

Bolsover District Council

Extraordinary Executive

20th FEBRUARY 2017

Medium Term Financial Plan 2017/18 to 2020/21

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 2017/18 as part of a consideration of the Council's Medium Term Financial Plan covering the years 2017/18 to 2020/21.
- To provide Elected Members with an overview of the Council's financial position in order to inform the wider decision making processes of the Council.

1 Report Details

Introduction

- 1.1 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 recommendations agreed by Executive will be referred to the Council meeting of 20th February 2017 to secure agreement to the Council's budget in respect of the 2017/18 financial year. It should be noted that the recommendations of this report have previously been considered by both the Budget Scrutiny Committee at its meeting of 27th January 2017 and by the Audit Committee at its meeting on 16th January 2017.

- 1.2 While the three accounts are detailed separately within the report it is important that Executive gives appropriate consideration to the Council's overall financial position and to the range of services that it is planned to deliver to local residents. In addition to the consideration of this MTFP Council at its meeting of 20th February 2017 will also be requested to consider the Council's proposed Treasury Management Strategy which links the financial plans into the Borrowing and Investment strategy. This helps ensure that the Council's financial plans are affordable, prudent and sustainable.

1.3 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.

1.4 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:

- 2016/17 Estimated Outturn Position

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.

- 2017/18 Original Budget

This is the proposed budget for the next financial year commencing 1st April 2017 which Council will consider for approval at its meeting on 20th February 2017.

- 2018/19 to 2020/21 Financial Plan

- In accordance with good practice the Council agrees its annual budgets within the context of a Medium Term Financial Plan (MTFP) which sets out financial projections in respect of the next four 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 given that central Government plans are based upon significant year on year expenditure reductions for local government.

1.5 **Robustness of the Estimates**

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.

1.6 In concluding 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 (2015/16) and to date in the current financial year as at the end of September

2016. The views of cost centre managers concerning the level of expenditure which will be incurred during the remainder of the 2016/17 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 2016. This process has enabled a robust Estimated Outturn to be prepared in respect of the current financial year (2016/17), which has formed the basis for the 2017/18 Budget and the financial forecasts for 2018/19 to 2020/21.

- The estimates included within this report have been developed with and agreed by the 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 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 Registers 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 four 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 Audit Committee, Budget Scrutiny, 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 23rd January. One representative of the business community who operates a small business attended the meeting. The key point raised concerned the importance of ensuring that the District had a tidy and good environment – including taking enforcement action against litter and fly tipping – as an attractive street scene was crucial to providing a positive image of the District which was a key factor in attracting inward investment.

- 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 reviews customer comments and complaints helps ensure that the Council remains responsive to local residents. These mechanisms 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 in the level of services provided to local residents, 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 such consultation is 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 27th January and by the Audit Committee on the 16th 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 2016/17**

The Council set the original budget for 2016/17 on the basis that it was necessary to secure £0.067m of savings. Due to a variety of factors the main ones of which are vacancy management (£0.196m), increased planning income (£0.175m) and a Council Tax increase (£0.063m), careful control of expenditure together with charging certain Invest to Save costs against the Transformation Reserve has allowed the position to be managed to one of a currently anticipated surplus. 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. Having evaluated the position on some of more volatile budgets such as NNDR income officers are of the view that there is potential for a higher surplus to be generated. All under spends will be transferred to the Transformation Reserve where they are available to support agreed priorities in future financial years.

- **Original Budget 2017/18**

The budget in respect of 2017/18 currently shows a shortfall of £0.170m. 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 (£0.654m) 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 £1.9m anticipated to be necessary by 2020/21. By allocating the Efficiency Grant to the Transformation Reserve the Council is 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 previous financial years the efficiency target of £0.170m should be readily achievable. The low level of savings required 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 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 up to £5 at Band D, which will both provide a £0.1m contribution towards balancing next year's budget whilst helping address the underlying shortfall in the level of resources over the period of the current MTFP.

- **Budgets 2018/19 to 2020/21**

The Provisional Local Government Financial Settlement was announced in December 2016 which provided some clarity with respect to Revenue Support Grant and New Homes Bonus. That settlement only covers the years to 2019/20 with the fully localised NNDR funding regime planned to apply from April 2020. Given that the fully localised NNDR system will review both the resources and the needs element of the funding to all local Council's the review could have a significant impact on a number of individual Council's. Whilst the Government will almost inevitably put in some transitional arrangements for those Councils worst affected it does need to be recognised that there are currently no financial exemplifications of the Government's proposals and therefore the only reasonable assumption at this point in time would appear to be that Bolsover – like all Council's – will see a continued reduction in the level of resources available to it.

It also needs 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.

While the savings target in respect of next financial year is relatively modest the identified shortfall increases to £1.9m by 2020/21. Although significant savings need to be secured it should be recognised that the position at Bolsover has been mitigated by our strong record in respect of economic growth and service transformation. Given the Government's spending plans it is clear that further reductions will continue to be required. While 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 was 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 from 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 arising from this policy is one of £2m by 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 this period 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. The changes to rent policy have a significant financial impact upon the longer term sustainability of the HRA and it is assumed that from April 2020 the Government will return to a policy of allowing rents to increase at a rate reflecting inflation in the wider economy. Current Government policy leaves local authorities including Bolsover District Council with no alternative other than to reduce rents by a further 1% with effect from April 2017.
- When introducing these measures the policy objective for the Government was 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 alternative welfare cuts, they undermine the ability to invest in Council housing while delivering 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 of capital upgrades per annum (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 together with the risk that the rent reductions will go on beyond 2020 threatens the financial viability of the HRA. In December 2016 the Government confirmed that it would not require any financial contribution from local HRA's towards the costs of introducing Right to Buy for the tenants of Registered Social Landlords (Housing Associations) during next financial year (2017/18). The Government is, however, actively considering its options and this reform may be introduced by April 2018.
- **Estimated Outturn 2016/17**

The Estimated Outturn figures shown within this report are in line with those previously reported to Executive in November 2016. This outturn position was anticipated to be in line with the original budget, although a marginal improvement in the surplus to one of £0.014m indicates a HRA working balance at the year end of £1.905m.
- **Original Budget 2017/18**

The key issue for next year is the further rent reduction (1% average) is required to comply with Government rent guidelines for social housing, reducing the average rent for a Council house from £84.43per week (on a 48 week basis) to one of £83.59 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 our tenants 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. While income will be reduced and the Council will need to find savings to meet cost increases Officers are of the view that the Council is in a position to realise efficiency savings which will offset these income reductions and cost increases, enabling service standards to tenants to be maintained.
- **Forecasts 2018/19 and 2020/21**

The key assumption is that when the current Government rent policy ends in March 2020 there will be a return to the previous policy based upon increases in rent in line with inflation. Other than in respect of this income assumption the forecast position for the latter three years of the proposed MTFP effectively rolls forward the figures in respect of 2017/18. 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 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 providing 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 continues to be in respect of the HRA Programme which is funded by capital resources ring fenced to the Council's HRA. The funding for the ongoing programme of housing refurbishment work is planned to continue at a level approaching £5m per annum over the period of the proposed MTFP.
- In addition to this routine work the Council has commenced work on a £10m refurbishment at Bolsover Model Village which will improve the exteriors including 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.
- Since the introduction of HRA reform in 2012 the Council has already built 55 new houses and this programme is continuing with work effectively concluded at both the Creswell and Blackwell sites. Work will have commenced at the other four sites during the current year with the main elements being built during 2017/18. Currently agreed work is anticipated to result in some 94 of the planned 100 homes under the B@Home programme being either completed or commenced on site during next financial year. 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. In addition to New Build properties the Council also gives consideration where appropriate to the acquisition of both 'affordable' houses built to satisfy planning requirements as well as 'older' properties – often former Right to Buy's' in order to maintain stock which meets local housing needs and supports the sustainability of the HRA
- With regard to the General Fund during 2016/17 the Council has successfully delivered a new contact centre co-located with Job Centre Plus on Cotton Street in the centre of Bolsover. In addition work on the enhanced Leisure facilities at Clowne will be completed by the end of the current financial year. With respect to future plans these include a £1.3m extension to the Tangent, while we are working with Shirebrook Town Council to develop a shared contact centre located in the Market Square. These capital schemes are planned to commence on site in 2017 providing facilities that enhance services to local residents whilst contributing to the sustainability of the District's main towns.

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 2017. 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 20th February 2017.

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 2016/17 to 2020/21 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 budget for the 2017/18 financial year, together with progress on actions to ensure the longer term financial sustainability of the Council.

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

i) GENERAL FUND

- a) A Council Tax increase of £4.97 in respect of a notional Band D property (3.08%) as part of a range of measures necessary to manage the continued reduction in the level of central government funding.
- b) 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 2016/17, as the Original Budget in respect of 2017/18, and the financial projection in respect of 2018/19 to 2020/21.
- c) Officers continue to progress the implementation of measures designed to secure the forecast surplus in respect of 2016/17 together with the agreed savings targets in respect of 2017/18 with progress to be reported back to Executive,

Budget Scrutiny and Audit Committee on a quarterly basis.

- d) That any under spend in respect 2016/17 is transferred to the Transformation Reserve.
- e) That in the light of the financial pressures facing this Council the grant subsidy in respect of the Local Council Tax scheme is reduced on an annual basis with 2020/21 being the final year of payment.
- f) On the basis that income from Planning Fees is anticipated to exceed £400k the Chief Executive in consultation with the Leader be granted delegated powers to authorise such additional resources as are necessary to effectively manage the resultant increase in workload.
- g) That a further report be brought back to Executive to update the Council's Efficiency Plan in line with the revised financial projections as set out within this report and to provide further details concerning measures to secure the required level of savings over the period of the current MTFP.

ii) **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 2017.
- b) That the increases in respect of other charges as outlined in **Appendix 2 Table 2** be implemented with effect from 1 April 2017.
- 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 2016/17, as the Original Budget in respect of 2017/18, and the financial projection in respect of 2018/19 and 2020/21.

iii) **CAPITAL PROGRAMME**

- a) The Capital Programme as set out in **Appendix 3 Table 1** be approved as the Estimated Outturn in respect of 2016/17, and as the Approved Programme in respect of 2017/18 to 2020/21.
- 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 £260,000 of AMP Refurbishment allocation, which such approvals to be reported back to Executive through the Quarterly Budget Monitoring Report.
- c) That Council approves the inclusion of an additional phase of the B@Homes programme of 22 new Council Homes at Pinxton and South Normanton at a total cost of £3.363m.
- d) 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 **Decision Information**

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)	N/A
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 **Document Information**

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
Assistant Director Finance and Revenues and Benefits	(01246) 242214
Chief Accountant	(01246) 242458