

EXTRAORDINARY EXECUTIVE

AGENDA

Monday 20th February 2017 at 1000 hours in the Council Chamber, The Arc, Clowne

Item No.	PART 1 – OPEN ITEMS	Page No.(s)
1.	Apologies for absence	
2.	Declarations of Interest Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of: a) any business on the agenda b) any matters arising out of those items and if appropriate, withdraw from the meeting at the relevant time.	
3.	Medium Term Financial Plan 2017/18 to 2020/21.	3 to 56
4.	PART 2 – EXEMPT ITEMS <i>The Local Government (Access to Information) Act 1985, Local Government Act 1972, Part 1, Schedule 12a (relevant exemption paragraph is cited next to the agenda item).</i>	
	<u>Paragraphs 1, 3 and 4</u>	Circulated to Members separate to the agenda
5.	Strategic Alliance – Senior Management Team Review – Proposals.	
	<u>Paragraphs 1, 3 and 4</u>	Circulated to Members separate to the agenda
6.	Strategic Alliance – Senior Management Team Review - Early Voluntary Release Request.	

Bolsover District Council

Extraordinary Executive

20th FEBRUARY 2017

Medium Term Financial Plan 2017/18 to 2020/21
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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

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 recommended budgets for both 2016/17 (Estimated Outturn) and 2017/18 (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 the years 2018/19 to 2020/21.

2016/17 Estimated Outturn

3. In February 2016 Members agreed a budget in respect of the current financial year (2016/17). Given the requirement to achieve financial savings this year it has been necessary to actively manage budgets including removing agreed savings from budgets. During the year the budget has been under a process of ongoing revision with the Revised Budget (the latest version considered by Executive at its meeting on the 28th November 2016) having evolved from the Original Budget approved in February 2016. For the purposes of this report it is the Estimated Outturn position as set out in Table 1 which is detailed for approval. The main reason for the variation between the Original Budget and the Estimated Outturn is that the savings secured 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.
4. 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 2017/18 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 challenges facing the Council during 2017/18 and future years would have been significantly greater.
5. 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 under spend against the original budget for 2016/17. The forecast Estimated Outturn position in Table 1 incorporates an assumed surplus of £0.423m which will be transferred to the Transformation Reserve. It should, however, be recognised that the continued availability of both Efficiency Grant in 2016/17 and the Transformation Reserve have made an important contribution to the Council's financial position by funding a range of restructuring and service investment costs which otherwise

would have fallen on the General Fund. Officers have continued to budget prudently and on balance of probabilities would expect the outturn position to see a further increase in the level of contribution that can be made to the Transformation Reserve. There are a limited number of areas such as the contribution from the Derbyshire Wide NNDR Pool, from benefits grants and from planning income where the position may be further improved from that set out within the Estimated Outturn position. It was not, however, considered appropriate to include these possible gains within the Estimated Outturn given that they remain subject to some significant uncertainties.

Original Budget 2017/18

6. 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 2017. The provisional budget which is recommended for consideration by Members is detailed in Table 1 of this Appendix. The main factors taken into account in developing the Council's financial plans are set out within the sections below.

Level of Government Funding

7. The current financial year 2016/17 is the first year of the Four Year settlement announced in December 2015 which followed on from the General Election of May 2015. The key issues affecting Bolsover District Council are as follows:

Revenue Support Grant (RSG)

8. The settlement has confirmed the previous policy that Revenue Support Grant will be phased out with Bolsover District Council receiving £2.457m in 2016/17, £1.906m in 2017/18, £1.558m in 2018/19 and £1.169m in 2019/20. Within the figure for Revenue Support Grant is an amount of £0.843m in 2016/17, £0.654m in 2017/18, £0.534m in 2018/19 and £0.401m in 2019/20 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 affected by the most serious grant reductions to reduce expenditure through Invest to Save type initiatives this grant will continue to be transferred to the Transformation Reserve. It will 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 longer term financial sustainability.

New Homes Bonus

9. As part of the 2015 Autumn Statement the Government announced that it would be undertaking consultation concerning future New Homes Bonus payments. The outcome of that consultation in December 2016 reduced payments of NHB to five years in respect of 2017/18 and to four years from 2018/19. In addition it introduced a scaling factor into payments from 2017/18 onward to ensure that the overall payments for NHB do not exceed the allocations that have been set nationally in public expenditure plans. For 2017/18 the scaling factor reduces Bolsover's level of payments for New Homes Bonus from £0.251m to one of £0.191m. This introduction of a scaling

factor together with the reduction to four years of payment will have a continued negative impact upon the availability of NHB which is estimated to cost this Council in excess of £0.5m p.a. by 2020/21 when its full cumulative impact will be achieved.

10. Alongside the changes outlined above the Government is also seeking to sharpen incentives to reward those authorities have appropriate planning arrangements in place to promote housing growth. These changes will not be introduced in respect of 2017/18 when the consultation paper indicated that those Council's without a Local Plan might see NHB payments stopped. The options concerning incentives are still being reviewed by Government with a further reduction a clear possibility.

National Non Domestic Rates (NNDR)

11. The Government also announced in November 2015 a review of NNDR with the objective that by the end of this Parliament all NNDR will be retained locally. Currently Bolsover District Council collects £16m of NNDR, of which £12m is paid to central government. Any reform is intended to be 'fiscally neutral' i.e. it will not benefit either central or local government financially, therefore, to the extent to which a Council makes a 'surplus' 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 which may have a disproportionate impact upon individual authorities even if in overall terms it is fiscally neutral. The Government in its recent announcements appears to be committed to delivering the 100% local retention of rates which it has linked to a review of both the needs and the resources formulas used to allocate NNDR funding to individual Council's. While the Government is clearly aware that it will need to have a formula for resource equalisation to offset major shifts in funding between authorities arising out from the revision to the needs and resources calculation, this fundamental reform introduces a further element of uncertainty into our forward financial planning. On the basis of current information the Government is looking to move to the new arrangements with effect from April 2020 which is the final year of the Planning period set out within the proposed MTFP.
12. The transition to the new arrangements may be particularly difficult for Bolsover District Council. Crucially, we will no longer have access to Efficiency grant which has funded our Transformation Programme. Secondly, Bolsover has benefited significantly from the growth agenda as proximity to the M1 has made the District an attractive location for large scale warehouses which provided a significant uplift to our level of NNDR income. While the Government has said that it will retain incentives in the new system for those authorities which have seen significant growth in NNDR, it also intends that some of the financial benefits of increased NNDR will go into the national pool for redistribution once the new system is introduced. Thirdly, when the Government refreshes the 'needs' assessment it is likely that the progress of Bolsover District over recent years both in terms of economic and wider social factors will mean that the area will have improved against other local authority areas. These factors are likely to reduce the level of funding available to Bolsover District Council. While this will clearly have a detrimental impact, it is equally clear that the Government will introduce some form of equalisation to

ensure that the losses and gains at the level of individual authorities are reasonable and can be effectively managed. Given the lack of any financial exemplifications from Central Government in respect of 2020/21 which is the first year of the revised system the assumption has been made that the reduction in overall Government funding will be of the order of some £0.4m which is in line with that of previous years.

13. At the end of January 2017 the Council submitted its NNDR 1 form to the Department for Communities and Local Government. As an outcome of the work conducted to complete that return Officers have been required to review the level of financial provision that is required to offset any future fluctuations in NNDR , together with the level of NNDR that can be credited to the revenue account in respect of 2017/18. As a result of a better than anticipated outcome of the revaluation appeals that were outstanding as at January 2016 consideration has been given to releasing some of the funding that has been set aside to cover the costs of these appeals. This, however, needs to be balanced against the uncertainties arising from the fact that the Valuation Agency has undertaken a full revaluation which applies from April 2017. While on the basis of the revaluations undertaken to date officers consider a one off amount in excess of £0.5m could be released from the Growth Protection Reserve, until there is greater certainty concerning the outcome of the April 2017 revaluation it is prudent that this retained until the scale of any challenges to the revaluation is known. While this is a significant provision to be retained it needs to be recognised that in the current financial year it was necessary to utilise a contribution from this reserve of some £0.869m in order to maintain the NNDR income in year in line with the Council's underlying level of NNDR income. Once the position with respect to this reserve is clarified then any amounts not required to offset fluctuations in the level of NNDR income can be transferred into the Transformation Reserve to support priority developments as agreed by Members.
14. With respect to next financial year the recommended budget has assumed that the Council will not secure any additional benefit from NNDR growth. Instead the potential NNDR growth anticipated for 2017/18 and future years is 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, with assumptions about NNDR being subject not just to new business opening but also to revaluation appeals and to existing business closing or relocating.
15. Executive will be aware that with effect from 2015/16 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 in 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 by an amount of £200,000, in respect of next financial year although given the uncertainty concerning the availability of such income in respect of 2018/19 or future years no assumptions have been made regarding additional income beyond next year.

Four Year Settlement

16. As part of the Autumn Statement of 2015 the Government committed itself to providing Council's with an option of accepting a four year financial Settlement to remove some of the uncertainties over longer term financial planning. By submitting an Efficiency Plan to Central Government this Council has been able to take advantage of the greater certainty offered by the Four Year Settlement. The Settlement, however, only covered Revenue Support Grant, transitional funding and Rural Services Delivery Grant together with a limited number of other specific grants. In contrast both NNDR and New Homes Bonus fluctuate according to a variety of circumstances, leaving Council's with a significant level of uncertainty in their Medium Term financial planning. This Council agreed an Efficiency Plan covering the period to March 2020 at the meeting of Executive on 3rd October 2016. That Efficiency Plan will need to be updated once the budgets and financial plans included within this report are approved and it may be appropriate to give consideration to utilising the framework of our locally agreed Efficiency Plan in order to co-ordinate our approach to securing financial sustainability over the period of the current MTFP.

Council Tax

17. Over the period of the previous parliament the Coalition government made it clear that it opposed any increase in Council Tax providing grant support to those Council's which did not increase 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 alongside the existing flexibility allowing authorities to raise Council Tax by up to 2%, those authorities which provide Adult Social Care are able to increase Council Tax by an additional 2% i.e. up to 4% overall. These additional revenue raising powers to fund Adult Social Care indicate 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. With respect to next year the draft principles concerning Council Tax increases were set out as part of the December settlement. While those authorities providing social care are still entitled to increase Council Tax by up to 4% before a Referendum is required, for District Council's the principles are that Council Tax can be increased by the greater of 2%, or those Council's with a low Council Tax can increase the Council Tax by up to £5 on the notional band D Council Tax for 2016/17. With respect to Bolsover District Council that would allow a Council Tax increase of up to 3.08%, which would be a £4.97 increase for those in a Band D property. This would generate in the order of £0.1m in additional revenue for the Council.
18. Consideration also needs to be given to the operation of the Local Council Tax scheme. Executive will be aware that when the revised arrangements were originally introduced central Government provided additional financial support for the Parish Councils as part of Revenue Support Grant. Given that Revenue Support Grant is scheduled to come to an end in the 2019/20 financial year the burden of funding the grant to Town and Parish Councils is falling upon the District Council. Given the growing impact of the withdrawal of Government funding on the District Council which culminates in a projected financial

shortfall of some £1.9m by the end of the current planning period it is increasingly clear that this support is no longer affordable. Council reviewed the scheme at its meeting of 3rd February 2016 and agreed to phase out the payments by the 2019/20 financial year. In the light of representations from the town and Parish Councils Members took the decision at the meeting of Council on the 5th January 2017 to delay the introduction of the accelerated withdrawal of grant for one year by reverting to the original arrangements (phasing out by 2022/23) for 2017/18 only.

19. Having given consideration to the extent of the financial deficit facing the Council over the period of the MTFP it is considered that the operating the scheme on the basis that it will be phased out by 2022/23 is not affordable. The recommended proposals is that the Council should revert to phasing out the scheme over a three year period ending in 2020/21, allowing the Town and Parish Councils a further year to adjust. This scheme would save the Council some £278k in comparison with arrangements which continued to make payments until 2022/23. The proposals are considered to provide an appropriate balance between protecting the financial position of the District Council whilst allowing the Town and Parish Council an appropriate period of transition between the current and the recommended arrangements. While consideration was given to ending the scheme in 2019/20 that was considered to place too great a burden on the Town and Parish Councils to either make savings or raise revenue in order to compensate for the loss of this grant. The position is set out in the table below.

Level of Grant to Parish Councils – Cost to BDC

Options	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Total Cost
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
1	278	209	139	70	-	-	695
2	278	185	93	-	-	-	556
3	278	232	85	139	93	46	973

Option 1 is the recommended approach (based on a 2020/21 end date) which saves this Council £278,000, over a scheme based upon a March 2023 end date.

Option 2 is based upon a March 2020 end date which was considered to be too severe a reduction in the level of support given to the Parish Councils.

Option 3 is based upon a scheme which continues until March 2023 and is recommended for rejection because it is unaffordable for the District Council.

20. Expenditure, income levels and efficiencies

In developing the financial projections covering the period 2017/18 to 2020/21 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.

- Employer superannuation contributions increase by 1% with effect from April 2017 and remain unchanged over the period of the current MTFP. A similar assumption is made in respect of the lump sum deficit recovery where an increase takes effect from April 2017.
- In respect of the Apprentice levy the Council is only assuming a cost of some £38k p.a. Any proposals that increase costs above that level will need to be funded from the Transformation Reserve in respect of the 2017/18 financial year.
- With regard to inflation specific budget heads such as energy costs and business rates have been amended to reflect anticipated price changes. Given the recent fall in the exchange rate of sterling this position will need to be monitored carefully. To the extent to which the Council is not able to manage inflationary pressures then the additional costs will need to be met from our vacancy management programme.
- New Homes Bonus to be payable for 4 years with a scaling back reduction with effect from 2017/18, with no further losses arising from the Government initiatives to introduce penalties / incentives around Planning matters.
- With respect to Planning Fees an amount of £400k has been included within the budget. Where income levels – and the associated workload - increase above that level then part of the additional income may be used to fund such costs as Agency Staff which are necessary in order to maintain performance levels. It is important that performance levels are maintained both in order to protect the Council's reputation as a 'good place to do business' and to ensure that poor performance does not lead to a reduction or withdrawal of New Homes Bonus funding. It is recommended that delegated powers are granted to the Chief Executive in consultations with the Leader to agree any necessary increase in planning expenditure to meet peaks in demand, on the basis that these costs can be met from an increase in planning fees above the budgeted level of £400k.
- Fees and Charges – service specific increases as agreed by Members.

21. Government policy is that local government should seek to secure local sources of funding rather than continuing to be dependent upon central 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, whilst income levels from Pleasley Vale have continued to grow reflecting higher occupancy levels. A number of agreements with external / partner organisations have been agreed in respect of the office space at the Arc. With effect from 2017/18 Officers have assumed significant income growth from the Enhanced Leisure facilities at the Arc. 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 next financial year the Council has a savings target of £0.170m to secure a balanced budget. While this is a target that should be readily 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 £1.138m in 2018/19, rising to £1.709m in 2019/20 and £1.873m in 2020/21. 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 £1.9m 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 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. Over recent years these savings have generally arisen as a result of the time lag between one employee leaving and the replacement starting. While this should secure savings during next year in the order of £100k these may need to be utilised to offset price rises arising from the forecast increase in the level of inflation.

- 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 each financial year is recommended. In particular the approach will seek to ensure that opportunities for savings arising from 'natural wastage' are maximised.

- 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 appear to have been secured. These include improved letting of space at the Arc, optimising occupancy at the Tangent, co location in the contact centres. While additional income will be secured once the extension to the Tangent opens and work will continue to increase occupancy levels at 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 2017/18.

24. The table below summarises the savings options that the Council is intending to progress in 2017/18, together with detailing their financial impact upon 2018/19 to 2020/21:

Summary of Savings Opportunities

	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Efficiency Target / Budget Shortfall	170	1,138	1,709	1,873
Savings Proposals				
NNDR Growth Target		(100)	(200)	(300)
Impact of inflation upon costs	100	100	100	100
Vacancy Management	(100)	(100)	(100)	(100)
Transformation, Secondments & Joint Working	(150)	(300)	(450)	(600)
Council Tax Increase – Subject to Council Approval	(100)	(200)	(300)	(400)
Total Savings Options	(250)	(600)	(950)	(1,300)
Unidentified Savings Target	(80)	538	759	573
(Call on General Fund Balances)	(80)	538	759	573

While the position in respect of next financial year is a good one, it is equally clear that we see deterioration over the following three financial years even on the basis that targeted 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. It is important that good progress is made in addressing the forecast 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 2020/21 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

25. Members will recall that between 2011/12 and 2015/16 the Council 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. Given the Council's financial position arising from the ongoing reduction in the level of central government grant, together with the withdrawal of central Government grant for operating a Council Tax freeze Council in 2016/17 took the decision to increase Council Tax by 1.95%.

26. 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:

	2017/18 £000's	2018/19 £000's	2019/20 £000's	2020/21 £000's
Efficiency Target / Budget Shortfall	170	1,138	1,709	1,873

27. In summary officers are currently forecasting that over the period April 2017 to March 2021 expenditure reductions (or increased income) of £1.9m will be necessary. It should be noted that it is highly likely that a ceiling on Council Tax increases will be in place 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 2017/18. In respect of the Council's financial position the Table of Proposed Savings given at section 24(above) sets out the currently identified areas that could be targeted for securing savings. The forecast indicates that on the basis of existing information there is a cumulative shortfall over the period of the current MTFP in the order of £1.9m which is only partially addressed by the savings opportunities identified.
28. The maximum permitted Council Tax increase – without incurring the costs of a referendum – is one of up to £5 on a notional Band D property. This would generate additional funding for Bolsover District Council in the order of £0.1m. If that approach were replicated over the period of the current MTFP then a total of £0.4m would be realised. While this is a significant sum to raise from local taxpayers it needs to be recognised that the reduction in New Homes Bonus – which is being undertaken to increase funding for Adult Social Care – will cost this Council well in excess of £0.5m per annum by 2018/19. Nationally that funding is being transferred to support Adult Social Care so in there is a clear link between the require - meant to raise Council Tax at District Council level and the funding of Adult Social care. In addition – over the planning period – the Council will lose in excess of £1m in Revenue Support Grant even after the growth of funding through NNDR is taken into account. In this sense an increase in Council Tax is necessary as part of the strategy of protecting the level of services to local residents as the Government increasingly withdraws national funding from local services.
29. While there are clear financial advantages for opting to increase the level of Council Tax in 2017/18 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 an amount of up to £5 at Band D (3.08%), 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)
2016/17 Charge	107.49	125.40	143.32	161.23	197.06	232.89	268.72	322.47
Up to £5 increase at Band D (3.08%) – p.a.	3.31	3.87	4.41	4.97	6.07	7.18	8.28	9.93
2017/18 Charge With up to £5 Increase	110.80	129.27	147.73	166.20	203.13	240.07	277.00	332.40
Cost per week without increase	2.07	2.41	2.76	3.10	3.79	4.48	5.17	6.20
Cost per week with increase	2.13	2.49	2.84	3.20	3.91	4.62	5.33	6.39

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 the additional financial burden upon our residents.

Financial Reserves

30. The Council's main uncommitted Financial Reserves are the General Fund Balance of £2.0m and the uncommitted element of the Transformation Reserve of just over £2m. 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 £1.825m.

Risk Register

32. A financial Risk Assessment is set out in Table 3, which outlines the risks, the mitigation which is in place, the potential impact and the probability of the event occurring in order to arrive at a notional calculation concerning the potential financial impact of the risks which the Council is currently facing. This indicates that the identified risks which the Council is currently facing amount to £1.825m. This is broadly in line with the current General Fund balances of £2m. 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.

33. 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.

**BOLSOVER DISTRICT COUNCIL
GENERAL FUND**

APPENDIX 1 Table 1

Description	Estimated	Original	Forecast	Forecast	Forecast
	Outturn 2016/17	Budget 2017/18	2018/19	2019/20	2020/21
	£	£	£	£	£
Growth Directorate	3,306,510	3,347,867	3,160,945	3,184,463	3,182,502
Operations Directorate	6,621,340	6,551,876	6,761,871	6,879,275	6,968,870
Transformation Directorate	3,189,357	2,838,694	2,587,533	2,631,655	2,668,652
Recharges to HRA and Capital	(3,410,307)	(3,439,642)	(3,471,276)	(3,512,930)	(3,551,878)
Superannuation rate increase	0	68,605	69,689	70,738	71,625
S106 Expenditure					
Growth	339,236	879,000	0	0	0
Transformation	733,616	7,829	9,769	10,013	47,976
Net Cost of Services	10,779,752	10,254,229	9,118,531	9,263,214	9,387,747
Debt Charges	727,744	877,532	1,057,233	1,126,299	1,141,641
Investment Interest	(113,414)	(81,429)	(74,288)	(70,664)	(69,649)
	11,394,082	11,050,332	10,101,476	10,318,849	10,459,739
Appropriations:					
<u>Contributions to Reserves:</u>	1,060,597	871,544	752,209	618,916	217,850
<u>Contribution from Earmarked Reserves:</u>	(783,928)	(177,609)	(12,606)	0	0
<u>Contribution from NNDR Growth Protection Reserve</u>	(859,831)	987,907	0	0	0
<u>Contribution from Grant Accounts</u>	(5,590)	(5,320)	(5,320)	(5,320)	(5,320)
<u>Contribution from Holding Accounts</u>	(264,249)	(189,626)	(29,124)	(15,922)	(17,963)
<u>Contribution from S106 Holding A/cs</u>	(1,073,968)	(886,829)	(9,769)	(10,013)	(47,976)
TOTAL EXPENDITURE	9,467,113	11,650,399	10,796,866	10,906,510	10,606,330
Parish Precepts	2,387,172	2,387,172	2,387,172	2,387,172	2,387,172
Council Tax Support Grant - Parish	308,723	277,851	209,000	139,000	70,000
TOTAL SPENDING REQUIREMENT	12,163,008	14,315,422	13,393,038	13,432,682	13,063,502
<u>Revenue Support Grant from SFA - total</u>	(2,456,990)	(1,905,813)	(1,557,899)	(1,169,290)	0
<u>Business Rates Retention total</u>	(2,997,228)	(4,077,132)	(4,003,151)	(3,957,681)	(4,680,003)
<u>New Homes Bonus Grant total</u>	(1,321,635)	(1,196,046)	(914,349)	(817,195)	(731,202)
Miscellaneous Government Grant	(8,103)	0	0	0	0
COUNCIL TAX - BDC precept	(3,324,255)	(3,392,355)	(3,392,355)	(3,392,355)	(3,392,355)
Council tax - Parish element from above	(2,387,172)	(2,387,172)	(2,387,172)	(2,387,172)	(2,387,172)
Council Tax Collection Fund Surplus	(91,310)	(32,775)	0	0	0
NNDR Collection Fund Surplus	0	(1,154,359)	0	0	0
TOTAL FUNDING	(12,586,693)	(14,145,652)	(12,254,926)	(11,723,693)	(11,190,732)
FUNDING GAP / (SURPLUS)	(423,685)	169,770	1,138,112	1,708,989	1,872,770

APPENDIX 1 Table 2

List of net budgets per cost centre per directorate

APP	Total for: Appropriations	Estimated	Base	Forecast	Forecast	Forecast	
		Outturn	Budget	Forecast	Forecast	Forecast	
		2016/17	2017/18	2018/19	2019/20	2020/21	
		£	£	£	£	£	
		(10,779,752)	(10,185,624)	(9,048,842)	(9,192,476)	(9,316,122)	
GROWTH	G005	Joint Chief Executive Officer (G005)	79,716	80,445	83,144	83,987	84,688
GROWTH	G006	CEPT (G006)	378,170	366,189	334,591	338,891	341,671
GROWTH	G010	Neighbourhood Management (G010)	86,136	98,730	89,460	91,217	91,999
GROWTH	G017	Private Sector Housing Renewal (G017)	58,111	58,182	58,702	59,229	59,702
GROWTH	G020	Public Health (G020)	(28,000)	(28,000)	(28,000)	(28,000)	(28,000)
GROWTH	G021	Pollution Reduction (G021)	189,078	178,524	181,087	182,787	184,251
GROWTH	G022	Health + Safety (G022)	(276)	0	0	0	0
GROWTH	G023	Pest Control (G023)	47,854	50,379	50,809	51,243	50,925
GROWTH	G025	Food Safety (G025)	141,341	143,607	145,918	147,808	149,031
GROWTH	G026	Animal Welfare (G026)	99,092	101,370	102,588	103,375	103,041
GROWTH	G030	Street Trading (G030)	(452)	(452)	(452)	(452)	(452)
GROWTH	G036	Environmental Health Mgmt & Admin (G036)	181,342	168,756	170,121	171,521	172,783
GROWTH	G050	Executive Director - Growth (G050)	2,500	0	0	0	0
GROWTH	G053	Licensing (G053)	(42,845)	(41,407)	(40,344)	(39,719)	(39,156)
GROWTH	G054	Electoral Registration (G054)	176,189	147,364	148,651	150,192	151,768
GROWTH	G055	Democratic Representation & Management (G055)	534,872	533,394	533,544	533,683	533,829
GROWTH	G056	Land Charges (G056)	(26,020)	(7,151)	(6,609)	(6,054)	(5,486)
GROWTH	G057	District Council Elections (G057)	5,000	5,000	31,850	40,800	5,000
GROWTH	G058	Democratic Services (G058)	158,240	172,248	175,989	180,478	183,777
GROWTH	G060	Legal Services (G060)	173,049	185,915	195,612	196,016	199,463
GROWTH	G073	Planning Policy (G073)	313,633	253,519	250,567	242,532	245,236
GROWTH	G074	Planning Development Control (G074)	(85,213)	(48,338)	33,435	39,383	43,919
GROWTH	G076	Planning Enforcement (G076)	61,267	77,113	79,776	81,826	83,787
GROWTH	G079	Planning Services Mgmt & Admin (G079)	20,212	20,556	20,775	20,996	21,220
GROWTH	G085	Economic Development (G085)	99,278	29,425	29,425	29,425	29,425
GROWTH	G086	Alliance (G086)	7,250	7,250	7,250	7,250	7,250
GROWTH	G088	Derbyshire Economic Partnership (G088)	15,000	15,000	15,000	15,000	15,000
GROWTH	G107	Home Improvement Agency (G107)	(848)	0	0	0	0
GROWTH	G132	Planning Conservation (G132)	28,327	104,829	30,659	30,975	31,294
GROWTH	G143	Housing Strategy (G143)	34,093	41,556	42,487	43,449	43,840
GROWTH	G144	Enabling (Housing) (G144)	27,091	36,555	37,485	38,449	38,838
GROWTH	G171	S106 Education (G171)	314,236	0	0	0	0
GROWTH	G172	S106 Affordable Housing (G172)	1,116	0	0	0	0
GROWTH	G176	Affordable Warmth (G176)	31,702	30,572	31,308	32,057	32,330
GROWTH	G192	Scrutiny (G192)	19,876	20,434	20,640	20,850	21,061
GROWTH	G193	Economic Development Management + Admin (G193)	181,241	205,447	211,381	215,536	219,677
GROWTH	G194	Assist Dir - Economic Growth (G194)	36,371	36,799	37,152	37,520	37,892
GROWTH	G195	Assist Dir - Governance + Monitoring (G195)	35,165	35,520	35,891	36,303	36,646
GROWTH	G196	Assist Dir - Planning + Env Health (G196)	34,851	35,127	35,497	35,910	36,253
GROWTH	G209	Conservation - Carr Vale HLF Scheme	(3,288)	0	0	0	0
GROWTH	G211	Help to Work (G211)	5,848	0	0	0	0
GROWTH	G212	Budget Buddies (G212)	20,349	9,799	0	0	0
GROWTH	G213	Volunteering (G213)	6,799	0	0	0	0
GROWTH	G216	Raising Aspirations (G216)	98,946	52,300	0	0	0
GROWTH	G218	Namibia Bound (G218)	27,451	0	0	0	0
GROWTH	G220	Locality Funding (G220)	(115,588)	7,500	0	0	0
GROWTH	G223	Empty Property Officer	2,299	0	0	0	0
GROWTH	G224	Prime Ministers Challenge Fund (G224)	27,031	0	0	0	0
GROWTH	G225	Eats and Treates Events (G225)	6,340	0	0	0	0

APPENDIX 1 Table 2

List of net budgets per cost centre per directorate

			Estimated	Base			
			Outturn	Budget	Forecast	Forecast	Forecast
			2016/17	2017/18	2018/19	2019/20	2020/21
			£	£	£	£	£
GROWTH	G226	S106 - Highways (G226)	25,000	879,000	0	0	0
GROWTH	G229	Housing Standards (G229)	(650)	0	0	0	0
GROWTH	G240	Affordable Warmth Buddies (G240)	20,188	26,535	3,131	0	0
GROWTH	G241	Working Together for Older People (G241)	24,851	24,851	0	0	0
GROWTH	G242	New Bolsover MV - CVP Worker (G242)	12,425	12,425	12,425	0	0
GROWTH	G244	Bolsover Business Growth Fund (G244)	100,000	100,000	0	0	0
GROWTH		Total for: Growth Directorate	3,645,746	4,226,867	3,160,945	3,184,463	3,182,502
OPERA	G001	Audit Services (G001)	114,900	124,600	124,600	124,600	124,600
OPERA	G007	Community Safety - Crime Reduction (G007)	52,108	51,865	52,391	53,033	53,676
OPERA	G013	Community Action Network (G013)	235,262	236,763	239,258	241,706	244,184
OPERA	G024	Street Cleansing (G024)	301,795	365,919	369,039	374,962	381,039
OPERA	G028	Waste Collection (G028)	891,744	933,929	952,367	966,309	977,472
OPERA	G032	Grounds Maintenance (G032)	578,308	524,366	530,173	536,528	542,756
OPERA	G033	Vehicle Fleet (G033)	732,133	745,503	756,905	768,811	780,975
OPERA	G038	Concessionary Fares & TV Licenses (G038)	(9,310)	(9,094)	(9,094)	(9,094)	(9,094)
OPERA	G040	Corporate Management (G040)	102,570	141,733	143,702	148,684	150,910
OPERA	G041	Non Distributed Costs (G041)	688,951	681,457	687,140	692,255	698,506
OPERA	G044	Financial Services (G044)	291,780	319,691	323,129	326,619	330,151
OPERA	G046	Homelessness (G046)	159,970	161,303	162,464	163,638	164,825
OPERA	G048	Town Centre Housing (G048)	(10,700)	(10,700)	(10,700)	(10,700)	(10,700)
OPERA	G080	Engineering Services (ESRM) (G080)	82,162	83,766	84,688	85,628	86,587
OPERA	G081	Drainage Services (G081)	4,000	3,300	3,300	3,300	3,300
OPERA	G083	Building Control Consortium (G083)	77,570	55,000	55,000	55,000	55,000
OPERA	G089	Premises Development (G089)	(97,283)	(72,354)	(72,147)	(71,934)	(71,735)
OPERA	G090	Pleasley Vale Mills (G090)	(83,260)	(174,991)	(171,951)	(168,811)	(165,638)
OPERA	G092	Pleasley Vale Electricity Trading (G092)	(83,671)	(78,000)	(78,000)	(78,000)	(78,000)
OPERA	G093	Sherwood Lodge (G093)	(23,056)	0	0	0	0
OPERA	G095	Estates + Property (G095)	642,526	597,482	609,439	621,470	631,933
OPERA	G096	Building Cleaning (General) (G096)	77,590	82,080	83,836	86,527	89,318
OPERA	G097	Groundwork & Drainage Operations (G097)	45,728	46,392	46,872	47,356	47,847
OPERA	G099	Catering (G099)	5,973	6,000	6,000	6,000	6,000
OPERA	G100	Benefits (G100)	375,641	548,904	692,559	734,179	773,350
OPERA	G103	Council Tax / NNDR (G103)	290,814	273,958	282,718	291,268	296,555
OPERA	G104	Sundry Debtors (G104)	83,861	85,916	87,651	88,653	89,513
OPERA	G106	Housing Anti Social Behaviour (G106)	74,019	73,018	73,783	74,554	75,336
OPERA	G111	Shared Procurement Unit (G111)	34,860	34,860	34,860	34,860	34,860
OPERA	G113	Parenting Practitioner (G113)	46,015	46,463	46,918	47,379	47,845
OPERA	G123	Riverside Depot (G123)	170,922	168,761	171,797	174,929	177,172
OPERA	G124	Street Servs Mgmt & Admin (G124)	63,252	66,948	68,238	69,203	69,941
OPERA	G133	The Tangent Business Hub (G133)	(8,138)	(19,984)	(18,653)	(14,737)	(22,787)
OPERA	G135	Domestic Violence Worker (G135)	39,446	39,825	40,212	40,602	40,997
OPERA	G142	Community Safety - CCTV (G142)	76,319	33,370	33,370	33,370	33,370
OPERA	G148	Trade Waste (G148)	(36,140)	(57,385)	(80,558)	(86,069)	(91,693)
OPERA	G149	Recycling (G149)	222,234	222,358	222,624	213,256	203,651
OPERA	G151	Street Lighting (G151)	25,570	26,021	26,481	26,951	26,951
OPERA	G153	Housing Advice (G153)	12,183	12,309	12,438	12,569	12,700
OPERA	G156	The Arc (G156)	301,097	173,397	178,157	183,771	187,829
OPERA	G161	Rent Rebates (G161)	(89,811)	(95,199)	(100,912)	(106,965)	(113,385)
OPERA	G162	Rent Allowances (G162)	(85,706)	(90,491)	(95,515)	(100,791)	(106,331)
OPERA	G164	Support Recharges (G164)	(3,410,307)	(3,439,642)	(3,471,276)	(3,512,930)	(3,551,878)

APPENDIX 1 Table 2

List of net budgets per cost centre per directorate

			Estimated	Base			
			Outturn	Budget	Forecast	Forecast	Forecast
			2016/17	2017/18	2018/19	2019/20	2020/21
			£	£	£	£	£
OPERA	G167	Facilities Management (G167)	22,862	23,541	23,541	23,541	23,541
OPERA	G169	Closed Churchyards (G169)	10,000	10,000	10,000	10,000	10,000
OPERA	G190	Executive Director - Operations (G190)	51,372	52,168	52,677	53,203	53,733
OPERA	G197	Assist Dir - Finance, Revenues + Benefits (G197)	34,008	35,371	36,696	37,064	37,436
OPERA	G199	Assist Dir - Street Scene (G199)	34,536	34,956	36,281	36,650	37,021
OPERA	G208	Assist Dir - Estates and Property (G208)	33,990	35,281	36,597	37,010	37,353
OPERA	G219	Community Cohesion Officer (G219)	32,544	0	0	0	0
OPERA	G237	Joint Venture (LLP) (G237)	30,000	0	0	0	0
OPERA	G239	Housing + Community Safety Fixed Penalty A/c (G239)	(2,200)	1,500	1,500	938	0
OPERA		Total for Operations Directorate	3,211,033	3,112,234	3,290,595	3,366,345	3,416,992
TRANS	G002	I.C.T. (G002)	687,590	685,209	681,875	688,907	692,930
TRANS	G003	Reprographics (printing) (G003)	120,340	123,695	124,522	127,131	126,708
TRANS	G014	Customer Contact Service (G014)	728,909	741,474	753,563	763,035	771,364
TRANS	G015	Strategy & Performance (G015)	124,229	124,118	127,034	129,262	130,551
TRANS	G027	Emergency Planning (G027)	15,847	16,292	16,751	17,224	17,710
TRANS	G052	Human Resources & Payroll (G052)	177,936	164,413	169,612	166,240	167,683
TRANS	G061	Bolsover Wellness Programme (G061)	41,537	6,925	4,221	6,729	8,927
TRANS	G062	Extreme Wheels (G062)	(1,881)	(3,767)	(3,449)	(3,128)	(2,804)
TRANS	G063	Go Football (G063)	13,100	13,686	13,858	13,988	14,118
TRANS	G064	Bolsover Community Sports Coach Scheme (G064)	130,044	135,096	136,651	137,813	138,987
TRANS	G065	Parks, Playgrounds & Open Spaces (G065)	69,458	47,251	47,570	47,895	48,233
TRANS	G067	Culture & Heritage (G067)	7,445	(10,000)	(10,000)	(10,000)	(10,000)
TRANS	G070	Outdoor Sports & Recreation Facilities (G070)	28,430	28,165	28,487	28,817	29,116
TRANS	G071	Creswell Leisure Centre (G071)	229,711	20,000	0	0	0
TRANS	G072	Leisure Services Mgmt & Admin (G072)	215,749	221,848	224,026	226,230	228,466
TRANS	G112	Frederick Gents School Community Use (G112)	20,471	0	0	0	0
TRANS	G117	Payroll (G117)	68,363	67,451	68,714	69,872	70,630
TRANS	G125	S106 Percent for Art (G125)	158,953	0	0	0	0
TRANS	G126	S106 Formal and Informal Recreation (G126)	228,541	7,829	9,769	10,013	47,976
TRANS	G129	Bolsover Apprenticeship Programme (G129)	68,744	20,300	0	0	0
TRANS	G146	Pleasley Vale Outdoor Activity Centre (G146)	42,941	42,621	43,308	44,005	44,637
TRANS	G155	Customer Services (G155)	27,965	28,268	28,578	28,895	29,213
TRANS	G160	Clowne Leisure Centre (G160)	5,192	0	0	0	0
TRANS	G168	Multifunctional Printers (G168)	55,703	54,646	52,254	52,254	52,254
TRANS	G170	S106 Outdoor Sports (G170)	346,122	0	0	0	0
TRANS	G173	SE Community Sports (G173)	22	0	0	0	0
TRANS	G179	Streets Sports (G179)	1,500	0	0	0	0
TRANS	G180	Special Events (G180)	250	94	0	0	0
TRANS	G182	Village Games (G182)	2,500	0	0	0	0
TRANS	G185	Club Link Makers (G185)	5,400	0	0	0	0
TRANS	G188	Cotton Street Contact Centre (G188)	25,694	31,836	32,442	33,055	33,563
TRANS	G189	Executive Director - Transformation (G189)	51,603	52,403	52,912	53,438	53,969
TRANS	G200	Assist Dir - Customer Services + Improvement (G200)	35,097	35,462	35,832	36,245	36,588
TRANS	G201	Assist Dir - HR + Payroll (G201)	33,674	35,287	35,657	36,070	36,413
TRANS	G202	Assist Dir - Leisure (G202)	35,357	35,722	36,092	36,505	36,848
TRANS	G205	Innovation (G205)	4,653	0	0	0	0
TRANS	G206	Street Games (G206)	2,920	0	0	0	0
TRANS	G207	Cycling (G207)	1,550	0	0	0	0
TRANS	G222	Clowne Leisure Facilities Enhancement (G222)	1,097	0	0	0	0
TRANS	G228	Go Active Clowne Leisure Centre (G228)	44,635	70,820	(163,327)	(149,597)	(138,650)

APPENDIX 1 Table 2

List of net budgets per cost centre per directorate

			Estimated	Base			
			Outturn	Budget	Forecast	Forecast	Forecast
			2016/17	2017/18	2018/19	2019/20	2020/21
			£	£	£	£	£
TRANS	G238	HR Health + Safety (G238)	65,582	49,379	50,350	50,770	51,198
TRANS		Total for Transformation Directorate	3,922,973	2,846,523	2,597,302	2,641,668	2,716,628
Total		Total for: General Fund	0	0	0	0	0

BOLSOVER DISTRICT COUNCIL: GENERAL FUND RISK REGISTER

Risk and Mitigation in Place	Gross Value of Risk £000's	Probability	Potential Impact £000's
<p>1. Reduction in Government Grant/NNDR/ New Homes Bonus or loss of other income above the budgeted level incorporated within the MTFP (This figure takes account of the proposed introduction of fully localised NNDR in April 2020).</p> <ul style="list-style-type: none"> • 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 covering the next three financial years. 	1,500	40%	600
<p>2. Overspend on challenging revenue budgets.</p> <ul style="list-style-type: none"> • 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
<p>3. Inability to achieve assumed level of efficiencies.</p> <ul style="list-style-type: none"> • 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. • The Council has an uncommitted Transformation Reserves in excess of £2m in place with which to fund efficiency measures. 	250	40%	100

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
<p>4. Overspend on Capital Programme or under - achievement of capital receipts leads to a charge against the Revenue Position.</p> <ul style="list-style-type: none"> 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
<p>5. A major Business Continuity Issue arises.</p> <ul style="list-style-type: none"> 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
<p>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.</p> <ul style="list-style-type: none"> Budgets have been established on a prudent basis; however, part of the risk of cost increase now falls upon local authorities. 	500	25%	125
<p>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.</p> <ul style="list-style-type: none"> 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	40%	200
<p>Notional Potential Financial Impact of Identified Risks</p>			1,825

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. 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 2016/17 (Estimated Outturn) and 2017/18 (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 the period 2018/19 to 2020/21.

2016/17 Estimated Outturn Budget

- In February of 2016 Members agreed a budget in respect of the current financial year 2016/17. That original budget is detailed in Table 1 of this Appendix, where it can be compared against the Estimated Outturn Budget for 2016/17. 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 Original Budget figures reported and approved by Council in February 2016. The minor changes to both income and expenditure as detailed in Table 1 effectively balance each other out in financial terms, with the net result that the forecast surplus has increased from one of £0.011m to one of £0.014m. At the year end the projected HRA Reserve is one of £1.905m.
3. With respect to the period up March 2017 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 degree 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 currently costs some £4.5m p.a in repayments, amounting to 25% of the rental income.
 4. Local Authorities became responsible for managing HRA income along with repaying debt, ensuring adequate financial provision to maintain and refurbish the stock and 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.

5. 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 60 sales will be completed during the current financial year. For the HRA this represents a significant loss of income with the additional homes sold in the current year alone reducing the Council's rental stream by in excess of £200,000 every year, or £6m over the period of the Business Plan. Legislation is also being considered to require Councils to dispose of their 10% of most valuable properties. While the Government has announced that this initiative will only apply from April 2018 the position will need to be monitored carefully given the potential impact upon revenue streams and costs which will fall upon the HRA.

Level of Council House Rents

6. 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 considerably below '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.
7. 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 from April 2016 the Government has required 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, which rises to £1m in respect of 2017/18. Over the period of the 30 year HRA Business Plan the loss of rental income is estimated 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 (2016/17)	Year 2 (2017/18)	Year 3 (2018/19)	Year 4 (2019/20)	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

8. 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 rephasing of debt repayments and expenditure plans within 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.
9. In the short term the major revision to the Council’s HRA has been a reduction in the level of debt repayment by a corresponding amount with effect from April 2016. 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 acquire new properties.
10. 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. Although the Council will continue to seek to secure efficiency savings there will inevitably be detrimental impact on services to tenants.

Housing Revenue Account Budget 2017/18

11. The proposed HRA budget in respect of 2017/18 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 £1m from the figure set out within the original HRA Business Plan.
 - In response to the loss of rental income and other pressures the level of debt repayment had to be reduced from £3.5m in 2015/16 to a figure of just over £1m for both 2016/17 and 2017/18. 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

- Given these pressures – together with the costs of the new build scheme and the work at New Bolsover it has been necessary to constrain expenditure on the level of routine capital upgrades to the housing stock.

12. On the basis of the proposed budget it is planned that the HRA will generate a small in year surplus of £0.009m. This will increase the level of general HRA reserves to a figure in the region of £1.914m 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 this figure will need to be achieved gradually, and on the basis of current plans will not be achieved by March 2021.
13. 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. Given the other pressures on the HRA the level of resources available for capital investment has been reduced to an average of £4.8m a year over the period of the current MTFP. Officers are currently working with the Chartered Institute of Housing in order to remodel the 30 Year Business Plan. One of the key issues that will be considered is that of ensuring that sufficient capital resources are available to maintain the Council Stock 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 £5m per annum. The stock condition survey data indicates 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.
14. The measures outlined within this report enable the funding of HRA expenditure budgets for 2017/18 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 seeks to 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 continue to protect services to tenants and ensure our properties are maintained at the Decent Homes standard.

Budgets 2018/19 to 2020/21

15. In line with established good practice the MTFP sets out the Council's projected financial position over a 4 year period. The forecasts in respect of the latter three years are effectively based upon a roll forward of the budgets in respect of next financial year. The major change in assumptions is that the Government's rent policy from 2020/21 will allow a return to rent increase in line with inflation. With respect to debt repayments these will rise to £1.272m in 2018/19, followed by £1.772m in the two latter years of the proposed MTFP. While given the level of other pressures on the HRA 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.
16. Within the budgets in respect of these latter three 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, with a resumption of inflation linked rent increases applying from April 2020.
 - 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.
 - Employer superannuation contributions increase by 1% with effect from April 2017 and remain unchanged over the period of the current MTFP. A similar assumption is made in respect of the lump sum deficit recovery where an increase takes effect from April 2017.
 - Only a limited allowance in respect of the Apprentice Levy of 1% of payroll costs which it is planned to meet from within existing budgets recognising the high level of training already undertaken by the housing service.
 - With regard to inflation specific budget heads such as energy costs and business rates have been amended to reflect anticipated price changes. Given the recent fall in the exchange rate of sterling this position will need to be monitored carefully. While there will be increased costs pressures arising from the fall in the value of sterling it is planned to offset these by efficiencies achieved within the service.

Fees and Charges

17. Although the main source of income for the HRA is 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 apply the principle that charges for services should reflect the cost of providing those services.

18. A schedule of the proposed charges is set out in Table 3 to this Appendix. For the next financial year the majority of charges are recommended to be increased by a figure of 1%. The one exemption to this general level is in respect of the mobile (self funded) wardens service where an increase of 11.7% is recommended, reflecting the impact of the reduction in the level of Supporting People grant support.
19. There is a new charges proposed for the provision and maintenance of fences and sheds at New Bolsover Model Village. Tenants in other Council housing are required to take responsibility for providing and maintaining these items. With regard to New Bolsover these items need to be in keeping with the heritage character of the village and accordingly provision and maintenance by the Council is the appropriate option in this instance. To reflect the cost of providing this additional service a charge of £2 a week is proposed. It should be noted that this charge would only apply to new tenants moving into the village as they will be aware that this charge will need to be met before entering into a tenancy.
20. With respect to heating costs in Sheltered Housing, or in those properties with communal heating scheme these have been influenced by a review undertaken by the Customer Service and Transformation Scrutiny Committee. Executive at its meeting of 30th January gave careful consideration to the outcome of the Scrutiny review with a revised schedule of heating charges being agreed at that meeting. That schedule is included within the details given in Table 3 to this Appendix. A key outcome of the work undertaken is that on the basis on the recommended approach all tenants will benefit from a reduction in their heating charge for 2017/18 as against charges in 2016/17.

Level of HRA Balances

21. 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 a figure in excess of £1.9m. At this level of HRA balances there is effectively a reserve of just below £400 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 are significant amounts it should be noted that they are effectively contractually committed to support Approved schemes within the Council's HRA capital programme.

HRA Risk Register

22. 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 £2m. Given that there are estimated HRA general balances across the

period of between £1.9m and £2m there would appear to be a reasonable level of cover available for the level of identified risk.

22. 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.
23. With the reformed or localised HRA well established there has been a change in the nature of the strategic risks facing the HRA. While the original objective was that the HRA should benefit from greater financial certainty as annual financial settlements from central government stopped, this has been undermined by Government changing both rent setting policy, the right to buy and other legislation in a manner which places increased financial pressure on the HRA. 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 Council 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 continue to be set nationally, legislative changes have major impacts, while the housing stock is required to meet the Decent Homes standard, and where a continued good level of service needs to be delivered to local tenants.
24. 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 were 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

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

APPENDIX 2 TABLE 1

	Original 2016/17 £	Revised Outturn 2016/17 £	Base Budget 2017/18 £	Forecast 2018/19 £	Forecast 2019/20 £	Forecast 2020/21 £
HOUSING REVENUE ACCOUNT						
Expenditure						
Repairs and Maintenance	4,771,769	4,700,223	4,826,028	4,883,298	4,921,369	4,946,564
Supervision and Management	4,785,286	4,845,759	4,879,371	4,925,889	4,979,695	5,026,860
Special Services	624,952	616,049	636,085	648,553	659,497	671,324
Supporting People - Wardens	586,724	575,453	605,108	606,305	612,214	618,230
Supporting People - Central Control	205,340	218,003	209,103	211,515	213,961	216,445
Tenants Participation	86,702	73,712	88,113	98,870	89,633	90,407
Increase in Bad Debts Provision	100,000	150,000	150,000	150,000	150,000	150,000
Cost of Capital - Interest	3,230,022	3,202,597	3,520,572	3,355,268	3,342,216	3,279,663
Cost of Capital - Debt Repayment	1,015,667	1,014,517	1,067,708	1,272,042	1,772,042	1,772,042
Debt Management Expenses	10,688	7,500	8,438	9,493	10,680	12,015
Total Expenditure	15,417,150	15,403,813	15,990,526	16,161,233	16,751,307	16,783,550
Income						
Income	(20,861,075)	(20,648,377)	(20,518,371)	(20,416,222)	(20,215,235)	(20,820,202)
Repairs and Maintenance	(10,345)	(11,345)	(10,345)	(10,345)	(10,345)	(10,345)
Supervision and Management	(3,480)	(1,650)	(380)	(380)	(380)	(380)
Special Services	(341,680)	(341,680)	(338,412)	(343,859)	(347,390)	(351,275)
Supporting People - Wardens	(179,570)	(496,713)	(461,545)	(183,542)	(185,561)	(187,602)
Supporting People - Central Control	(200,200)	(200,200)	(202,402)	(204,629)	(206,880)	(209,156)
Leased Flats	(16,000)	(30,500)	(16,000)	(16,000)	(16,000)	(16,000)
Leased Shops	(2,650)	(8,220)	(8,220)	(8,220)	(8,220)	(8,220)
Total Income	(21,615,000)	(21,738,685)	(21,555,675)	(21,183,197)	(20,990,011)	(21,603,180)
Appropriations						
Depreciation	2,383,034	2,529,218	2,529,218	2,529,218	2,529,218	2,529,218
T/f to/(from) Major Repairs Reserve	3,473,616	3,327,432	2,847,051	2,388,351	1,648,351	2,238,351
	5,856,650	5,856,650	5,376,269	4,917,569	4,177,569	4,767,569
Contribution to Insurance Reserve	50,000	50,000	50,000	50,000	50,000	50,000
Contribution to Development Reserve	100,000	200,000	130,000	50,000	0	0
Cont to Vehicle Replacement Reserve	180,000	220,000	0	0	0	0
Use of Reserves		(5,346)	0	0	0	0
	330,000	464,654	180,000	100,000	50,000	50,000
Net Operating (Surplus) / Deficit	(11,200)	(13,568)	(8,880)	(4,395)	(11,135)	(2,061)
Working Balance at Beginning of Year	(1,891,151)	(1,891,151)	(1,904,719)	(1,913,599)	(1,917,994)	(1,929,129)
Contribution to/(from) Balances	(11,200)	(13,568)	(8,880)	(4,395)	(11,135)	(2,061)
Working Balance at End of Year	(1,902,351)	(1,904,719)	(1,913,599)	(1,917,994)	(1,929,129)	(1,931,190)

HRA - Fees and Charges
2017/18

Section A - Charges Made over 48 Weeks

Type of Charge	Charge per Week		Difference	
	Current	Proposed	£	%
a. Heating				
Bedsit (sheltered)	9.63	6.50	-3.13	-32.5
1 bed flat (sheltered)	13.66	8.86	-4.80	-35.1
1 bed bungalow	15.17	9.85	-5.32	-35.1
2 bed bungalow	20.17	13.10	-7.07	-35.1
2 bed flat	22.84	14.77	-8.07	-35.3
3 bed flat	25.45	16.35	-9.10	-35.8
b. Comunal Heating - Service Charge				
Bedsit (sheltered)	New	2.74		
1 bed flat (sheltered)	New	3.73		
1 bed bungalow	New	4.15		
2 bed bungalow	New	5.52		
2 bed flat	New	6.22		
3 bed flat	New	6.89		
c. Wardens Service				
Static (self funded)	13.12	13.25	0.13	1.0
Mobile (self funded)	4.28	4.78	0.50	11.7
d. Wardens Service (DCC funded)				
Mobile (DCC)	5.92		Fixed by Contract	
Alarm Monitoring (DCC)	2.55		Fixed by Contract	
e. Special Services				
Special Services	15.38	15.53	0.15	1.0
f. Buggy Parking				
Buggy Parking (inc Electricity)	3.70	3.74	0.04	1.1
g. Garages				
Garages (Direct Debit)	8.87	8.96	0.09	1.0
Garages (other)	11.75	11.87	0.12	1.0
h. Service Charge				
New Bolsover *	New	2.00		

(* to apply only for new tenancies)

Section B - Charges Made over 52 Weeks

Type of Charge	Charge per Week		Difference	
	Current	Proposed	£	%
i. Lifelines (inc Monitoring)				
Lifeline Bronze	4.54	4.59	0.05	1.1
Lifeline Gold	6.99	7.06	0.07	1.0
Lifeline RSL	4.35	4.40	0.05	1.1

Section C - Charges Made Annually

Type of Charge	Charge per Year		Difference	
	Current	Proposed	£	%
j. Garage plot	190.00	192.00	2.00	1.1

Section D - Communal Heating System Charges – Detail

Scheme Details			Proposed			Change from Current
Numbers	Scheme / Property	Current 2016/7	Service	Heating	TOTAL	
	Alder House					
18	1 bed flat	13.66	3.73	8.86	12.60	-1.06
1	2 bed flat	22.84	6.22	14.77	21.00	-1.84
	Ashbourne					
16	Bedsit	9.63	2.74	6.50	9.24	-0.39
13	1 bed flat	13.66	3.73	8.86	12.60	-1.06
1	3 bed flat	25.45	6.89	16.35	23.24	-2.21
	Hides Green /Hill Top					
31	2 bed flat	22.84	6.22	14.77	21.00	-1.84
6	2 bed bungalow	20.17	5.52	13.10	18.62	-1.55
	Jubilee Court					
16	Bedsit	9.63	2.74	6.50	9.24	-0.39
13	1 bed flat	13.66	3.73	8.86	12.60	-1.06
1	3 bed flat	25.45	6.89	16.35	23.24	-2.21
	Orchard /Sandhills					
52	2 bed flat	22.84	6.22	14.77	21.00	-1.84
	Park View					
14	1 bed bungalow	15.17	4.15	9.85	14.00	-1.17
5	2 bed bungalow	20.17	5.52	13.10	18.62	-1.55
	Parkfields					
16	bedsit	9.63	2.74	6.50	9.24	-0.39
13	1 bed flat	13.66	3.73	8.86	12.60	-1.06
1	3 bed flat	25.45	6.89	16.35	23.24	-2.21
	Pattison Street					
42	2 bed flat	22.84	6.22	14.77	21.00	-1.84
	Valley View					
15	Bedsit	9.63	2.74	6.50	9.24	-0.39
13	1 bed flat	13.66	3.73	8.86	12.60	-1.06
1	3 bed flat	25.45	6.89	16.35	23.24	-2.21

Numbers	Scheme / Property	2016/7	Service	Heating	TOTAL	Proposed
	Recreation Close					
1	2 bed flat	22.84	6.22	14.77	21.00	-1.84
16	1 bed bungalow	15.17	4.15	9.85	14.00	-1.17
	The Paddocks					
40	2 bed flat	22.84	6.22	14.77	21.00	-1.84
	Victoria House					
30	1 bed flat	13.66	3.73	8.86	12.60	-1.06
1	3 bed flat	25.45	6.89	16.35	23.24	-2.21
	Mill Lane					
13	1 bed bungalow	15.17		removed		
2	2 bed bungalow	20.17		removed		
1	2 bed flat	22.84		removed		
	Woburn House					
24	Bedsit	9.63	2.74	6.50	9.24	-0.39
5	1 bed flat	13.66	3.73	8.86	12.60	-1.06
1	3 bed flat	25.45	6.89	16.35	23.24	-2.21
	Queens Court					
13	1 bed bungalow	15.17	4.15	9.85	14.00	-1.17
2	2 bed bungalow	20.17	5.52	13.10	18.62	-1.55
1	2 bed flat	22.84	6.22	14.77	21.00	-1.84

Note . The properties at Mill Lane have had the communal heating system replaced by individual combi-boilers. The heating charge was removed once the new boilers were fitted, and the residents are now responsible for their own fuel costs.

HOUSING REVENUE ACCOUNT: RISK REGISTER

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
<p>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.</p> <ul style="list-style-type: none"> • 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	25%	£500,000
<p>2. Rental collections fall as a result of the wider economic position and major changes being introduced to the welfare system.</p> <ul style="list-style-type: none"> • 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
<p>3. The level of void property is above the budgeted allowance.</p> <ul style="list-style-type: none"> • 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
<p>4. There are unanticipated pressures on demand led budgets such as repairs and maintenance, or costs or income fall outside of the budgeted position.</p> <ul style="list-style-type: none"> • 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	25%	£250,000
<p>5. A significant Business Continuity issue arises.</p> <ul style="list-style-type: none"> • 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
<p>6. Capital Expenditure</p> <ul style="list-style-type: none"> • 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 a number projects where this approach is not appropriate. 	£16,000,000	5%	£800,000
Calculated Potential Financial Impact of Identified Risks			£2,000,000

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 2016/17 (Revised Programme) and 2017/8 (Original Programme) are shown in Table 1 to this Appendix. The table also details the forecast investment planned for the period 2018/19 to 2020/21.
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 20th February 2017. 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:

	2016/17 Current £,000	2016/17 Revised £,000	2017/18 Original £,000	2018/19 Original £,000	2019/20 Original £,000	2020/21 Original £'000
General Fund Schemes	9,175	8,198	2,661	1,184	827	1,149
HRA Schemes	12,671	9,290	16,546	13,922	4,273	5,110
Total	21,846	17,488	19,207	15,107	5,100	6,259

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 £4.358m (£21.846m to £17.488m) from the Current Programme. The majority of this decrease in expenditure (£2.229m) relates to the later than anticipated commencement on site of the major renovation programme in respect of New Bolsover, a £0.955m reduction on the new build HRA properties, together with £1.1m in respect of the additional units at the Tangent Business Centre. It is intended that all of this work will be undertaken during the 2017/18 financial year accordingly both the expenditure and the resources within the Approved Programme will be adjusted to reflect progress on site.

General Fund Programme 2016/17 to 2020/21

7. Within the General Fund table are the capital expenditure plans for 2016/17 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 outlined 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 £260k for each of the years 2017/18 to 2020/21 in order to fund work in line with the Asset Management Plan. In order to ensure that the work proceeds in a responsive and timely fashion it is recommended that 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. 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. Given the absence of other resources this work will need to be funded from capital receipts brought forward, or from capital receipts generated in the year.
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 2016/17 the Council refurbished a former bank on Cotton Street to

accommodate the contact centre (co located with Job Centre Plus). With respect to the 2017/18 Approved Programme there is an amount in excess of £100,000 to provide a replacement contact centre at Shirebrook in a joint scheme with the Town Council. The upgrading of facilities at Shirebrook will mean that all four contact centre (Bolsover, Clowne, Shirebrook and South Normanton) are now modern fit for purpose facilities.

- The Tangent Business Hub at Shirebrook is again a modern building with little maintenance requirement anticipated over the next 10 years. The Approved Programme includes a scheme for providing an extension to the existing facility – which will provide roller shutter units – at a cost of £1.397m spread over the current and next financial year. The extension is anticipated to generate further income to assist in the medium term financial sustainability of the Council.
- 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.
- The enhanced Leisure facilities at Clowne will be completed during the 2016/17 financial year. On completion it is anticipated that the enhanced facility will require minimal maintenance, whilst providing a modern platform from, which deliver Leisure Services at a much reduced cost.
- ICT infrastructure – The overall cost of this work over the period of the current MTFP (April 2017 onwards) is one of £0.259m which will be funded from a combination of revenue contribution and capital receipts.
- Disabled Facilities Grants – £1.6m over the period of the current MTFP. This expenditure is fully funded by anticipated grant of £1.6m, 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 (£1.196m) 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 replacement is an ongoing programme funded by Prudential Borrowing to provide and replace fitness equipment on the basis that these costs will be covered by the revenue income that they generate.

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. One potential source of funding for the General Sector capital programme will need to be the land sale values and any surplus generated from these developments. In order to ensure the continued funding of the capital programme it is recommended that the Asset Management Group be requested to continue work developing 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 2016/17 to 2020/21

11. 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.
12. The Council's capital programme for 2016/17 in respect of its Housing Assets amounts to £9.290m. The main elements of work relate to work on improving the quality of our existing properties at a cost of £5.4m, work on the B@Home Programme of new Council house building at a cost of £1.6m and the start on site of the New Bolsover project at a cost of £1.2m. These elements of the Programme continue into future years with approximately £5m a year being allocated to improvement work on existing stock.
13. Within the current year's programme an amount of £1.6m relates to the first phase of the B@home programme, with the homes at Creswell and Blackwell anticipated to be completed by the end of the financial year. Work is planned to commence on the sites at Fir Close, Derwent Avenue and Hilltop by the start of next financial year. 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.
14. In addition to the above elements of the scheme which have already been approved for inclusion within the Council's Capital Programme, Executive at its meeting of 30th January 2017 approved in principle a further phase of the B@Home scheme comprising of 22 new homes in Pinxton and South Normanton at a total cost of £3.363m. While further feasibility work is required before it will be agreed for the scheme to proceed to contractual commitment, the scheme is now sufficiently advanced for it to be included within both the Approved Capital Programme and the Treasury Management Strategy. It

should be noted that the recommendation approved by Council omitted an amount of £0.130m from the overall cost of the scheme. Having reviewed the position, Officers are of the view that this amount can be accommodated within the agreed level of contingency and that the scheme can be delivered within the currently approved budget of £3.363m. The scheme will not proceed unless the further feasibility work to be undertaken confirms the views of officers that the scheme is viable and sustainable for the Housing Revenue Account. On the basis that this phase of the scheme proceeds then the Council will have commitments in place to secure 94 of the 100 new Council Houses that is a key corporate target.

15. Work has also commenced on the initial stages of the New Bolsover project which will renovate 194 heritage properties where a start on site has been made in the autumn of 2016 with anticipated expenditure of £1.193m in the current financial year, followed by expenditure of £4.4m in 2017/18 and £5.1m in 2018/19. Of total scheme costs of £10.3m the Heritage Lottery Fund will fund £2m, with the balance being met from HRA revenue resources and prudential borrowing.

16. HRA Vehicle Replacement £1.099m

The majority of this expenditure is due to take place in the current financial year with a planned expenditure of £0.6m. 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 – 2017/18

17. 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 2017/18 capital programme. This indicates that the identified risks which the Council is facing in respect of its Capital Programme amount to £1.250m. 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.

18. 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:

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

APPENDIX 3

CAPITAL PROGRAMME SUMMARY

	Original Programme 2016/17 £	Revised Programme 2016/17 £	Original Programme 2017/18 £	Original Programme 2018/19 £	Original Programme 2019/20 £	Original Programme 2020/21 £
General Fund						
AMP - PV Mills	0	197,718				
AMP - The Arc	0	23,740				
AMP - Investment Properties	0	6,595				
AMP - Leisure Buildings	0	65,060				
AMP - Riverside Depot	0	23,148				
AMP - Refurbishment Work	250,000	6,244	260,000	260,000	260,000	260,000
CCTV - Various Sites	0	0				
Refurbishment - Oxcroft House	720,000	30,000				
Refurbishment - 3 Cotton St Bolsover	7,500	110,152				
Shirebrook Contact Centre	122,000	20,000	108,453			
Council Chamber	0	5,318				
Pleasley Vale Mill 1 - Dam Wall	0	150,000				
Car Parking at Clowne - Additional	0	100,000				
Security and CCTV at Pleasley Vale	0	200,000				
The Tangent - Phase 2	0	100,000	1,297,000			
PV Lightning Protection	0	15,326				
PV Mansafe System	0	180,000				
PV Mill 2 Unit 12 roofing	0	14,826				
PV Fire Compartmentation & Fire Doors			76,030			
	1,099,500	1,248,127	1,741,483	260,000	260,000	260,000
Project Horizon						
Clowne Campus - Refurbishment	0	23,076				
Sherwood Lodge Disposal	0	0				
	0	23,076	0	0	0	0
ICT Schemes						
ICT infrastructure	24,000	69,000	82,000	64,000	69,000	44,000
Revenues & Benefits Software	0	161,974				
	24,000	230,974	82,000	64,000	69,000	44,000
Leisure Schemes						
P Vale Outdoor Education Centre Ph 2	0	41,134				
Fitness Equipment Clowne Leisure Centre	340,042	322,765				
Flume Clowne Leisure Centre	150,000	150,000				
Clowne Leisure Facility	3,308,500	3,444,192				
Pool Pod - Go Active	0	20,000				
Go Active - ICT Equipment & Software	0	27,070				
Go Active - Turnstiles	0	16,048				
Whitwell Skate Park	0	25,000				
Shirebrook Forward	0	25,000				
	3,798,542	4,071,209	0	0	0	0
Private Sector Schemes						
Disabled Facility Grants	370,000	400,000	400,000	400,000	400,000	400,000
Group Repair (WT)	0	2,674				
Carr Vale Group Repair	0	1,270				
Church Drive Energy Project	0	9,579				
Station Road Shirebrook	0	1,340				
	370,000	414,863	400,000	400,000	400,000	400,000
Joint Venture						
JVC - Limited Liability Partnership (LLP)	0	50,000				
JVC / Growth Agenda Land Purchase	0	256,000	244,000			
	0	306,000	244,000	0	0	0

APPENDIX 3

CAPITAL PROGRAMME SUMMARY

	Original Programme 2016/17 £	Revised Programme 2016/17 £	Original Programme 2017/18 £	Original Programme 2018/19 £	Original Programme 2019/20 £	Original Programme 2020/21 £
Vehicles and Plant						
Vehicle Replacements	757,000	1,894,674	144,000	451,000	89,000	436,000
Vehicle Lift for Garage			40,000			
8 x Hedge cutters (GM)	4,000	4,000	4,000	4,000	4,000	4,000
10 x Strimmers (GM)	5,000	5,000	5,000	5,000	5,000	5,000
	766,000	1,903,674	193,000	460,000	98,000	445,000
Total General Fund	6,058,042	8,197,923	2,660,483	1,184,000	827,000	1,149,000

Housing Revenue Account

New Build Properties

Rogers Ave Creswell	523,263	483,466				
Blackwell Hotel Site	655,654	842,290				
Fir Close Shirebrook	470,436	200,000	741,909			
Derwent Drive Tibshelf	646,849	50,000	1,469,470			
Recreation Close Clowne	117,609	0	170,000			
Hilltop	0	20,000	3,500,000	1,342,245		
B@home phase 2			840,750	2,522,250		
	2,413,811	1,595,756	6,722,129	3,864,495	0	0

Vehicle Replacements

	186,000	577,849	84,000	0	95,000	342,000
	186,000	577,849	84,000	0	95,000	342,000

Public Sector Housing

Public Sector Housing (not yet allocated)	1,785,650	200,000		4,848,249	4,108,249	4,698,249
External Wall Insulation	220,000	614,545	400,000			
Electrical Upgrades	200,000	200,000	200,000			
Group Dwellings Safety Work	100,000	0	0			
Cavity Wall + Loft Insulation	20,000	9,692	5,000			
External Door Replacements	100,000	60,943	40,000			
Heating Upgrades	1,200,000	1,242,782	1,200,000			
Environmental Works	100,000	100,000	50,000			
Decent Homes - External	9,680	114,505	141,949			
Kitchen Replacements - Decent Homes	800,000	445,545	800,000			
GD Boiler Replacement / Heat Meters	200,000	1,500,000	1,500,000			
Regeneration Mgmt & Admin	69,320	69,320	69,320	69,320	69,320	69,320
Re Roofing	800,000	910,435	720,000			
Sprinkler Systems	16,000	16,000	0			
Flat Roofing	50,000	50,000	50,000			
Welfare Adaptations - Capital	0	100,000	0			
Soffit and Facia	0	200,000	200,000			
	5,670,650	5,833,767	5,376,269	4,917,569	4,177,569	4,767,569

Buy Back of Council Houses

	0	90,262				
	0	90,262	0	0	0	0

New Bolsover Scheme (inc HLF)

New Bolsover	3,334,000	343,347	0	0		
New Bolsover-Repair&Conservation BDC	0	423,000	3,053,391	3,547,440		
New Bolsover-Repair&Conservation Private	0	47,000	584,230	776,361		
New Bolsover-Other Cap Works-Landscaping	0	0	150,000	231,452		
New Bolsover-Comp&Fac (Prelims)BDC	0	140,000	280,568	306,132		
New Bolsover-Comp&Fac (Prelims)Private	0	60,000	24,179	34,121		
New Bolsover-Decants BDC	0	100,000	150,000	138,000		
New Bolsover-Fees(HLP, PD CDM)-BDC	0	21,000	51,165	51,165		

APPENDIX 3

CAPITAL PROGRAMME SUMMARY

	Original Programme 2016/17 £	Revised Programme 2016/17 £	Original Programme 2017/18 £	Original Programme 2018/19 £	Original Programme 2019/20 £	Original Programme 2020/21 £
New Bolsover-Fees(HLP, PD CDM)- Private	0	9,000	20,524	20,524		
New Bolsover - Staff Costs	0	49,324	49,839	35,363		
	3,334,000	1,192,671	4,363,896	5,140,558	0	0
Total HRA	11,604,461	9,290,305	16,546,294	13,922,622	4,272,569	5,109,569
TOTAL CAPITAL EXPENDITURE	17,662,503	17,488,228	19,206,777	15,106,622	5,099,569	6,258,569
Capital Financing						
General Fund						
Specified Capital Grant	(370,000)	(400,000)	(400,000)	(400,000)	(400,000)	(400,000)
Prudential Borrowing	(3,247,042)	(4,378,557)	(184,000)	(451,000)	(89,000)	(436,000)
Reserves	(1,418,500)	(1,900,203)	(1,740,453)	(73,000)	(78,000)	(53,000)
External Funding	(45,000)	(133,640)	0	0	0	0
Capital Receipts	(977,500)	(1,385,523)	(336,030)	(260,000)	(260,000)	(260,000)
GF - Direct Revenue Financing	0	0	0	0	0	0
	(6,058,042)	(8,197,923)	(2,660,483)	(1,184,000)	(827,000)	(1,149,000)
HRA						
Major Repairs Allowance	(7,004,650)	(6,951,376)	(8,176,393)	(4,917,569)	(4,177,569)	(4,767,569)
Prudential Borrowing	(3,747,811)	(1,306,756)	(5,892,379)	(7,101,568)	0	(204,000)
Vehicle Reserve	(186,000)	(577,849)	(84,000)	0	(95,000)	(138,000)
Development Reserve	0	0	(885,000)	0	0	0
External Funding	(666,000)	(454,324)	(1,508,522)	(1,903,485)	0	0
	(11,604,461)	(9,290,305)	(16,546,294)	(13,922,622)	(4,272,569)	(5,109,569)
TOTAL CAPITAL FINANCING	(17,662,503)	(17,488,228)	(19,206,777)	(15,106,622)	(5,099,569)	(6,258,569)
Capital Reserves						
Major Repairs Reserve						
Opening Balance	(3,801,137)	(6,422,533)	(5,327,807)	(2,527,683)	(2,527,683)	(2,527,683)
Amount due in Year	(5,856,650)	(5,856,650)	(5,376,269)	(4,917,569)	(4,177,569)	(4,767,569)
Amount used in Year	7,004,650	6,951,376	8,176,393	4,917,569	4,177,569	4,767,569
Closing Balance	(2,653,137)	(5,327,807)	(2,527,683)	(2,527,683)	(2,527,683)	(2,527,683)
HRA Development Reserve						
Opening Balance	(797,483)	(885,124)	(1,085,124)	(200,124)	(200,124)	(200,124)
Amount due in Year	(100,000)	(200,000)	0	0	0	0
Amount used in Year	0	0	885,000	0	0	0
Closing Balance	(897,483)	(1,085,124)	(200,124)	(200,124)	(200,124)	(200,124)
HRA Vehicle Reserve						
Opening Balance	(10,711)	(498,164)	(140,315)	(186,315)	(236,315)	(141,315)
Amount due in Year	(180,000)	(220,000)	(130,000)	(50,000)	0	0
Amount used in Year	186,000	577,849	84,000	0	95,000	138,000
Closing Balance	(4,711)	(140,315)	(186,315)	(236,315)	(141,315)	(3,315)
Capital Receipts Reserve						
Opening Balance	(2,612,004)	(2,612,004)	(1,644,658)	(1,508,628)	(1,448,628)	(1,388,628)
Amount due in Year	(200,000)	(418,178)	(200,000)	(200,000)	(200,000)	(200,000)
Amount used in Year	977,500	1,385,523	336,030	260,000	260,000	260,000
Closing Balance	(1,834,504)	(1,644,658)	(1,508,628)	(1,448,628)	(1,388,628)	(1,328,628)

CAPITAL PROGRAMME RISK REGISTER – 2017/18

Risk and Mitigation in Place	Gross Value of Risk £'s	Probability	Potential Impact £'s
<p>1. Cost Overruns on Approved Projects.</p> <ul style="list-style-type: none"> • 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. 	£19,000,000	5%	£950,000
<p>2. Reduction in the forecast level of capital resources.</p> <ul style="list-style-type: none"> • The assumptions that have been made in respect of 2017/18 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
<p>3. An unanticipated capital requirement arises which requires funding as a matter of urgency.</p> <ul style="list-style-type: none"> • 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			£1,250,000