the Transformation Reserve.

f) That delegated powers be granted to the Assistant Director Planning and Environmental Health in consultation with the Leader of the Council to agree the Council's response to the Government Consultation paper "New Homes Bonus : Sharpening the Incentive".

g) That delegated powers be granted to the Chief Financial Officer in consultation with the Leader of the Council to determine whether the Council should accept the offer of a four year financial settlement from central government.

13 HOUSING REVENUE ACCOUNT

a) That Council sets its rent levels in line with Government regulations reducing rent levels by an amount of 1% to apply from 1st April 2016.

b) That the increases in respect of other charges as outlined in **Appendix 2 Table 2** be implemented with effect from 1 April 2016.

c) The Medium Term Financial Plan in respect of the Housing Revenue Account as set out in **Appendix 2 Table 1** be approved as the Estimated Outturn Budget in respect of 2015/16, as the Original Budget in respect of 2016/17, and the financial projection in respect of 2017/18 and 2018/19.

14 CAPITAL PROGRAMME

(a) The Medium Term Financial Plan in respect of the Capital Programme as set out in **Appendix 3 Table 1** be approved as the Estimated Outturn in respect of 2015/16, as the Original Programme in respect of 2016/17 to 2018/19.

(b) The Assistant Director (Property and Estates) be granted delegated powers in consultation with the Portfolio Member and the Asset Management group to approve the utilisation of the £100,000 of AMP Refurbishment allocation, which such approvals to be reported back to Executive through the Quarterly Budget Monitoring Report.

(c) The Asset Management Group be requested to continue with its work of identifying suitable assets for disposal or redevelopment in order to fund the Council's Capital Programme, reduce revenue costs and support the wider regeneration of the District.

7 <u>Decision Information</u>

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on	-

two or more District wards)	
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	**RELEVANT CORPORATE AIMS** **The budget process seeks to target resources in a manner which best enables the Council to deliver against its Corporate Aims. Effective Service Planning and Budget management are crucial to ensuring that the Council targets its resources at agreed service priorities.**

8 <u>Document Information</u>

Appendix No	**Title**
1	General Fund Revenue Account
2	Housing Revenue Account
3	Capital Programme

Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)

Report Author	**Contact Number**
Executive Director – Operations	(01246) 242431

APPENDIX 1

General Fund Revenue Account

Introduction

1. This report considers the element of the Medium Term Financial Plan relating to the Council's General Fund Revenue Account 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).

2. The General Fund Budget is one of the three constituent elements of the Council's Medium Term Financial Plan.

3. The recommended budgets for both 2015/16 (Estimated Outturn) and 2016/17 (Original Budget) are provided in Table 1 to this Appendix. Table 1 also details the projected position – on the basis of current patterns of income and expenditure – for both 2017/18 and 2018/19.

2015/16 Estimated Outturn

4. In February 2015 Members agreed a budget in respect of the current financial year (2015/16). Given that the Council was faced with achieving a significant level of savings this year it has been necessary to actively manage budgets and to remove agreed savings from the budget. Given that the budget has been under a process of ongoing revision the Revised Budget (the latest version considered by Executive at its meeting on the 30th November 2015) has evolved from the Original Budget approved in February 2015. For the purposes of this report, the comparison in Table 1 shows the movement between the Original Budget and the Estimated Outturn position. As part of the budget process it is recommended that Members formally approve the Estimated Outturn position as set out within Table 1. The main reason for the variation between the Original Budget and the Estimated Outturn is that the savings which were necessary to balance the budget have now been recognised in reduced service expenditure, while increased funding from reserves and S106 funding etc have been brought into the budget. All of these amendments are reflected in changes in the approved budget at cost centre level and have been subject to appropriate Member approval.

5. The key feature that has driven the Council's financial position during 2015/16 continues to be the ongoing reduction in the level of Central Government grant arising from the Government's Comprehensive Spending Review of Autumn 2010. In 2011/12 Bolsover was one of the 10 English local authorities which suffered the maximum reduction in spending power which resulted in the decision to provide Transition Grant in respect of 2011/12 (£2.311m) and 2012/13 (£1.930m), with

Efficiency Grant of £1.064m in 2013/14, 2014/15 and 2015/16. Against this background Bolsover District Council has taken appropriate measures in order to bring its underlying level of expenditure back into line with its underlying level of resources. With effect from 2016/17 Efficiency Grant has been incorporated into the Revenue Support Grant and will be phased out over the same timescale as RSG itself. For 2016/17 it amounts to £0.843m and in order to secure the objectives of Efficiency Grant this sum will be transferred into the Transformation Reserve.

6. The majority of the measures that have secured savings in previous and the current financial year will continue to provide ongoing savings for the Council into 2016/17 and beyond. As such they have made an important contribution to the financial sustainability of the Council. If these savings had not been secured then the financial challenge which would have faced the Council during 2016/17 and future years would have been significantly greater.

7. While budgets have been adjusted to minimal levels in order to maximise the level of financial savings secured, officers have continued to operate a policy of restricting expenditure wherever possible. While this management action may be offset by upward cost pressures, officers are of the view that the Council will achieve an outturn position with a significant underspend against the original budget for 2015/16. The forecast Estimated Outturn position in Table 1 incorporates an assumed surplus of £1.3m which is reflected in a contribution to balances. It should, however, be recognised that the continued availability of Efficiency Grant in 2015/16 has made a significant contribution by covering a range of costs on restructuring and service investment which otherwise would have fallen on the General Fund.

Original Budget 2016/17

8. 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 1st April 2016. The provisional budget which is recommended for consideration by Members is detailed in Table 1 of this Appendix.

9. In developing the proposed budget the main elements which have been taken into account are as follows:

- Financial Support from Government including Revenue Support Grant, Specific Grants, New Homes Bonus and National Non Domestic Rates.
- Expenditure, income levels and efficiencies
- Options for the level of Council Tax in respect of 2016/17
- The need to maintain an appropriate level of financial reserves to protect service delivery, organisational sustainability and maintain financial resilience.
- To maintain the Council's underlying level of expenditure in line with the forecast level of available resources in the light of the ongoing reductions in the level of government funding.

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

Level of Government Funding

10. The current financial year 2015/16 is the final year of funding covered by the Comprehensive Spending Review of October 2010. Following on from the General Election of May 2015 the Government detailed its expenditure plans for the period of the current parliament in the Autumn Statement of November 2015, with details at authority level becoming available during December 2015.The key issues affecting Bolsover District Council are as follows.

Revenue Support Grant

11. With respect to Revenue Support Grant the settlement has confirmed the previous policy that Revenue Support Grant will be phased out. The announcement detailed the amounts to be paid to Bolsover District Council as follows, £2.457m in 2016/17, £1.906m in 2017/18 and £1.558m in 2018/19. Within the figure for Revenue Support Grant is an amount of £0.843m in 2016/17, £0.654m in 2017/18 and £0.534m in 2018/19 which reflects the fact that BDC continues to benefit from Efficiency Grant. Given that Efficiency Grant was a specific grant intended to enable those Council's suffering from the most serious grant reductions to reduce expenditure through Invest to Save type initiatives it is proposed that this grant should continue to be transferred to the Transformation Reserve. It will therefore continue to be available to fund new initiatives to progress the Council's Growth and Transformation agenda which are central to the Council's plans to ensure financial sustainability over the medium term. While this funding could be allocated to support expenditure in the current financial year that would make the process of adjusting to a reduced underlying level of resources – when RSG/Efficiency Grant ends in 2019/20 - significantly more difficult.

New Homes Bonus

12. As part of the Autumn Statement the Government also announced that it would be undertaking consultation concerning future levels of New Homes Bonus. Government has indicated that it wishes to consider a reduction from 6 to 4 years for the payment, together with a review of the incentives that the grant provides for new homes. While the scheme remains unchanged in respect of next financial year (2016/17) it is relatively clear that with effect from 2017/18 a revised scheme will be introduced. Given that the national expenditure totals for funding the grant are consistent with a reduction to payment for a period of four years our assumptions regarding New Homes Budget has been amended accordingly in respect of 2017/18 and 2018/19.This change results in a reduction of resources of £0.363m and £0.462m respectively in 2017/18 and 2018/19. This reduction to a four year payment with effect from 2017/18 allows our forward financial planning to reflect the likely impact of the consultation process, however, it needs to be recognised that there are a number of options set out in the Consultation process each option potentially having a different financial impact on Bolsover District Council.

13. Alongside reducing the period of years for which New Homes Bonus is payable, the Government is also seeking to sharpen incentives to help ensure that the grant

rewards those authorities who are performing well in promoting housing growth. The Consultation process seeks views on the following options, with the proposed start date being 2017/18 with the financial savings being recirculated within the local government finance settlement to support those authorities with pressures on the adult social care budget:

- Withholding the Bonus from areas where an authority does not have a Local Plan in place. Under the Government's preferred option previous year allocations (prior to 2017/18) would not be lost, but future allocations would. The Consultation paper is not clear as to what criteria would be used to determine whether a Local Plan is in place. On the basis of our current project plan while it is anticipated that the Local Plan will have been published by March 2017, it will not at that stage have been subject to inspection. Given the desirability of having a Local Plan in place at the earliest opportunity together with the associated financial advantages, Officers will continue to progress work on the Local Plan at the earliest opportunity.
- Abating the Bonus in circumstances where planning permission has only been granted on appeal. Under this option the Government would reduce new in year allocations payments to authorities where residential development is allowed on appeal.
- Only making payments for delivery above a baseline reflecting an estimate of deadweight (homes that would be built anyway).
- While the Government's preferred option is to reduce payments to a period of four years as part of the consultation process it is considering whether to reduce payments to 3 or 2 years.

The closing date for responses to "New Homes Bonus : sharpening the Incentive : technical consultation" is 10th March 2016. Given the potential impact on the Council and the opportunity to influence the options it is recommended that delegated powers by granted to the Assistant Director Planning and Environmental Health in consultation with the Leader of the Council to agree a response on behalf of the Council.

National Non Domestic Rates (NNDR)

14. The Government also announced that a review of NNDR will take place with the intention that by the end of this Parliament all NNDR will be retained locally. Currently Bolsover District Council collects £10m of NNDR, of which £6m is paid to central government. Any reform will, however, be 'fiscally neutral' ie it will not benefit either central or local government financially, therefore to the extent to which a Council makes a 'profit' from the switch to a fully localised NNDR it will be required to accept additional financial responsibilities. This proposal amounts to a significant reform of local government finance and may have a disproportionate impact upon individual authorities even if in overall terms it is fiscally neutral. It does, therefore, introduce a further element of uncertainty into our forward financial planning.

15. While a further review of NNDR is now underway this comes against the background of a system which has already changed significantly over the last few years. In

particular the Government now provides local authorities an incentive to grow NNDR locally given that they currently retain 50% of the growth in NNDR levels against the baseline figure. Whilst all local authorities are provided with an incentive in that they will retain a proportion of any growth in Business Rates there is a safety net which will protect those local authorities which suffer from a reduction in their local Non Domestic Rating Base. There is accordingly a direct financial incentive for local authorities to promote economic growth in their area, although local authorities would take the view that they have already been active in promoting such growth in order to protect and promote local employment. For Bolsover, there are a number of schemes currently in the pipeline which should enhance the Non Domestic Rate Base over the next two to three years. There is, however, the clear risk that these may be offset by decline in other sectors of the local economy, or by the impact of revaluation. There is a full revaluation of all properties scheduled for 2017 which brings with it additional uncertainty. More generally whilst local authorities can facilitate and promote growth it does need to be recognised that there are other factors outside the influence of local authorities which are arguably of greater significance in promoting economic growth (the national economic position, geographical location, land availability). The localisation of business rates is, however, clearly intended to provide local authorities with an incentive to promote local economic development. With respect to next financial the budget has made the assumption that the Council will not secure any additional benefit from NNDR growth. Instead the potential NNDR growth anticipated for 2016/17is shown as part of the efficiency savings to be achieved during the course of the year. This prudent approach reflects the reality that under the Government's localism agenda there is a considerably greater degree of uncertainty over the level of income that will be secured during the financial year, with assumptions about NNDR being subject not just to new business opening but also to revaluation appeals and to existing business closing or relocating.

16. Executive will be aware that in respect of 2015/16 that a 'pool' of all authorities across Derbyshire was established in respect of Non Domestic Rate Income. Membership of a Derbyshire Wide pool was agreed by Council at a meeting 22nd October 2014 in recognition of the fact that authorities which are members of a pool generally benefit from retaining a higher level of locally generated NNDR income. Within the budget we have assumed that this Council will continue to benefit from membership of the Derbyshire Wide Pool, although the benefits are shown in the potential level of growth rather than directly in the base budget. Given the uncertainty concerning the availability of such income in respect of 2017/18 or future years no assumptions have been made regarding additional income beyond next year.

Four Year Settlement

17. As part of the Autumn Statement the Government has committed itself to providing Council's with an option of accepting a four year financial Settlement in order to remove some of the uncertainties over longer term financial planning. Details of that settlement have not yet provided, other than that those Council's which accept will need to submit an Efficiency Plan to central government. While details of the four year settlement are anticipated shortly there is no timescale provided for a response.

Officers are anticipating that it will be possible to report any proposed settlement to Committee, but to ensure that the Council is in a position to respond within the required timescales it is recommended that authority is delegated to the Executive Director Operations to accept – or reject – a four year settlement in consultation with the Leader of the Council.

Council Tax

18. Over the period of the previous parliament the Coalition government made it clear that it was opposed to any increase in Council Tax and provided grant support to those Council's following the policy of not increasing Council Tax. That policy was linked with the objective of keeping inflation low. In the Autumn Statement of 2015 there was a distinct change of emphasis in that in addition to the existing flexibility which allows authorities to raise Council Tax by up to 2%, those authorities which provide Adult Social Care will be able to increase Council Tax by an additional 2% ie up to 4% overall. While Bolsover – like other District Councils – will be 'capped' at 2%, the additional revenue raising powers to fund Adult Social Care indicates that the Government is now of the view that modest increases in Council Tax may be necessary to protect basic service levels, within the context of the policy objective of reducing the national deficit.

19. In addition to giving consideration to Council Tax as a means of raising revenue to avoid reductions to basic services, it is also appropriate that Members give consideration to the operation of the Local Council tax scheme. The scheme in respect of next financial year (2016/17) was agreed by Council at its meeting of 6th January 2016, however, given the financial shortfalls which the Council is facing over the period 2017/18 and 2018/19 it is appropriate that further consideration is given to the affordability of the current scheme. Executive will recall that when the previous Government introduced the Local Council Tax scheme in April 2013 it provided within Revenue Support Grant an amount of £400,000 in order to protect Town and Parish Councils from the financial impact of the new regime whereby 10% of the costs were passed from Central Government to local authorities. The general approach adopted by District Council has been to reduce the grant by 25% a year over a period of 4 years, whereas Bolsover District Council adopted a more gradual approach of reducing grant support by 10% a year. Under Bolsover District Council's current approach the scheme of subsidies would end in March 2023.

20. In the light of the latest financial settlement it is questionable whether this approach remains an affordable one for Bolsover District Council to maintain. The grant is currently costing the Council £300k per annum, and it is recommended that consideration is given reducing this grant by 33% a year from the year after next (2017/18), which would give this Council a financial benefit of £51k in 2017/18 and £102k in 2018/19. This would make a significant contribution towards easing the financial pressures on this Council, and given that RSG will now end in 2019/20 it seems appropriate that consideration should be given to ending a subsidy which is no longer funded by National Government. The overall saving to this Council would be as follows:

	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's
Saving based on March 2023 end date (current policy)	(51)	(102)	(153)	(204)
Saving based on March 2020 end date (option)	(102)	(204)	(306)	(309)
Additional Saving Secured	(51)	(102)	(154)	(102)

The impact of this proposal on individual Town and Parish Councils is set out in the Table given in Table 3 to this Appendix. This decision is brought to Council for consideration at this stage in order to be able to notify Parish Council's of the proposed change at the earliest opportunity, giving them an appropriate timescale to agree 2017/18 budgets. While Members will be aware that this passes the burden from the District onto the Parish Councils it should be noted that for the Parish Councils the increased loss in grant amounts to 2% of the precept, which is a significantly lower expenditure reduction than those faced by the District Council. The phasing out of the current grant arrangements on a shorter timescale would also have the significant advantage of reducing the complexity of the current arrangements.

Expenditure, income levels and efficiencies

In developing the financial projections covering the period 2016/17 to 2018/19 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% in respect of all financial years across the period of the Plan.
- No changes to employer superannuation contributions or to the lump sum deficit recovery.
- No allowance has been made in respect of the Apprentice Levy of 1% of payroll costs which is currently open for consultation. On the basis that the Government's current proposals are accepted then this will cost an additional £90k p.a. Officers anticipate that it should be possible to offset at least part of these costs through the employment of apprentices, however, the potential cost pressure does need to be recognised.
- No allowance has been made in respect of general inflation although specific budget heads such as energy costs and business rates have been amended to reflect anticipated price changes.
- New Homes Bonus to be payable for 4 years (reduced from the current 6 years) with effect from 2017/18, with no further losses arising from the Government initiatives to introduce incentives around Planning matters

- With respect to Planning the Conservation and Heritage budgets in respect of 2016/17 only they include a proposed increase of £75k in order to allow a range of work to take place to improve the service in line with recognised best practice. An additional budget of £50k is also proposed in respect of Development Control to enable the utilisation of agency staff in a flexible manner to protect what are in effect statutory levels of service performance at a time when the high level of planning applications requires additional resourcing to maintain performance. This resource will also help to address the issue that more recently Bolsover has been affected by a regional trend of difficulties in retaining and recruiting staff against a background in which the private sector is actively recruiting.
- Fees and Charges – service specific increases as agreed by Members.

21. The Government's approach is that local government should seek to secure local sources of funding rather than continuing to be dependent upon government funding. In part the Government see this objective being realised by local authorities maximising their local development potential by way of Non Domestic Rates (growing the level of business activity) or by way of New Homes Bonus (increasing housing numbers). In addition authorities have been encouraged to look at raising other local sources of income. Over the past three years the Council has taken a number of steps to improve the level of income that it receives from a range of services and in particular Leisure. In addition the Council has secured full occupancy of the Tangent Business Centre during the current year, whilst income levels from Pleasley Vale have continued to grow reflecting higher occupancy levels. While Officers will seek to continue to secure further incremental improvements it does perhaps need to be recognised that the majority of gains that are readily achievable have already been secured and are incorporated within the budget proposed in this report.

22. While local authorities will continue with efforts to identify and secure additional income with which to support services it is clear that both locally and nationally the key opportunity for the Council to balance its budget arises in respect of managing expenditure levels and securing efficiencies.

23. With respect to the next financial year the Council effectively has a savings target of £0.057m in order to secure a balanced budget While this is a target that should be easily achievable it is important to recognise that as the Government continues to withdraw RSG and New Homes Bonus reduces that the Council's financial position becomes increasingly challenging with savings targets of £1.1m in 2017/18 together with a further £0.3m in 2018/19. By maintaining an approach based on growth and transformation across the period the Council will reduce the impact on services of the ongoing reduction in central funding. On the basis that the Council takes action in the next financial year to start the process of securing the £1.3m of savings required then that will minimise the detrimental impact of funding cuts on local residents as the Council will be able to adopt a more gradual and considered approach to securing cost reductions. The areas where officers intend to seek to secure savings are outlined below:

- Vacancy Allowance .
  All vacancies – including maternity leave, requests for additional annual leave, etc - will continue to be subject to review by Strategic Alliance Management Team and will be controlled to secure financial savings. Where appropriate reports will be brought forward for Members to consider the disestablishment of lower priority posts which it is not considered appropriate to fill. While this process has been in place for a number of years during the current financial year it has generated limited financial savings. Savings in employee costs now tend to arise as a result of a planned process managed through the Transformation agenda. This reflects the fact that underutilised capacity has been removed from the staffing structures over previous financial years with further reductions in staffing levels perceived as potentially resulting in significant detrimental impact upon service delivery. Secondly, given the limited staffing resources available where posts are vacant it is often necessary to utilise agency staff, etc – at higher cost – in order to maintain services. While against this background it is not considered to be appropriate to include a financial target with respect to vacancies in the budget it is nonetheless important to review any vacancies in order to avoid a situation in which the Council allows posts to be filled which do not meet its priorities and which are unlikely to be a high priority in future financial years.

  Transformation Agenda

- Transformation, Secondments and Joint Working £150,000
  As part of the decision made in the autumn of 2013 to progress the Strategic Alliance as a vehicle for securing further savings it was agreed to progress a transformation agenda. As part of this Transformation Agenda a savings target of £150,000 in respect of 2016/17 is recommended. Further secondments and joint working arrangements with North East Derbyshire District Council will continue to be targeted to secure savings to Bolsover District Council. Given that these measures generally arise as a result of natural wastage they tend to involve minimal costs in terms of redundancy, etc whilst minimising the impact on the workforce of the requirement to shrink the size of the organisation.

- Property Rationalisation Savings
  While the Council has made significant financial savings during previous financial years from more efficient use of property assets the main savings from this area of work have already been secured. Officers will, however, continue to explore options from reducing budgets as we vacate Sherwood Lodge and from seeking to rent out the remaining space that is available at The Arc. Given the progress that has been made in letting space to Derbyshire County Council at Clowne, in securing full occupancy at the Tangent and Pleasley Mills Business Centres the key requirement is to consolidate the achievements that have been made to date. Accordingly it is not considered appropriate to set a savings target in respect of 2016/17.

24. The table below summarises the savings options that the Council is intending to progress in 2016/17, together with detailing their financial impact upon 2017/18 and 2018/19:

Summary of Savings Opportunities

	2016/17 £000's	2017/18 £000's	2018/19 £000's
Efficiency Target / Budget Shortfall	**57**	**1,149**	**1,359**
Savings Proposals			
NNDR Growth Target 2016/17	(200)	(200)	(200)
NNDR Growth Target 2017/18		(100)	(100)
NNDR Growth Target 2018/19			(100)
Vacancy Management	0	0	0
Transformation, Secondments &Joint Working	(150)	(300)	(450)
Council Tax Increase	(65)	(130)	(195)
Accelerate Reduction in Local Council Tax Support Scheme to Town and Parish Council's.	0	(51)	(102)
Total Savings Options	**(415)**	**(781)**	**(1,147)**
Unidentified Savings Target	358	(368)	(212)
(Call on General Fund Balances)	**358**	**(368)**	**(212)**

While the position in respect of next financial year is a good one, it is equally clear that we see deterioration over the following two financial years even on the basis that identified savings opportunities can be secured. In broad terms even allowing for good progress on the Growth and Transformation agenda there remains an underlying shortfall in the Council's level of resources of £0.2m by 2018/19. It is important that good progress is made in addressing the actual shortfall at the earliest opportunity. Against this background Officers are of the view that Council needs to consider very carefully the option of increasing the level of Council Tax over the period of the current Medium Term Financial Plan. On the basis of the details given above the impact of reducing levels of government support is that by 2018/19 it is likely that the Council will be facing decisions agreeing significant reductions in service standards or ceasing to provide non – statutory services. Given the importance of securing the above savings to the financial stability of the Council, progress will be reported on a regular basis to Executive. It should also be noted that it is proposed that the Council should approve that actual budgets are amended to take account of identified savings as soon as those savings are formally approved. 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.

Options for Council Tax Levels

24 Members will recall that since 2011/12 the Council has decided not to increase Council tax enabling the authority to take advantage of successive Government schemes which provided grant to partially compensate for the income lost as a result of a decision to freeze council tax. There is unlikely to be a similar scheme in respect of 2016/17

25 Any decision concerning Council Tax Levels needs to be taken against the background of the Council's financial position over the period of the Medium Term Financial Plan which can be summarised as follows:

	2016/17 £000's	2017/18 £000's	2018/19 £000's
Efficiency Target / Budget Shortfall	**57**	**1,149**	**1,359**

26 In summary officers are currently forecasting that over the period April 2015 to March 2019 expenditure reductions (or increased income) of £1.4m will be necessary. It should be noted that it is highly likely that a ceiling of 2% a year will be placed on Council Tax increases over the period of this parliament. Therefore if the Council is of the view that it may have difficulties in securing a balanced budget over this period then it needs to give careful consideration to increasing levels of Council Tax for 2016/17. In respect of the Council's financial position the Table of Proposed Savings given at section 23(above) sets out the currently identified areas that could be targeted for securing savings. The indicative figures suggest that on the basis of existing information there is a cumulative shortfall over the period of the current MTFP in the order of £1.4m which is only partially addressed by the savings opportunities identified. Given that Council Tax increases of 1.95% over that period would secure additional income of £0.195m, it provides a significant financial benefit.

27 While there are clear financial advantages for opting to increase the level of Council Tax in 2016/17 in order to strengthen the Council's underlying financial position and to reduce the reliance on reductions to expenditure and services as a means of balancing the budget, this needs to be balanced against the detrimental impact which the current economic situation and increasing costs are having on local residents. The impact of a decision to increase Council Tax levels by a figure of 1.95% at the various Council Tax Bands is as follows:

Band	A (£'s)	B (£'s)	C (£'s)	D (£'s)	E (£'s)	F (£'s)	G (£'s)	H (£'s)
2015/16 Charge	105.43	123.00	140.58	158.15	193.29	228.44	263.58	316.30
1.95% Increase	2.06	2.40	2.74	3.08	3.77	4.45	5.14	6.17
With Increase	107.49	125.40	143.32	161.23	197.06	232.89	268.72	322.47
Total Cost per week	2.07	2.41	2.76	3.10	3.79	4.48	5.17	6.20

Members need to consider the option of an increase in Council Tax both in respect of the benefits that would flow from protecting the level and quality of services to local residents, against the detrimental impact of an additional financial burden on local residents.

Financial Reserves

28 The Council's main uncommitted Financial Reserves are the General Fund Balance of £2.0m and the uncommitted element of the Transformation Reserve of £3.6m. Against the background of the growing level of uncertainty surrounding local authority income and the fact that the Council itself has reduced all budgets to a minimal level thus reducing its financial resilience it is important that the Council continues to review what is an acceptable level of General Fund balances. Given that the Council has continued to effectively achieve the in year savings targets and has a range of other balances available £2m would appear to be a reasonable level of balances going forward. This position is supported by the General Fund Risk Register as set out in Appendix 1 Table 2 which details the financial risks currently faced by the Council which indicates notional financial risks with a total value of £1.575m.

Risk Register

29 A financial Risk Assessment is set out in Table 4, 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 £1.575m. This is broadly in line with the current General Fund balances of £2m. An increase of General Fund balances to a figure of £2m was agreed as part of the Revised Budget for the current financial year. Given both the volatility of the local income streams upon which the Council is increasingly dependent upon under the localism agenda, together with the current level of uncertainty concerning future levels of Government funding this would appear to be an appropriate level.

30 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. 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.

RECOMMENDATIONS

The recommendations arising from this Appendix are set out in section 6 of the covering report.

Appendix 1 : Table 1

BOLSOVER DISTRICT COUNCIL
GENERAL FUND

APPENDIX 1 - TABLE 1

Description	Original Budget 2015/16 £	Estimated Outturn 2015/16 £	Original Budget 2016/17 £	Forecast 2017/18 £	Forecast 2018/19 £
Growth Directorate	2,933,928	3,137,105	3,328,063	3,137,083	3,077,876
Operations Directorate	6,378,639	6,475,263	6,555,872	6,648,096	6,761,111
Transformation Directorate	2,951,776	3,035,959	2,972,580	2,966,728	2,740,277
Recharges to HRA and Capital	(3,475,528)	(3,475,528)	(3,340,987)	(3,442,881)	(3,459,695)
S106 Expenditure					
Growth	120,233	331,228	0	0	0
Transformation	42,334	585,372	177,734	9,532	79,191
Net Cost of Services	**8,956,628**	**10,089,399**	**9,693,262**	**9,318,558**	**9,198,760**
Debt Charges	892,020	291,234	666,752	917,385	964,303
Investment Interest	(100,311)	(133,415)	(158,988)	(165,854)	(172,529)
	9,748,337	**10,247,218**	**10,201,026**	**10,070,089**	**9,990,534**
Appropriations:					
Contributions to Reserves:	1,545,323	2,328,112	1,060,599	871,548	752,215
Contribution from Earmarked Reserves:	(198,094)	(930,565)	(170,501)	(30,168)	(5,000)
Contribution (from)/to Unapplied Grants/Holding Accounts	(33,579)	(181,376)	(183,943)	(120,733)	(25,944)
Efficiency Measures	(350,000)	0	0	0	0
Contribution from S106 Holding Accounts	(162,567)	(919,600)	(177,734)	(9,532)	(79,191)
TOTAL EXPENDITURE	**10,549,420**	**10,543,789**	**10,729,447**	**10,781,204**	**10,632,614**
Parish Precepts	2,227,081	2,285,865	2,285,865	2,285,865	2,285,865
Council Tax Support Grant - Parish	343,025	343,025	308,723	277,850	250,065
TOTAL SPENDING REQUIREMENT	**13,119,526**	**13,172,679**	**13,324,035**	**13,344,919**	**13,168,544**
Revenue Support Grant from SFA	(3,102,529)	(3,102,529)	(2,456,990)	(1,905,813)	(1,557,899)
Council Tax Grant (15/16)	(37,019)	(37,019)	0	0	0
Business Rates Retention					
NNDR Pooling - Levy share	(200,000)	(456,000)	(200,000)	0	0
Proportionate share	(9,057,497)	(9,290,233)	(9,849,963)	(10,121,822)	(10,401,185)
Tariff payable	5,577,420	5,577,420	5,731,357	5,889,542	6,052,094
Section 31 grants received	(332,452)	(336,159)	(345,437)	(354,971)	(364,768)
Section 31 multiplier cap	(58,730)	(58,730)	(60,351)	(62,016)	(63,728)
Levy payment	607,596	844,039	867,334	891,273	915,872
New Homes Bonus Grant 11/12	(117,312)	(117,312)	(117,312)	0	0
New Homes Bonus Grant 12/13	(193,346)	(193,346)	(193,346)	0	0
New Homes Bonus Grant 13/14	(169,639)	(169,639)	(169,639)	0	0
New Homes Bonus Grant 14/15	(292,058)	(292,058)	(292,058)	(292,058)	0
New Homes Bonus Grant 15/16	(277,154)	(285,730)	(277,154)	(277,154)	(277,154)
New Homes Bonus Grant 16/17	0	0	(265,993)	(265,993)	(265,993)
New Homes Bonus Grant 17/18	0	0	0	(150,000)	(150,000)
New Homes Bonus Grant 18/19	0	0	0	0	(150,000)
COUNCIL TAX - BDC precept	(3,189,278)	(3,189,278)	(3,260,672)	(3,260,672)	(3,260,672)
Council Tax Increase 16/17	0	0	0	0	0
Council tax - Parish element from above	(2,227,081)	(2,285,865)	(2,285,865)	(2,285,865)	(2,285,865)
Council Tax Collection Fund Surplus	(50,447)	(50,447)	(91,310)	0	0
TOTAL FUNDING	**(13,119,526)**	**(13,442,886)**	**(13,267,399)**	**(12,195,549)**	**(11,809,298)**
FUNDING GAP / (SURPLUS)	**0**	**(270,207)**	**56,636**	**1,149,371**	**1,359,247**

Appendix 1 : Table 2

APPENDIX 1 - TABLE 2

List of net budgets per cost centre per directorate

		Estimated Outturn 2015/16 £	Base Budget 2016/17 £	Forecast 2017/18 £	Forecast 2018/19 £
	Total for: Appropriations	**(10,089,399)**	**(9,693,262)**	**(9,318,558)**	**(9,198,760)**
G005	Joint Chief Executive Officer (G005)	75,406	77,069	79,631	82,387
G006	CEPT (G006)	351,432	363,468	363,001	318,647
G010	Neighbourhood Management (G010)	83,800	86,938	88,650	90,390
G017	Private Sector Housing Renewal (G017)	50,130	51,840	52,350	52,860
G020	Public Health (G020)	(28,000)	(28,000)	(28,000)	(28,000)
G021	Pollution Reduction (G021)	158,855	165,615	167,785	170,345
G022	Health + Safety (G022)	(120)	0	0	0
G023	Pest Control (G023)	49,540	49,720	50,150	50,580
G025	Food Safety (G025)	131,430	136,150	137,880	139,640
G026	Animal Welfare (G026)	92,850	96,830	99,220	100,440
G036	Environmental Health Mgmt & Admin (G036)	169,670	172,440	174,260	175,940
G053	Licensing (G053)	(54,565)	(52,285)	(51,305)	(57,085)
G054	Electoral Registration (G054)	184,636	172,827	173,537	174,856
G055	Democratic Representation & Management (G055)	534,537	536,729	536,869	537,019
G056	Land Charges (G056)	3,543	10,220	11,000	11,581
G057	District Council Elections (G057)	67,490	10,000	10,000	10,000
G058	Democratic Services (G058)	153,763	170,037	171,056	173,375
G060	Legal Services (G060)	156,834	173,771	177,275	179,694
G073	Planning Policy (G073)	267,825	262,595	237,071	239,441
G074	Planning Development Control (G074)	(99,213)	111,312	60,154	64,526
G076	Planning Enforcement (G076)	65,255	75,798	79,061	81,016
G079	Planning Services Mgmt & Admin (G079)	19,687	20,377	20,556	20,779
G085	Economic Development (G085)	136,710	27,550	27,550	27,550
G086	Alliance (G086)	9,250	9,250	9,250	9,250
G088	Derbyshire Economic Partnership (G088)	15,000	15,000	15,000	15,000
G107	Home Improvement Agency (G107)	(340)	0	0	0
G132	Planning Conservation (G132)	29,770	105,288	30,558	30,891
G143	Housing Strategy (G143)	35,126	23,985	24,400	24,825
G144	Enabling (Housing) (G144)	23,845	18,975	19,390	19,815
G145	Handy Van Service (G145)	0	0	0	0
G154	ERDF - Work for Yourself (G154)	11,222	0	0	0
G171	S106 Education (G171)	330,112	0	0	0
G172	S106 Affordable Housing (G172)	1,116	0	0	0
G176	Affordable Warmth (G176)	(9,055)	(4,365)	(3,395)	(2,195)
G178	ERDF - Bols Public Realm (G178)	6,049	0	0	0
G191	Public Health (G191)	0	0	0	0
G192	Scrutiny (G192)	19,340	20,225	20,400	20,617

		Estimated Outturn 2015/16 £	Base Budget 2016/17 £	Forecast 2017/18 £	Forecast 2018/19 £
G193	Economic Development Management + Admin (G193)	189,378	202,440	209,558	217,457
G194	Assist Dir - Economic Growth (G194)	35,180	36,340	36,690	37,050
G195	Assist Dir - Governance + Monitoring (G195)	34,139	35,109	35,465	35,855
G196	Assist Dir - Planning + Env Health (G196)	32,857	34,754	35,070	35,460
G198	CEPT Commissioning (G198)	0	0	0	0
G209	Conservation - Carr Vale HLF Scheme	6,302	0	0	0
G211	Help to Work (G211)	19,272	4,195	0	0
G212	Budget Buddies (G212)	10,982	0	0	0
G213	Volunteering (G213)	12,155	0	0	0
G214	Healthy Weight (G214)	0	0	0	0
G215	Community Health Checks (G215)	0	0	0	0
G216	Raising Aspirations (G216)	(10,202)	114,946	49,256	0
G217	Residual WNF Schemes (G217)	0	0	0	0
G218	Namibia Bound (G218)	25,500	3,400	0	0
G220	Locality Funding (G220)	0	0	0	0
G223	Empty Property Officer	17,000	17,520	17,690	17,870
G224	Prime Ministers Challenge Fund (G224)	46,500	0	0	0
G225	Eats and Treates Events (G225)	6,340	0	0	0
	Total for: Growth Directorate	**3,468,333**	**3,328,063**	**3,137,083**	**3,077,876**
G001	Audit Services (G001)	115,050	124,650	124,650	124,650
G007	Community Safety - Crime Reduction (G007)	48,660	51,296	51,709	52,248
G013	Community Action Network (G013)	223,213	223,515	236,456	239,052
G018	Public Conveniences (G018)	4,602	0	0	0
G024	Street Cleansing (G024)	353,886	379,762	381,692	384,643
G028	Waste Collection (G028)	976,276	853,771	845,564	867,612
G032	Grounds Maintenance (G032)	530,185	543,163	532,473	537,821
G033	Vehicle Fleet (G033)	723,996	747,627	761,528	768,765
G034	Depot - South Normanton (G034)	30,000	0	0	0
G038	Concessionary Fares & TV Licenses (G038)	(9,120)	(9,120)	(8,820)	(8,820)
G040	Corporate Management (G040)	108,303	110,160	115,540	115,980
G041	Non Distributed Costs (G041)	706,650	688,951	688,951	688,951
G044	Financial Services (G044)	307,485	316,549	319,484	323,101
G046	Homelessness (G046)	153,128	159,896	160,887	162,113
G048	Town Centre Housing (G048)	(10,700)	(10,700)	(10,700)	(10,700)
G080	Engineering Services (ESRM) (G080)	99,220	80,765	81,795	82,848
G081	Drainage Services (G081)	3,300	3,300	3,300	3,300
G083	Building Control Consortium (G083)	85,980	77,570	78,346	79,129
G089	Premises Development (G089)	(60,420)	(31,106)	(30,213)	(29,299)
G090	Pleasley Vale Mills (G090)	(140,202)	(129,697)	(127,854)	(125,960)
G092	Pleasley Vale Electricity Trading (G092)	(39,938)	(38,671)	(37,390)	(36,095)

		Estimated Outturn 2015/16 £	Base Budget 2016/17 £	Forecast 2017/18 £	Forecast 2018/19 £
G093	Sherwood Lodge (G093)	15,195	16,217	0	0
G095	Estates + Property (G095)	543,025	525,197	530,109	535,800
G096	Building Cleaning (General) (G096)	73,336	75,336	75,336	76,852
G097	Groundwork & Drainage Operations (G097)	45,822	45,885	46,758	47,256
G099	Catering (G099)	6,000	6,000	6,000	6,000
G100	Benefits (G100)	517,358	660,162	714,062	766,057
G103	Council Tax / NNDR (G103)	234,921	251,208	249,602	255,249
G104	Sundry Debtors (G104)	92,270	84,725	86,313	88,126
G106	Housing Anti Social Behaviour (G106)	70,039	72,173	72,824	73,631
G111	Shared Procurement Unit (G111)	34,760	34,760	34,760	34,760
G113	Parenting Practitioner (G113)	44,628	45,991	46,381	46,865
G123	Riverside Depot (G123)	167,875	175,080	177,609	180,448
G124	Street Servs Mgmt & Admin (G124)	62,571	69,798	71,200	71,963
G127	Planning + Estates Admin (G127)	46,214	48,584	49,032	49,585
G133	The Tangent Business Hub (G133)	(1,929)	(15,639)	(14,495)	(13,324)
G135	Domestic Violence Worker (G135)	38,208	39,349	39,678	40,086
G138	Sherwood Lodge Development (G138)	20,000	0	0	0
G142	Community Safety - CCTV (G142)	90,565	33,370	33,370	33,370
G148	Trade Waste (G148)	(61,792)	(61,421)	(61,290)	(61,162)
G149	Recycling (G149)	77,664	227,302	227,582	227,197
G151	Street Lighting (G151)	25,563	25,811	26,062	26,316
G153	Housing Advice (G153)	10,870	12,049	12,158	12,294
G156	The Arc (G156)	274,627	229,920	233,831	237,902
G159	Council Tax Benefit Reform (G159)	(43,333)	0	0	0
G161	Rent Rebates (G161)	(190,190)	(202,205)	(214,338)	(227,198)
G162	Rent Allowances (G162)	(135,218)	(142,479)	(150,103)	(158,108)
G164	Support Recharges (G164)	(3,475,528)	(3,410,307)	(3,442,881)	(3,459,695)
G167	Facilities Management (G167)	20,500	20,500	20,500	20,500
G169	Closed Churchyards (G169)	10,000	10,000	10,000	10,000
G190	Executive Director - Operations (G190)	49,980	51,730	52,230	52,750
G197	Assist Dir - Finance, Revenues + Benefits (G197)	31,890	33,890	35,200	36,530
G199	Assist Dir - Street Scene (G199)	31,709	33,755	35,068	35,432
G208	Assist Dir - Estates and Property (G208)	32,155	34,016	35,259	36,595
G219	Community Cohesion Officer (G219)	30,426	42,447	0	0
	Total for Operations Directorate	**2,999,735**	**3,214,885**	**3,205,215**	**3,301,416**
G002	I.C.T. (G002)	666,593	656,699	673,645	667,329
G003	Reprographics (printing) (G003)	102,431	106,559	108,661	108,825
G014	Customer Contact Service (G014)	734,439	752,932	768,644	779,438
G015	Strategy & Performance (G015)	142,196	143,329	142,538	145,525
G027	Emergency Planning (G027)	15,200	15,367	15,536	15,707

		Estimated Outturn 2015/16	Base Budget 2016/17	Forecast 2017/18	Forecast 2018/19
		£	£	£	£
G052	Human Resources & Payroll (G052)	297,418	290,215	291,091	299,744
G061	Bolsover Wellness Programme (G061)	13,439	22,004	24,534	27,472
G062	Extreme Wheels (G062)	87	(1,801)	(412)	42
G063	Go Football (G063)	11,916	11,448	11,650	11,808
G064	Bolsover Community Sports Coach Scheme (G064)	125,212	133,826	138,001	139,699
G065	Parks, Playgrounds & Open Spaces (G065)	46,705	48,224	47,277	47,474
G067	Culture & Heritage (G067)	44,654	32,579	32,908	33,316
G070	Outdoor Sports & Recreation Facilities (G070)	35,267	30,833	31,081	31,333
G071	Creswell Leisure Centre (G071)	155,181	149,518	150,526	148,951
G072	Leisure Services Mgmt & Admin (G072)	153,332	160,970	162,346	163,997
G112	Frederick Gents School Community Use (G112)	19,798	22,274	23,367	24,083
G125	S106 Percent for Art (G125)	174,241	0	0	0
G126	S106 Formal and Informal Recreation (G126)	117,080	91,999	9,532	79,191
G129	Bolsover Apprenticeship Programme (G129)	71,956	32,825	15,495	0
G146	Pleasley Vale Outdoor Activity Centre (G146)	34,253	38,705	39,266	39,925
G155	Customer Services (G155)	64,914	28,035	28,289	28,604
G160	Clowne Leisure Centre (G160)	26,680	31,293	34,927	36,710
G168	Multifunctional Printers (G168)	55,619	55,619	54,562	52,170
G170	S106 Outdoor Sports (G170)	297,051	85,735	0	0
G173	SE Community Sports (G173)	1	0	0	0
G179	Streets Sports (G179)	(2,849)	0	0	0
G182	Village Games (G182)	4,773	0	0	0
G185	Club Link Makers (G185)	4,457	0	0	0
G188	Bolsover Contact Centre (G188)	0	(15,141)	(29,349)	(28,510)
G189	Executive Director - Transformation (G189)	50,105	51,850	52,360	52,880
G200	Assist Dir - Customer Services + Improvement (G200)	33,152	35,049	35,365	35,755
G201	Assist Dir - HR + Payroll (G201)	48,530	33,110	34,400	35,730
G202	Assist Dir - Leisure (G202)	33,302	35,199	35,515	35,905
G203	Sportivate (G203)	(191)	0	0	0
G205	Badminton (G205)	0	0	0	0
G206	Street Games (G206)	(3,371)	0	0	0
G207	Cycling (G207)	300	0	0	0
G222	Clowne Leisure Facilities Enhancement (G222)	47,460	0	0	0
G228	Go Active Leisure Centre (G228)	0	71,060	44,505	(193,635)
	Total for Transformation Directorate	**3,621,331**	**3,150,314**	**2,976,260**	**2,819,468**
	Total for: General Fund	**0**	**0**	**0**	**0**

Appendix 1: Table 3

APPENDIX 1 : TABLE 3

Parish	Expenditure Precept (2015/16)	Share of CT Support Grant	Scheme Ends March 2023	Scheme Ends March 2020
Ault Hucknall	34,000	2,856	476	951
Barlborough	97,797	6,482	1,080	2,159
Blackwell	107,379	11,809	1,968	3,932
Clowne	249,627	22,836	3,806	7,604
Elmton with Creswell	157,074	27,018	4,503	8,997
Glapwell	48,875	5,006	834	1,667
Hodthorpe	21,663	3,502	584	1,166
Langwith	92,158	17,286	2,881	5,756
Old Bolsover	213,628	29,267	4,878	9,746
Pinxton	156,788	16,390	2,732	5,458
Pleasley	63,768	7,972	1,329	2,655
Scarcliffe	49,757	9,333	1,556	3,108
Shirebrook	460,808	92,468	15,411	30,792
South Normanton	238,288	23,926	3,988	7,967
Tibshelf	123,917	12,679	2,113	4,222
Whitwell	170,338	19,893	3,316	6,624
	2,285,865	308,723	51,454	102,805

<u>Appendix 1 : Table 4</u>

BOLSOVER DISTRICT COUNCIL: GENERAL FUND RISK REGISTER

Risk and Mitigation in Place	Gross Value of Risk £000's	Probability	Potential Impact £000's
1. Overspend on challenging revenue budgets. • The financial information system and budget monitoring arrangements are robust. The Council has a good record of managing spending against budgets. • Regular monitoring reports will be taken to Executive, Council and Audit Committee. • Elected Members have a good awareness of the Council's financial position. • The development of the current budgets has been based upon the active engagement of cost centre managers.	1,000	30%	300
2. Reduction in Government Grant/NNDR/ New Homes Bonus or loss of other income above the budgeted level incorporated within the MTFP • Income Budgets have been established on a prudent basis. • The position on income levels will be monitored as part of the Council's routine budget procedures. • The Government has outlined financial settlements over the next three financial years	1,000	30%	300
3. Inability to achieve assumed level of efficiencies. • Regular reports will be taken to Executive, Council and Audit Committee, which will monitor progress and ensure accountability. • The Council has a good record of achieving savings over previous financial years	250	40%	100
Risk and Mitigation in Place	**Gross Value of Risk £'s**	**Probability**	**Potential Impact £'s**

4 Overspend on Capital Programme or underachievement of capital receipts leads to a charge against the Revenue Position • The revenue framework outlined above will also govern the position in respect of the Capital Programme. • The Council has agreed a general principle of not entering into capital commitments unless the resource required to finance those commitments has been secured. • The Council has access to the uncommitted element of the Transformation fund as an optional measure to avoid a charge on the General Fund.	6,000	5%	300
5. A major Business Continuity Issue arises. • The Council has in place Business Continuity Plans and Insurance Arrangements which are intended to address these risks. • Previously in exceptional circumstances Central Government has provided financial support to authorities in these circumstances.	2,000	10%	200
6. Increased cost of Welfare Reform including Council Tax Benefit as a result of increasing costs not being fully covered by additional government grant, or from the proposed reforms of the service. • Budgets have been established on a prudent basis, however, part of the risk of cost increase now falls upon local authorities.	500	25%	125
7. An increase in employee costs associated with a national pay award, requirement to retain key staff or with changes in local terms and conditions. • While the Council has made budget provision for all known changes there remain risks around the fact that key personnel could leave for better remunerated posts elsewhere, or that a challenge is made in respect of existing terms and conditions.	500	50%	250
Notional Potential Financial Impact of Identified Risks			**1,575**

APPENDIX 2

Housing Revenue Account

Introduction

1. This Appendix considers the elements of the Medium Term Financial Plan relating to the Council's Housing Revenue Account (HRA) budgets as part of the Council's Medium Term Financial Plan. As such it covers the Council's revenue expenditure relating to the provision of Council Housing. This financial and service planning framework has a direct impact upon the quality of the housing service provided by the Council to our tenants.

2. The proposed budgets for both 2015/16 (Estimated Outturn) and 2016/17 (Original Budget) are detailed 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 2017/18 and 2018/19.

2015/16 Estimated Outturn Budget

3. In February of 2015 Members agreed a budget in respect of the current financial year 2015/16. That original budget is detailed in Table 1 of this Appendix, where it can be compared against the Estimated Outturn Budget for 2015/16. The position on the HRA has been monitored during the course of the year with Estimated Outturn budgets for the HRA having only minor changes to the Revised Budget figures reported and approved by the Executive in November 2015.

4. The key points of change in arriving at the Estimated Outturn position are outlined below:

- Overall income anticipated to the HRA has reduced by £0.332m. The main factor in this reduction is that rental income is £0.261m (1.2%) below the original budget which has mainly arisen as a result of an increased number of voids. While, contributions towards expenditure have reduced, this is effectively offset by a reduction in related expenditure.
- With respect to expenditure there has been an overall reduction of expenditure of £0.327m against the approved budget. The main changes included a reduction in expenditure in respect of the provision for bad debts of £0.100m, together with a lower spend on repairs and maintenance.
- The reductions in both income and expenditure effectively balanced each other out in financial terms, with the net result that the forecast surplus has dropped from one of £0.015m to one of £0.010m. At the year end the projected HRA Reserve is one of £1.891m.

5. With respect to the period up March 2016 the impact of the April 2012 localisation of the HRA reform has resulted in minimal impact upon the Council's tenants. This was always the intended outcome. Underpinning the reforms of 2012 was a core principle that each local authority became a standalone landlord managing what amounted to a commercial HRA, with a considerable level of local autonomy. A key factor in the successful transition was that the initial settlement was a reasonable one which protected existing levels of income and effectively insulated the HRA from the austerity which applied to other areas of the public sector. Underlying the HRA localisation was a Government calculation concerning the financial viability of each individual Council's HRA which was used as the basis for allocating debt. In the case of Bolsover District Council the debt transfer amounted to £94.3m which costs in excess of £6m p.a in repayments which is almost 30% of the rental income.

6. Local Authorities became responsible for managing HRA income to repay debt, to ensure adequate financial provision to maintain and refurbish the stock whilst meeting the service expectations of our tenants. Subsequent to the initial debt settlement which was based upon affordability as calculated by a financial model, the Government has introduced a range of significant changes to the assumptions upon which the debt calculation was based. These include changes in regulations making Right to Buy more attractive, together with changes to the policy for setting council house rents. Both of these – which are outlined in more detail below – have served to reduce the rental stream against a background of essentially fixed costs such as debt repayment, services to tenants and investment in tenants homes. The combined impact of these changes has been to undermine what was a reasonable settlement, with the extension of the public sector austerity agenda into the Housing Revenue Account.

7. In terms of quantifying the impact of these changes amendments to the Right to Buy legislation, together with the improving economic position has resulted in the number of Right to Buy's rising from the 8 per annum assumed within the HRA Debt Allocation model, to a position where approximately 40 sales will be completed during the current financial year. For the HRA this represents a significant loss of income and the additional homes sold in the current year alone will reduce the Council's rental stream by in excess of £100,000 every year, or £3m over the period of the Business Plan. Legislation is also being proposed to require Councils to dispose of their 10% of most valuable properties. While initial indications are that this will largely impact on properties in the South (given the relatively low value of houses in areas such as Bolsover), if the sales were to be required on a local basis then there will be a further impact which it is not possibly to quantify at this stage.

Level of Council House Rents

8. Secondly, in addition to providing additional incentives for tenants to exercise the Right to Buy, the Government has also reduced the income stream to the HRA by adjusting national rent policy so that rent increases were lower than allowed for in the HRA localisation model. National Rent policy was first amended as part of the 2013 Spending Round when the Government removed rent convergence from the formula, and switched the calculation of inflation from RPI to CPI. Taken together and given that Bolsover was way off 'target rent' these changes resulted in a loss of income to the HRA in excess of £1m p.a. Government justified the ending of the rent convergence policy on the basis that a majority of Council's had already reached target rents, however, this is not the case in Bolsover where as a Council we started at a lower level of rent than many other authorities.

9. While the revised rent policy was intended to last for the 10 years from April 2015, the incoming Government changed that policy in the budget of July 2015. Accordingly, with respect to next financial year the Government is requiring local authorities in common with all other providers of social housing to reduce rental levels by 1% per annum. This policy has been set to cover the four years from April 2016 to April 2019 and nationally will contribute £2.4bn towards the Government target of securing £12bn of savings from the welfare system. For Bolsover District Council this reduces rental income by£0.4m in respect of 2016/17, with the loss of rental income rising to an estimated £2m p.a. by 2019/20. Over the period of the 30 year HRA Business Plan the loss of rental income is likely to amount to £60m.The actual rental loss is, however, dependent upon the level of inflation and the table given below demonstrates that the higher the level of inflation over this period the greater the loss of rental income will be.

Estimated rent loss comparing new government policy to existing policy. (£m) – excluding RTB / New Build

Inflation	Year 1	Year 2	Year 3	Year 4	Year 1-4	30 year
0%	0.43	0.85	1.28	1.71	4.28	35.28
0.5%	0.53	1.07	1.61	2.15	5.37	74.28
1.0%	0.64	1.29	1.94	2.60	6.48	95.94
1.5%	0.79	1.15	2.28	3.06	7.60	120.61
2.0%	0.85	1.73	2.62	3.53	8.72	148.73
2.5%	0.96	1.95	2.96	4.00	9.87	180.74
3.0%	1.06	2.17	3.30	4.47	11.02	217.19

10. Given that the HRA needs to be financially self sufficient the reduction in income will need to be accompanied by corresponding expenditure

reductions. On the basis of current information that is likely to be managed by a reduced capacity to operate a new build programmes (although the currently agreed B@home programme will continue, together with a rephrasing of debt repayments and the HRA capital programme. Officers are currently of the view that the position can be managed with only a limited impact on tenants – which reflects our low cost base – however, it does need to be recognised that if more realistic rent increases in line with inflation are not agreed from April 2020 then given the debt burden and other fixed costs on the HRA the position will become increasingly difficult to manage.

11. In the short term the major revision to the Council's HRA is that it has been necessary to reduce the level of debt repayment by a corresponding amount with effect from next financial year. While the Council is still operating on the basis that it will be able to repay its debt within the 30 years of the Business Plan, this reduction in the level of debt repayment increases interest costs in future years and impacts on the Council's ability to construct new properties.

12. With respect to the change in the basis of setting rental levels this will have a significant impact of the financial sustainability of the local HRA. In addition to a reduced financial capacity to build new homes and slower repayment of outstanding debt existing tenants may be adversely affected by a rephasing of future capital upgrades. Whilst the Council will continue to seek to secure efficiency savings there will inevitably be detrimental impact on services to tenants.

13. In addition to the impact arising from changes in rent setting policy, the HRA will be detrimentally affected by changes in the Supporting People Programme operated by Derbyshire County Council. These changes to Supporting People funding of services have been introduced in order to offset the impact of central government reductions in grant support. While negotiations are ongoing with respect to Supporting People funding on the basis of current information there will be a reduction of grant in the region of £0.350m, which given that this funding supported services in the Sheltered Housing schemes will constitute a charge against the HRA.

<u>Housing Revenue Account Budget 2016/17</u>

14. The proposed HRA budget in respect of 2016/17 is presented in Table 1 to this Appendix. There are three key changes which are driving the budget position in respect of next financial year which are as follows:
    - The change in rent setting policy which reduces the level of income by £0.4m
    - The reduction in the level of Supporting People grant which costs a further £0.350m

- Finally, there is a requirement to increase expenditure on the HRA capital Programme to ensure that life expired assets such as heating, kitchens etc are maintained at a Decent Standard. To meet the increased need the expenditure on these items needs to increase in 2016/17 by £1.5m (from £4.2m to £5.7m).

Taken together these three factors represent a year on year increase in costs of £2.25m. In order to address these increased costs it will be necessary to reduce the repayment of debt from the £3.5m paid last year, to a figure of £1m in 2016/17, followed by £1.1m in 2017/18 and £1.2m in 2018/19. In order to secure the objective of repaying the debt within the 30 year Business Plan period it will be necessary to accelerate debt repayment in the later years of the Plan, which should be facilitated by the anticipated return to rent increases at a level marginally above inflation from April 2020 onwards.

15. On the basis of the changes outlined above it is planned that the HRA will generate a small in year surplus of £0.011m. This will increase the level of general HRA reserves to a figure in the region of £1.9m at the end of March 2017. While previously Council had agreed to an increase to £2m given the increasingly financial challenging position on the HRA it may now be more appropriate to seek to maintain a level of £1.9m over the period of the current MTFP, than to seek an increase to £2m.

16. Given the financial challenges which have been identified within this Appendix it should be noted that Officers are continuing to monitor the sustainability of the HRA primarily through the 30 Year Business Plan. One of the major challenges facing the HRA following on from the changes introduced by the Government is that of funding the programme of capital works necessary to ensure that the Council can maintain its properties at the Decent Homes standard. On the basis of the current 30 year Business Plan the Council should be in a position to generate sufficient revenue to fund a capital programme in the region of £5.5m per annum. On the basis of the information held within the stock condition survey that should be sufficient to fund a programme which will maintain the Council housing stock at the decency standard, although use will need to be made of both phasing of expenditure and headroom borrowing in order to ensure that the Programme remains affordable during the later stages of the MTFP.

17. The measures outlined within this report enable the funding of HRA expenditure budgets for 2016/17 which are essentially a roll forward budget. Under the current proposals it is planned that tenants will see a continuation of existing levels of service over the period of the current Medium Term Financial Plan. Over the period of the 30 year Business Plan the budget also helps put the Council in a position where Council Housing remains a sustainable form of tenure offering good quality housing with robust tenant rights at a rental level significantly below that available in the private rented

sector. In order to achieve this objective - against a background of reduced income - it will, however, be necessary to secure further cost efficiencies against a background of an already low cost service, in order to protect services to tenants.

Planning Budgets 2017/18 to 2018/19

18. 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 next financial year. With respect to debt repayments these will be maintained at the reduced level of £1.141m in 2017/18 followed by 1.226m in 2018/19 .While the level of debt repayment has needed to be reduced the policy of continuing to repay debt at this stage of the Business Plan is crucial both to reducing borrowing costs and in order to build up the funding necessary to finance an accelerated programme of renovation work which will be necessary in the later years of the 30 Year Business Plan. If debt is not lowered at this stage then the funding will not be available to replace bathrooms, kitchens, roofs, doors and windows as these major investments become necessary.

19. Within the budgets in respect of these latter two years the key assumptions that are made are as follows :

- The Council applies the Government's policy that rents in the social housing sector are reduced by 1% a year for a period of 4 years starting in April 2016.
- Interest rates remain low and stable 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% per annum across the period of the current MTFP.
- No changes to employer superannuation contributions or to the lump sum deficit recovery.
- No allowance has been made in respect of the Apprentice Levy of 1% of payroll costs which is currently out for consultation. On the basis that the Government's current proposals are accepted then this will cost an additional £90k p.a. Officers anticipate that it should be possible to offset at least part of these costs through the employment of apprentices, however, the potential cost pressure does need to be recognised.
- No allowance has been made in respect of general inflation but allowance has been made for specific items where that is considered to be appropriate.

Fees and Charges

20. While the main source of income for the HRA arises from property rents 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 apply the principle that charges for services should reflect the cost of providing those services.

21. 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. For the next financial year in order to continue the gradual implementation of this principle the majority of charges are recommended to be increased by a figure of 2%. The one exemption to this general level is in respect of the mobile (self funded) wardens service where an increase of 13.5% is recommended, reflecting the impact of the reduction in the level of Supporting People grant support. The pricing that is proposed in respect of 2016/17 reflects this gradual approach.

22. A schedule of the proposed charges – is set out within Table 3 to this report.

Level of HRA Balances

Given the greater level of uncertainty associated with a localised HRA the Council agreed an objective of working towards general balances of £2m in order to provide an appropriate level of financial resilience to the account. The financial projections given in Appendix 1 (summarised below) show that the level of HRA balances will be maintained at around a figure of £1.9m. At this revised targeted minimum level of HRA balances there is effectively a reserve of £370 per property. In the light of the HRA Risk Register set out in Table 2 below the Chief Financial Officer considers this to be an adequate level. In addition to the HRA General Reserve it should be noted that there are capital reserves in respect of the Major Repairs Reserve, the Development Reserve and the Vehicle Reserve. While these amount to £4.5m it should be noted that they are largely contractually committed to support Approved schemes within the Council's HRA capital programme.

HRA Risk Register

23. 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's HRA is currently managing amount to £1.425m. Given that there are estimated HRA general balances across the period of £1.9m there would appear to be a reasonable level of cover available for the level of identified risk.

24. 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. 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.

25. Given that the reformed or localised HRA is now in place and operational there has been a change in the nature of the strategic risks facing the HRA. While original assumption was that the HRA should benefit from greater financial certainty as a result of the ending of annual financial settlements from central government, this has been undermined by the fact that the Government has changed both rent setting policy and the right to buy legislation in a manner which facilitates an accelerated reduction in stock. The new localised arrangements, however, clearly require that the Council ensures the HRA continues to be sustainable and stable by maintaining and delivering 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 non-sustainability for our local HRA housing stock. Both our tenants and the Council have a greater degree of influence under the new system but this increased level of local influence operates 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 continued good level of service needs to be delivered to local tenants.

26. While much has been made of the difficulties experienced by local authority housing operations under the previous system as a result of the fact that financial resources are only made available on an annual basis, it needs to be recognised that the previous system also had 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 effectively those of central government

and the national housing pool. With the introduction of HRA reform these risks now need to be managed locally, and they emphasise the importance of robust local planning and financial control in the effective management of our Housing stock.

RECOMMENDATIONS

27. The recommendations arising from this Appendix are set out in section 6 of the covering report.

APPENDIX 2 - TABLE 1

Actual 2014/15 £	Details of Expenditure	Original Budget 2015/16 £	Estimated Outturn 2015/16 £	Base Budget 2016/17 £	Forecast 2017/18 £	Forecast 2018/19 £
	HOUSING REVENUE ACCOUNT					
	Expenditure					
4,370,846	Repairs and Maintenance	4,654,184	4,576,228	4,771,769	4,812,336	4,870,251
4,346,056	Supervision and Management	4,790,798	4,846,275	4,785,286	4,829,742	4,859,033
565,047	Special Services	633,369	620,187	624,951	637,600	652,145
756,910	Supporting People	797,989	765,222	0	0	0
0	Supporting People Wardens	0	0	586,724	590,323	591,382
0	Supporting People Central Control	0	0	205,340	206,980	208,709
75,660	Tenants Participation	100,858	87,863	86,702	87,416	98,137
90,394	Increase in Bad Debts Provision	200,000	100,000	100,000	100,000	100,000
3,481,252	Cost of Capital - Interest	3,351,435	3,346,191	3,230,022	3,259,904	3,243,779
3,500,000	Cost of Capital - Debt Repayment	3,500,000	3,500,000	1,015,667	1,140,594	1,226,190
9,250	Debt Management Expenses	11,125	9,500	10,688	12,024	13,527
0	Contingency for Pay Award	90,117	0	0	0	0
17,195,415	**Total Expenditure**	**18,129,875**	**17,851,466**	**15,417,149**	**15,676,919**	**15,863,153**
	Income					
(20,910,016)	Income	(21,378,789)	(21,117,543)	(20,861,075)	(20,659,104)	(20,459,083)
(14,530)	Repairs and Maintenance	(16,490)	(9,345)	(10,345)	(10,345)	(10,345)
(7,043)	Supervision and Management	(3,480)	(3,480)	(3,480)	(3,480)	(3,480)
(363,665)	Special Services	(354,576)	(332,825)	(341,680)	(347,915)	(354,567)
(695,436)	Supporting People	(772,956)	(735,638)	0	0	0
0	Supporting People Wardens	0	0	(179,570)	(181,545)	(183,542)
0	Supporting People Central Control	0	0	(200,200)	(202,402)	(204,629)
(16,062)	Leased Flats	(15,970)	(16,000)	(16,000)	(16,000)	(16,000)
(7,486)	Leased Shops	(2,650)	(2,650)	(2,650)	(2,650)	(2,650)
(2,097)	Empty Properties back into use	(4,000)	0	0	0	0
(22,016,335)	**Total Income**	**(22,548,911)**	**(22,217,481)**	**(21,614,999)**	**(21,423,441)**	**(21,234,295)**
	Appropriations					
2,212,201	Depreciation	2,210,234	2,383,034	2,383,034	2,383,034	2,383,034
1,516,572	T/f to/(from) Major Repairs Reserve	1,718,766	1,549,973	3,473,616	2,993,235	2,934,535
3,728,773		**3,929,000**	**3,933,007**	**5,856,650**	**5,376,269**	**5,317,569**
50,000	Contribution to Insurance Reserve	50,000	50,000	50,000	50,000	50,000
950,000	Cont to Development Reserve	0	0	100,000	200,000	0
180,000	Cont to Vehicle Reserve	425,000	445,000	180,000	85,000	0
(102,924)	Use of Reserves	0	(68,985)	0	0	0
(4,764)	Use of Unapplied Revenue Grant	0	(3,000)	0	0	0
1,072,312		**475,000**	**423,015**	**330,000**	**335,000**	**50,000**
(19,835)	**Net Operating (Surplus) / Deficit**	**(15,036)**	**(9,993)**	**(11,200)**	**(35,253)**	**(3,573)**
(1,861,323)	**Working Balance at Start of Year**	**(1,881,158)**	**(1,881,158)**	**(1,891,151)**	**(1,902,351)**	**(1,937,604)**
(19,835)	Contribution to/(from) Balances	(15,036)	(9,993)	(11,200)	(35,253)	(3,573)
(1,881,158)	**Working Balance at End of Year**	**(1,896,194)**	**(1,891,151)**	**(1,902,351)**	**(1,937,604)**	**(1,941,177)**

<u>**HRA - Fees and Charges 2016/17**</u> **Appendix 2 - Table 2**

Section A - Charges Made over 48 Weeks

Type of Charge	**Charge per Week**		**Difference**	
	Current	**Proposed**	**£**	**%**
a. Heating	9.44	9.63	0.19	2.0
Bedsit (sheltered)	13.39	13.66	0.27	2.0
1 bed flat (sheltered)	24.95	25.45	0.50	2.0
1 bed bungalow	14.87	15.17	0.30	2.0
2 bed bungalow	19.77	20.17	0.40	2.0
2 bed flat	22.39	22.84	0.45	2.0
b. Wardens Service				
Static (self funded)	12.86	13.12	0.26	2.0
Mobile (self funded)	3.77	4.28	0.51	13.5
c. Wardens Service (DCC funded)				
Static (DCC)	13.10	(Fixed by contract-		
Mobile (DCC)	5.92	awaiting DCC info)		
Alarm Monitoring (DCC)	2.55			
d. Special Services				
Special Services	15.08	15.38	0.30	2.0
e. Buggy Parking				
Buggy Parking (inc Electicity)	3.60	3.70	0.10	2.8
f. Garages				
Garages (Direct Debit)	8.70	8.87	0.17	2.0
Garages (other)	11.50	11.75	0.25	2.2

Section B - Charges Made over 48 Weeks

Type of Charge	**Charge per Week**		**Difference**	
	Current	**Proposed**	**£**	**%**
g. Lifelines (inc Monitoring)				
Lifeline Bronze	4.45	4.54	0.09	2.0
Lifeline Gold	6.85	6.99	0.14	2.0
Lifeline RSL	4.25	4.35	0.10	2.4

Section C - Charges Made over 48 Weeks

Type of Charge	**Charge per Week**		**Difference**	
	Current	**Proposed**	**£**	**%**
Garage plot	185.00	190.00	5.00	2.7

APPENDIX 2, Table 3

HOUSING REVENUE ACCOUNT: RISK REGISTER

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
1. With effect from April 2012 the Government introduced a new financial regime to manage the HRA. This reform effectively transferred a number of risks from the national HRA pool to individual local authorities. These include reduction in property numbers from RTB, demolition, changes in HRA legislative and rent setting framework etc. • 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. The indicative figures provided cover the initial year impact only. • While the Council will monitor the impact of trends in respect of the HRA through its budgets and the Business Plan it needs to be recognised that many of the risks arise from situations beyond the Council's direct control such as the loss of stock through Right to Buy, or through elements of the housing stock not being economically sustainable.	£2,000,000	10%	£200,000
2. Rental collections fall as a result of the wider economic position and major changes being introduced to the welfare system. • 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. • The Council will work with tenants to ensure adequate support is available to keep rent payments up to date. • The Council has recently strengthened its procedures for the recovery of arrears and has established appropriate financial provisions should write offs be required.	£500,000	25%	£125,000

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
3. The level of void property is above the budgeted allowance. • Void levels have fluctuated quite significantly as major works and plans are undertaken. A void allowance is built into the main rental budgets to minimise this variance.	£500,000	25%	£125,000
4. There are unanticipated pressures on demand led budgets such as repairs and maintenance, or costs or income fall outside of the budgeted position. • All budgets are based on previous experience of expenditure / income and should be sufficiently robust to cope with the expected range of fluctuation.	£1,000,000	30%	£300,000
5. A significant Business Continuity issue arises. • The Council have developing Business Continuity Plans which should reduce these risks. • Appropriate insurance arrangements are in place. • In exceptional circumstances Central Government has provided an element of financial support.	£2,000,000	10%	£200,000
6. Capital Expenditure • Any significant overspend on the capital programme may require an additional contribution from the HRA to finance. • Regular contract management and capital budget monitoring meetings will manage the HRA capital programme. • The risk on much of the Programme can be managed by reducing the number of Commitments entered into. There are however two projects with a total value approaching £6m where this approach is not appropriate.	£6,000,000	10%	£600,000
Calculated Potential Financial Impact of Identified Risks			**£1,425,000**

APPENDIX 3

Capital Programme

Introduction

1. This Appendix considers the Medium Term Financial Plan as it relates to the Council's capital programme.

2. The provisional capital budgets for both 2015/16 (Revised Programme) and 2016/7 (Original Programme) are shown in Table 1 to this Appendix. The table also details the forecast investment planned for both 2017/18 and 2018/19.

3. It should be noted that there will be a separate report to Council concerning the Council's Treasury Management Strategy. That report includes consideration of issues concerning borrowing and leasing which provide the capital financing to enable the proposed capital budgets outlined within this report to proceed. Given its links with the budget process the Treasury Management Strategy will be considered by the budget setting Council on 3rd February 2016. With regard to both the HRA and the General Fund elements of the Capital Programme asset surveys have been completed which are informing future investment priorities. In the case of the HRA the Capital Programme is effectively fully funded by HRA resources and needs to ensure that assets are replaced at the point in time when they are at the end of their useful operational life. This process is informed by the stock condition survey. A particular issue for the HRA is that its capital investment strategy will need to be shaped by the requirement to undertake replacement of items such as bathrooms and kitchens as they are due for replacement at the end of their effective life. This results in investment needs being concentrated into certain periods rather than being spread evenly over the 30 year life of the Business Plan. Accordingly at certain points in time the HRA needs to generate financial balances to fund the level of investment required in future financial years. A clear consequence of poor financial planning will be deterioration in the quality of the homes currently enjoyed by our tenants.

4. The Council will continue with its policy of using prudential borrowing rather than operating leases in areas such as vehicles and leisure equipment. Officers are of the view that flexibility over length of ownership, access to better interest rates and the financial savings which arise from being owner of the property secure longer term financial savings, which outweigh any benefits that leasing may provide.

5. An overview of the scale of the current approved and proposed capital programme is provided in the table below:

	2015/16 Current £,000	2015/16 Revised £,000	2016/17 Original £,000	2017/18 Original £,000	2018/19 Original £,000
General Fund Schemes	6,163	4,052	6,058	928	1,067
HRA Schemes	7,201	5,821	11,604	10,028	9,651
Total	13,364	9,873	17,662	10,956	10,718

Capital Programme – Estimated Outturn 2015/16

6. The Revised Programme in respect of the current financial year, which is detailed in Appendix 3 Table 1, shows a net decrease of £3.491m (£13.364m to £9.873m) over the Current Programme. The majority of this decrease in expenditure (£2.286m) relates to the decision not to proceed with the Mini Hub at Bolsover, which is offset by increased expenditure arising from the replacement scheme (£1.4m net saving), with the costs on the replacement schemes to be incurred in 2016/17. In addition a further £0.455m reduction in respect of the new Council homes project, together with £0.925m of general housing capital work are to be slipped from the current year into 2016/17.

General Fund Programme 2015/16 to 2018/19

7. Within the General Fund table are the capital expenditure plans for 2015/16 and future years. The following sections summarise the current position and outlines the key schemes.

8. With regard to the General Fund the Stock Condition survey has provided indicative details of the longer term refurbishment requirement of the Council's assets. In order to recognise the requirement to undertake necessary refurbishment work the Programme has a recommended provision of £250k for each of the years 2016/17 to 2018/19 in order to fund work in line with the Asset Management Plan. It is recommended that the existing delegation to the Assistant Director (Property and Estates) in consultation with the Portfolio Member and the Asset Management Group to approve the utilisation of £0.100m of the Asset Management Allocation should be extended. This delegation will allow any items where work is required immediately to proceed in a timely fashion. In particular this facility is helpful when it is necessary to undertake work to premises in order to secure a long term tenancy, or to authorise urgent renovation work. Expenditure authorised under this route will continue to be reported back to Executive through the Quarterly Budget Monitoring Report. One item that it is appropriate to consider for funding from this allocation of £0.250m is the replacement of the boilers at the Clowne office facility. Under the contract for the enhanced Leisure facility provision has been made to relocate and reinstall the existing boilers. Given that the boilers to heat the existing facility are now in excess of 7 years old officers are of the view that the most cost effective solution would be to replace the existing boilers with new ones. Whilst the detailed feasibility work needs to be

undertaken officers are of the view that in terms of lifetime costs it would be more cost effective to replace now, and to eliminate the need to replace in 3 to 4 years time. This would also facilitate earlier securing of energy efficiency savings. Should it be decided to proceed these costs will be funded from within the recommended delegated approval of £100,000 in respect of Asset Management Plan work

9. As a background to the Asset Management Plan and the Capital Programme it is helpful to have an awareness of the key buildings which are currently operated by the Council are as follows:
   - Project Horizon Office / Admin Buildings. The main administration buildings at Clowne and at the Riverside Depot are both modern buildings and are anticipated to require minimal maintenance over the next 10 years. During 2015/16 the major change to the Approved Programme was that Council agreed a revised arrangement for the replacement contact centre at Bolsover. Rather than pursue the option of a new build contact centre the Council is looking to refurbish a former bank on Cotton Street to accommodate the contact centre (co located with Job Centre Plus), whilst partner organisations will be relocated into a refurbished Oxcroft House. This revised approach provides the Council with a better located contact centre, secures a sustainable future for Oxcroft House, will allow the reinstatement of the Middle Street car park, whilst freeing up the Sherwood Lodge site for commercial development. In addition to facilitating a comprehensive redevelopment of parts of the Town Centre the scheme that has been agreed is more cost effective for the District than the original proposal. In addition to the work taking place at Bolsover the Council currently has an approved scheme within the Capital Programme to provide a replacement contact centre at Shirebrook in a joint scheme with the Town Council. The upgrading of facilities at Bolsover and Shirebrook will mean that all four contact centre (Bolsover, Clowne, Shirebrook and South Normanton) are now modern fit for purpose facilities.
   - The Tangent Shirebrook – Again a modern building with little maintenance requirement anticipated over the next 10 years.
   - Pleasley Vale Mills : The Council submitted a Heritage Lottery Bid for the Asset in the spring of 2014 which was unsuccessful. Whilst the building is likely to have a limited capital requirement for the next five years or so the reality is that a major refurbishment is likely to be necessary within a 10 year period. Although the cost cannot be forecast with certainty until a more detailed scheme is developed officers would anticipate that it would amount to at least £5m which is unlikely to be affordable from within the Council's anticipated capital resources. Officers are therefore continuing to explore options in respect of the site, including those of a partnership with the private sector. In the current year (2015/16) the Council has spent £0.150m on the Mills which included work to the roof and fire alarm system.
   - Leisure Swimming Pool / Fixed site facilities. Executive at its meeting of 5th January 2015 agreed a strategy to develop a new swimming pool facility at Clowne to replace the existing provision at Cresswell. The

proposed programme of £4m is now incorporated into the Capital Programme given in Table 1, on the basis that it will be funded from a combination of £2m from the Transformation Reserve and £2m from prudential borrowing. The scheme commenced on site towards the end of 2016 and it is anticipated that it will be completed and available for use early in 2017. On completion it is anticipated that the new facility will require minimal maintenance. Executive should note that the work undertaken in respect of Cresswell Pool has indicated a likely refurbishment / upgrading cost over the next five years in the region of £0.5m. Whilst work may need to be undertaken to maintain services at Clowne the cost of that work will need to be contained within the revised Asset Management Plan capital allocation as set out within this report.

- ICT infrastructure – The overall cost of this work over the period of the current MTFP (April 2015 onwards) is one of £0.245m which will be funded from a combination of revenue contribution and capital receipts.
- Disabled Facilities Grants – £1.480m over the period of the current MTFP. This expenditure is partly funded by grant of £1m, however, Council should, however, note that the DFG budget is a demand led one and that the Council has an obligation to meet the identified needs of local residents. The DFG expenditure and associated grant funding arrangements will be monitored carefully with any changes from the approved programme being reported back to Members.
- The vehicle replacement programme (£3.101m) is an ongoing programme to replace operational vehicles as they reach the end of their economic life. The financing is planned to be via prudential borrowing over the life of the assets replaced.
- The Leisure services fitness equipment amounts to £0.550m over the life of the Programme and is an ongoing programme to provide and replace fitness equipment on the basis that these costs will be covered by the revenue income that they generate. Outright purchase funded by prudential borrowing is a more cost effective way to finance these income generating assets than the leasing method previously utilised.

10. The sections above have outlined the main elements of the Programme and how they will be financed. For those scheme where no specific funding has been identified the work will need to be funded by Capital Receipts, or prudential borrowing. In order to ensure the continued funding of the capital programme it is recommended that the Asset Management Group be requested to develop options in terms of asset sales with which to fund the capital programme in respect of future years. It should be noted that asset sales of unutilised or underutilised assets generally also secure both revenue savings for the Council whilst encouraging investment from the purchaser of the asset concerned. This makes an important contribution to securing the ongoing regeneration of the District and to delivering the Council's growth agenda.

HRA Capital Expenditure 2015/16 to 2018/19

25. The major part of the Council's Capital Programme relates to work on council dwellings. Under the new HRA self financing arrangements local authorities are required to fund the capital necessary to maintain their houses in line with the decent homes standard either from the revenue generated by the HRA, or by borrowing up to the level of the housing debt cap which has been set by the Government (£112.350m in the case of BDC). A key objective of developing a 30 year Business Plan is to ensure that the Council is in a position to maintain tenants homes, and that the necessary level of capital expenditure on the properties can be afforded. The following sections summarise the current position and outlines the key schemes.

26. The Council's capital programme for 2015/16 in respect of its Housing Assets amounts to £5.821m. The majority of this expenditure relates to the routine upgrading of existing Council homes where an amount of £4.579m will be spent to maintain properties at the Decent Homes standard. There is a recommended increase in this Decent Homes allocation to one of £5.857m in 2016/17, with £5.307m in 2017/18 and £5.248m in 2018/19. The work that will be undertaken in order to maintain good quality houses includes structural work such as reroofing, external wall insulation, replacement doors and windows, to internal upgrades including heating, new kitchens and bathrooms. Table 1 to this Appendix sets out the specific details

27. Within the current years programme an amount of £0.470m relates to the first phase of the B@home programme, which has a total approved cost of £4.119m. To date work on site has commenced at Rodgers Avenue Cresswell which will see the construction of 7 homes out the 100 to be provided under the overall approved B@home programme. This work will be funded from prudential borrowing, with the evaluation of the scheme concluding that the rental stream from these new properties will cover costs including debt repayment.

28. Work has also commenced on the initial stages of the New Bolsover project where £0.350m will be expended prior to start on site. The Council has successfully applied to the Heritage Lottery Fund to fund £2m of the costs of the scheme, with the total project currently anticipated to cost £10.3m. The project will secure the refurbishment of 194 heritage properties, with funding from a combination of heritage lottery, HRA revenue resources and prudential borrowing. A more detailed report is being taken to the meeting of Executive to be held on 1st February.

29. HRA Vehicle Replacement £1.042m
The majority of this expenditure is due to take place in the current financial year with a planned expenditure of £0.7m. While this is a significant expenditure it is necessary if the Council is to operate a cost effective repairs and maintenance service responsive to the requirements of our tenants. These vehicles which were previously funded via leasing arrangements will

now be funded from the Vehicle Reserve set up within the HRA accounts which provides a more cost effective financing option.

Capital Programme Risk Assessment – 2016/17

16. A full Risk Assessment is set out in **Table 2**, which outlines the risks, the mitigation which is in place, the potential impact and the probability in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is facing with regard to the proposed 2016/17 capital programme. This indicates that the identified risks which the Council is facing in respect of its 2016/17 Capital Programme amount to £1.150m. Should any of these risks arise then all possible financing options will be explored, however, if all these risks materialise then it may be necessary ultimately to charge these costs against General Fund or HRA balances.

17 . As is the case in respect of both the General Fund and the HRA 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. 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 has in place a comprehensive approach to Risk Management which is reported on a quarterly basis to Cabinet, and this process will be utilised in order to manage the key financial risks.

Recommendations:

18. The recommendations arising from this Appendix are set out in section 6 of the covering report.

APPENDIX 3 - TABLE 1

CAPITAL PROGRAMME SUMMARY

Fund		Current Programme 2015/16 £	Revised Programme 2015/16 £	Original Programme 2016/17 £	Original Programme 2017/18 £	Original Programme 2018/19 £
	General Fund					
	Assets					
ASS	AMP - PV Mills	149,630	149,630	0	0	0
ASS	AMP - The Arc	16,240	16,240	0	0	0
ASS	AMP - Former Community Houses	5,580	5,580	0	0	0
ASS	AMP - Leisure Buildings	50,360	50,360	0	0	0
ASS	PV Mills Creative Industries	11,253	11,253	0	0	0
ASS	AMP - Prior to Exec Approval	300,000	0	0	0	0
ASS	AMP - Refurbishment Work	0	50,000	250,000	250,000	250,000
ASS	CCTV - Various Sites	29,322	29,322	0	0	0
ASS	Purchase - 3 Cotton St Bolsover	185,000	186,850	0	0	0
ASS	Refurbishment - 3 Cotton St Bolsover	50,000	142,500	7,500	0	0
ASS	Refurbishment - Oxcroft House	0	30,000	720,000	0	0
ASS	Middle Street Car Park	0	20,000	0	0	0
ASS	Shirebrook Contact Centre	66,000	10,000	122,000	0	0
ASS	Council Chamber	0	85,500	0	0	0
		863,385	**787,235**	**1,099,500**	**250,000**	**250,000**
	Project Horizon					
HOR	ICT infrastructure - Project Horizon	58,483	28,504	0	0	0
HOR	Bolsover Mini Hub	2,286,307	0	0	0	0
HOR	Clowne Campus - Refurbishment	23,076	23,076	0	0	0
HOR	Sherwood Lodge Disposal	78,000	78,000	0	0	0
		2,445,866	**129,580**	**0**	**0**	**0**
	ICT Schemes					
ICT	ICT infrastructure	95,906	55,932	24,000	114,000	51,000
ICT	Idox Uniform System	1,859	1,859	0	0	0
ICT	Automated Payment Machines	54,333	54,333	0	0	0
ICT	Fleet Management System	6,890	0	0	0	0
		158,988	**112,124**	**24,000**	**114,000**	**51,000**
	Leisure Schemes					
LEI	Clune Street Recreation Ground	6,251	6,251	0	0	0
LEI	P Vale Outdoor Education Centre Ph 2	41,134	41,134	0	0	0
LEI	Fitness Equipment Creswell Leisure Centre	0	0	0	60,000	
LEI	Fitness Equipment Clowne Leisure Centre	0	0	340,042	0	0
LEI	Flume Clowne Leisure Centre	0	0	150,000	0	0
LEI	Clowne Leisure Facility	500,000	736,500	3,308,500	0	0
		547,385	**783,885**	**3,798,542**	**60,000**	**0**
	Private Sector Schemes					
PS	Disabled Facility Grants	366,708	366,708	370,000	370,000	370,000
PS	Group Repair (WT)	2,674	2,674	0	0	0
PS	Carr Vale Group Repair	1,270	1,270	0	0	0
PS	Church Drive Energy Project	9,579	9,579	0	0	0
PS	Station Road Shirebrook	1,340	1,340	0	0	0
		381,571	**381,571**	**370,000**	**370,000**	**370,000**
	Vehicles and Plant					
VEH	Vehicle Replacements	1,756,741	1,848,831	757,000	125,000	387,000
VEH	8 x Hedgecutters (GM)	4,000	4,000	4,000	4,000	4,000
VEH	10 x Strimmers (GM)	5,000	5,000	5,000	5,000	5,000
		1,765,741	**1,857,831**	**766,000**	**134,000**	**396,000**
	Total General Fund	**6,162,936**	**4,052,226**	**6,058,042**	**928,000**	**1,067,000**
	Housing Revenue Account					
HRA	Public Sector Housing (funded by MRA)	0	0	1,785,650	5,306,949	5,248,249
HRA	New Build Properties	925,250	470,000	2,413,811	1,234,894	0
HRA	Vehicle Replacements	761,212	771,783	186,000	84,000	0
HRA	External Wall Insulation	585,834	561,413	220,000	0	0
HRA	Electrical Upgrades	250,000	198,381	200,000	0	0
HRA	Group Dwellings Safety Work	250,000	0	100,000	0	0
HRA	Cavity Wall + Loft Insulation	24,692	8,551	20,000	0	0
HRA	External Door Replacements	251,813	197,588	100,000	0	0
HRA	Heating Upgrades	1,225,987	1,195,730	1,200,000	0	0
HRA	Environmental Works	100,000	100,000	100,000	0	0
HRA	Decent Homes - External	412,855	110,273	9,680	0	0
HRA	Kitchen Replacements - Decent Homes	506,846	506,846	800,000	0	0

HRA	GD Boiler Replacement / Heat Meters	350,000	104,570	200,000	0	0
HRA	New Bolsover	350,000	350,000	3,334,000	3,333,000	4,333,000
HRA	Regeneration Mgmt & Admin	69,320	69,320	69,320	69,320	69,320
HRA	Re Roofing	1,060,000	1,060,000	800,000	0	0
HRA	Sprinkler Systems	16,000	0	16,000	0	0
HRA	Flat Roofing	50,000	50,000	50,000	0	0
HRA	Rent Collection Software	11,900	11,900	0	0	0
HRA	Central Control Equipment	0	54,750	0	0	0
	Total HRA	**7,201,709**	**5,821,105**	**11,604,461**	**10,028,163**	**9,650,569**
	TOTAL CAPITAL EXPENDITURE	**13,364,645**	**9,873,331**	**17,662,503**	**10,956,163**	**10,717,569**

Capital Financing					
General Fund					
Specified Capital Grant	(250,000)	(250,000)	(253,292)	(253,292)	(253,292)
Private Sector Contributions	(29,322)	(46,022)	0	0	0
Prudential Borrowing	(1,756,741)	(1,825,241)	(3,247,042)	(185,000)	(387,000)
Reserves	(959,988)	(1,196,864)	(1,418,500)	(123,000)	(60,000)
External Funding	(9,000)	(10,955)	(45,000)	0	0
Capital Receipts	(3,157,885)	(723,144)	(1,094,208)	(366,708)	(366,708)
	(6,162,936)	**(4,052,226)**	**(6,058,042)**	**(928,000)**	**(1,067,000)**
HRA					
Major Repairs Allowance	(5,495,347)	(4,512,672)	(7,004,650)	(6,709,269)	(6,550,569)
Prudential Borrowing	(925,250)	(470,000)	(3,747,811)	(2,567,894)	(2,433,000)
Vehicle Reserve	(739,712)	(750,283)	(186,000)	(84,000)	0
HRA - Direct Revenue Financing	(11,900)	(66,650)	0	0	0
External Funding	(29,500)	(21,500)	(666,000)	(667,000)	(667,000)
	(7,201,709)	**(5,821,105)**	**(11,604,461)**	**(10,028,163)**	**(9,650,569)**
TOTAL CAPITAL FINANCING	**(13,364,645)**	**(9,873,331)**	**(17,662,503)**	**(10,956,163)**	**(10,717,569)**
HRA Capital Reserves					
Major Repairs Reserve					
Opening Balance	(5,947,149)	(4,380,802)	(3,801,137)	(2,653,137)	(1,320,137)
Amount due in Year	(3,929,000)	(3,933,007)	(5,856,650)	(5,376,269)	(5,487,569)
Amount used in Year	5,495,347	4,512,672	7,004,650	6,709,269	6,550,569
Closing Balance	**(4,380,802)**	**(3,801,137)**	**(2,653,137)**	**(1,320,137)**	**(257,137)**
Development Reserve					
Opening Balance	(797,483)	(797,483)	(797,483)	(897,483)	(1,097,483)
Amount due in Year	0	0	(100,000)	(200,000)	0
Amount used in Year	0	0	0	0	0
Closing Balance	**(797,483)**	**(797,483)**	**(897,483)**	**(1,097,483)**	**(1,097,483)**
Vehicle Reserve					
Opening Balance	(315,994)	(315,994)	(10,711)	(4,711)	(5,711)
Amount due in Year	(425,000)	(445,000)	(180,000)	(85,000)	0
Amount used in Year	739,712	750,283	186,000	84,000	0
Closing Balance	**(1,282)**	**(10,711)**	**(4,711)**	**(5,711)**	**(5,711)**

CAPITAL PROGRAMME RISK REGISTER – 2015/16 APPENDIX 3, TABLE 2

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
1. Cost Overruns on Approved Projects • Financial monitoring including formal reports to Members is undertaken on a regular basis which should enable mitigating action to be taken. • The Council has robust programme /project management arrangements in place. • The Financial Risk Registers in respect of both General Fund and HRA include the risk of an unfunded overspend arising on the Capital Programme.	£17,000,000	5%	£850,000
2. Reduction in the forecast level of capital resources. • The assumptions that have been made in respect of 2016/17 are realistic and prudent. • Should any issues be identified which casts doubt upon the level of resources included in the Programme then Officers will take any necessary actions to reduce the level of expenditure commitments.	£1,000,000	10%	£100,000
3. An unanticipated capital requirement arises which requires funding as a matter of urgency. • Existing approved projects may need to be reprofiled into future years • Additional capital resources may need to be identified • A charge against revenue balances may need to be considered.	£500,000	40%	£200,000
Calculated Potential Financial Impact of Identified Risks			**£1,150,000**