

**Bolsover District Council**

**Executive**

**18 June 2018**

**Medium Term Financial Plan - Financial Outturn 2017/18**

**Report of the Portfolio Holder for Finance & Resources**

This report is public

**Purpose of the Report**

- To inform Executive of the outturn position of the Council for the 2017/18 financial year.

**1 Background Information**

- 1.1 The Council published its draft Statement of Accounts in respect of 2017/18 on 24 May 2018, in line with the target date of 31 May 2018 which had been set to reflect the new statutory deadline. The draft Statement of Accounts 2017/18 is now subject to the independent audit from the Council's external auditors, KPMG. Until the accounts have been agreed by our external auditors, there remains the possibility that they will be subject to amendment. It is anticipated that the external audit will be completed during July in order to allow the final audited accounts to be reported to and approved by the Audit & Corporate Governance Scrutiny Committee at its meeting of 25 July 2018.
- 1.2 International Financial Reporting Standards (IFRS) dictates that the main focus of the Statement of Accounts is on reporting to the public in a format which is directly comparable with every country that has adopted IFRS i.e. not just UK or even other local authorities. By contrast, the focus of this report is on providing management information to Members and other stakeholders to assist in the financial management of the Council.
- 1.3 The following sections of this report will consider the 2017/18 outturn position in respect of the General Fund Revenue Account, the Housing Revenue Account (HRA), Capital Programme and Treasury Management activities. Within the report, consideration is given to the level of balances at the year end and the impact which the closing position has upon the Council's budgets in respect of the current financial year.

**2 General Fund Revenue Account**

- 2.1 The position in respect of the General Fund outturn is detailed in **Appendix 1** attached to this report. The appendix shows the Original Budget that was set in February 2017, together with the Current Budget compared to the final Outturn position. The main variances against the current budget are shown in the following table with variances at service level shown in **Appendix 2**.

	£000
Vacancy management	154
Planning income	108
Housing Benefit related expenditure	(69)
Increase in Equal Pay Provision	(535)
Miscellaneous variances	162
<b>Net cost of services</b>	<b>(180)</b>
Investment property income	(1)
Debt Charges/Investment Interest	75
Additional NNDR income	890
Additional general government grants	151
Surplus to transfer to reserve since revised budget	70
<b>Total Outturn Variance</b>	<b>1,005</b>
Budgeted transfer to Transformation Reserve	780
<b>Contribution to Transformation Reserve - Outturn</b>	<b>1,785</b>

## 2.2 Financial Reserves

### Transfers from Earmarked Reserves

The use of earmarked reserves in 2017/18 was £0.750m which is £0.350m lower than originally forecast due to spend on projects not being as high as forecast during the year. There are ongoing commitments for these activities in 2018/19 when funding will be utilised.

### Transfers to Reserves

At the end of the financial year it has been necessary to agree a number of transfers into reserves reflecting future expenditure commitments for income received in 2017/18. Should any of these reserves prove unnecessary in the light of subsequent events then they will be moved back into unallocated General Fund resources. The Transformation Reserve has a balance at the end of the year of £6.674m. Commitments already made against this reserve for 2018/19 amount to £2.669m leaving £4.005m uncommitted. These are detailed in the following table:

<b>Earmarked Reserve</b>	<b>Comments</b>	<b>Contribution £</b>
Other Earmarked Reserves	Amounts set aside for commitments in 2018/19: Ring fence of Planning fees in line with statute £0.012m to new reserve Custom build grant £0.023m for use by Housing Strategy New Burdens grant for PIP £0.005m for use by Planning Policy	0.040m

Transformation Reserve	The balance of available resources is set aside to meet the Transformation agenda costs and to meet the costs of restructuring the Council to adjust to the ongoing reductions in the level of Government funding.	1.785m
<b>Total</b>		<b>£1.825m</b>

### 2.3 General Fund Balances

The level of General Fund Balances has been maintained at £2.000m. The General Fund balances are considered to be at an acceptable level for a District Council rather than at a generous level. The General Fund Balance needs to be considered against the background of ongoing reductions in the level of Government funding together with the range of risks facing the Council. Current practice is to transfer any savings into the Transformation Reserve on the basis that these are available to support investment in cost reduction/income growth. This reflects the Council's "pro active" approach to addressing the financial challenges which it faces. With only a limited level of General Fund reserves it is crucial that the Council continues to maintain robust budgetary control while securing its ongoing savings targets in order to safeguard both its reserves and its financial sustainability.

- 2.4 Given the current level of general balances, should either an over spend or an under achievement of income occur then the Council would have a period of time in which to recover the situation. In a situation in which the Council were operating at a lower level of balances and an overspend or an under achievement of income occurred which took balances to below minimum level then immediate 'crisis' remedial action would need to be considered. Such a response is not conducive to sound financial management but more importantly would have a significant detrimental impact upon the Council's ability to deliver the planned and agreed level of services to local residents. However, Executive will recognise that given a level of General Fund Balances of £2.000m, against the requirement to secure £1.8m of financial savings by 2021/22, as identified in the Medium Term Financial Plan of February 2018, the need to continue to tackle the underlying forecast budget deficit remains.
- 2.5 The main feature of the 2017/18 financial year is that the Council successfully achieved in full the savings target of £0.170m (MTFP February 2017) and transfer £1.785m to the Transformation Reserve. In part, the savings achieved have served to reduce the underlying level of expenditure and will continue to benefit the Council in 2018/19 and future financial years.
- 2.6 With regard to the underlying favourable variance on the General Fund in 2017/18 it is proposed to review the budget for 2018/19 in the light of expenditure and income patterns during 2017/18. Any ongoing expenditure budget savings or additional income levels from 2017/18 that are anticipated to be available in 2018/19 and future years will be identified and reported back to Executive with the request to approve any proposed budget adjustments.

### **3 Housing Revenue Account (HRA)**

- 3.1 The Housing Revenue Account is provided in **Appendix 3** to this report.
- 3.2 The Housing Revenue Account position shows a number of variances during the year. The main underspends are in relation to vacancies and sub-contractor payments. The net overspend for Supervision and Management is an increase to the Equal Pay Provision of £0.548m. The overall expenditure position is £0.065m below the revised budget. The overall income position is £0.023m below the revised budget. This gives a net cost of services underspend of £0.042m, adjusting to £0.013m overspend after interest. All contributions to Earmarked HRA Reserves were made in-line with the current budget £0.330m. Where the use of Reserves has not been fully applied in 2017/18 and there are ongoing commitments for these activities in 2018/19, the funding will be carried forward and utilised.
- 3.3 The HRA balance has improved by an amount of £0.024m with balances at the year-end amounting to £1.929m. This is considered appropriate with the level of financial risk facing the HRA. Maintenance of this balance is necessary as it will help ensure the financial and operational stability of the HRA which is essential if we are to maintain the level of services and quality of housing provided to our tenants over the life of the 30 year Business Plan.

### **4 Capital Investment Programme**

- 4.1 Details of the capital expenditure incurred by the Council in 2017/18 on a scheme by scheme basis is provided in **Appendix 4**

The Capital Programme may be summarised as follows:-

	<b>Current Programme £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
HRA New Build Properties	5,727	5,661	(66)
Vehicle Replacements	184	132	(52)
Public Sector Housing Schemes	5,452	4,270	(1,182)
HRA ICT Schemes	439	0	(439)
New Bolsover Scheme	5,246	4,212	(1,034)
<b>HRA Total</b>	<b>17,048</b>	<b>14,275</b>	<b>(2,773)</b>

	<b>Current Programme £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
GF Assets	2,675	1,698	(977)
GF ICT Schemes	179	155	(24)
Disabled Facility Grants	858	477	(381)
Other Capital Schemes	526	270	(256)

<b>General Fund Total</b>	<b>4,238</b>	<b>2,600</b>	<b>(1,638)</b>
<b>Programme Total</b>	<b>21,286</b>	<b>16,875</b>	<b>(4,411)</b>

#### 4.2 HRA Schemes

Within the HRA the variances show that £2.773m of the total HRA programme has not been undertaken during the year and £2.523m will slip into 2018/19. The main delay was in relation to the New Bolsover Scheme.

#### 4.3 General Fund

In relation to the General Fund element of the Capital Programme during 2017/18, £1.638m was not undertaken and £1.216m will slip into 2018/19.

4.4 **Appendix 4** also details the proposed carry forward amounts to 2018/19. These requests relate to individual schemes that are still in progress, where there are outstanding commitments or where the scheme has been delayed. The total amounts to £3.739m with the impact on the 2018/19 capital programme detailed in the appendix. It should be noted that all these expenditure requirements will take forward a corresponding level of financial resources and thus have a neutral impact on the financial position in 2018/19.

#### 4.5 **Capital Financing**

The Capital Programme was financed as follows:-

	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>HRA:</b>			
External Funding	(1,496)	(1,235)	261
Major Repairs Reserve	(9,311)	(6,627)	2,684
Prudential Borrowing	(5,194)	(5,173)	21
HRA Reserves	(1,047)	(1,017)	30
Usable Capital Receipts	0	(223)	(223)
<b>Total HRA</b>	<b>(17,048)</b>	<b>(14,275)</b>	<b>2,773</b>

<b>General Fund:</b>			
The Better Care Fund	(858)	(477)	381
Prudential Borrowing	(460)	(179)	281
Reserves	(2,066)	(1,422)	644
External Funding	(19)	(16)	3
Direct from Revenue Contributions	(13)	(13)	0
Usable Capital Receipts	(822)	(493)	329

<b>Total General Fund</b>	<b>(4,238)</b>	<b>(2,600)</b>	<b>1,638</b>
<b>Grand Total</b>	<b>(21,286)</b>	<b>(16,875)</b>	<b>4,411</b>

#### 4.6 HRA Capital Financing

Officers have financed the HRA Capital Programme from a combination of capital receipts, revenue contributions, use of reserves and external funding.

#### 4.7 General Fund Capital Financing

Officers have financed the General Fund Capital Programme from a combination of capital receipts, revenue contributions, prudential borrowing and external borrowing. The Prudential Borrowing financing arrangements were agreed by Council as part of the Treasury Management Strategy at its meeting in February 2017.

### 5 Treasury Management

5.1 **Appendix 5** provides a brief report on the Treasury Management activity of the Council for 2017/18. In summary the Council operated throughout 2017/18 within the Authorised and Operational Boundary limits approved in the Treasury Management strategy as approved by the Council in February 2017.

5.2 The key points from the summary report are:

- The overall borrowing requirement of the Council was £112.548m at 31 March 2018
- The PWLB debt is £102.100m
- Effective internal borrowing is £10.448m
- No new PWLB borrowing was undertaken in 2017/18
- The adjusted HRA headroom at 31 March 2018 is £8.216m
- PWLB interest paid in 2017/18 was £3.664m
- Interest received on investments was £0.164m
- Repaid PWLB debt in year of £1m

### 6 Conclusions and Reasons for Recommendation

#### 6.1 General Fund

During the previous financial year the Council managed its budget effectively securing a favourable financial outturn. In particular the Council successfully met its financial savings target of £0.170m, and was able to make a contribution of £1.785m to the Transformation Reserve. The improved outturn position has allowed the Council to set aside earmarked reserves to meet contractual commitments and to address some of the key issues and potential liabilities it is facing. The Transformation Reserve, which is the Council's main general earmarked reserve, has commitments against it in 2018/19 so continued prudence is needed when committing against this reserve.

#### 6.2 HRA

The HRA continues to operate within the parameters set by the 30 Year Business Plan and the MTFP. Officers will be working to ensure that the Business Plan continues to reflect

the impact of recent government legislation, and that the HRA remains sustainable over the 30 year period of the Business Plan.

### 6.3 Capital Programme

The Capital Programme saw good progress on approved schemes during the 2017/18 financial year. There are, however, a number of schemes which are work in progress and this requires that the associated expenditure and funding be carried forward into the 2018/19 financial year.

### 6.4 Capital Financing

Capital expenditure during 2017/18 has been fully financed in line with the approved programme.

### 6.5 Treasury Management

The Council operated in line with its agreed Treasury Management Strategy during the 2017/18 financial year. This ensures that lending and borrowing arrangements were prudent and sustainable, minimising the risk of financial loss to the Council. Effective management of these arrangements ensured that interest costs during the year were minimised in order to assist the Council's revenue position whilst interest receivable rose.

## 7 Consultation and Equality Impact

7.1 The report has no direct implications for Consultation or Equality issues.

## 8 Alternative Options and Reasons for Rejection

8.1 The financial outturn report for 2017/18 is primarily a factual report which details the outcome of previously approved budgets therefore there are no alternative options that need to be considered.

8.2 The allocation of resources to earmarked reserve accounts has been undertaken in line with the Council's policy and service delivery framework and in the light of the risks and issues facing the Council over the period of the current MTFP. If these risks do not materialise or are settled at a lower cost than anticipated then the earmarked reserves will be reassessed and returned to balances where appropriate.

## 9 Implications

### 9.1 Finance and Risk Implications

9.2 The financial implications are set out within the body of the report.

9.3 Members should note that the budgets against which we have monitored the 2017/18 outturn were those agreed within the Council's Medium Term Financial Plan. The Medium Term Financial Plan gave careful consideration to both the affordability of the budgets that were approved, and to ensuring that the level of balances remained adequate for purposes of enabling sound financial management.

9.4 The issue of financial risk is covered throughout the report. The risk of not achieving a balanced budget, together with the risk that the Council's level of financial balances will be

further eroded are currently key corporate risks identified on the Council's Strategic Risk Register. The outturn report shows that the Council's approach to mitigating these risks during 2017/18 has been successful, with our budgets balanced and the level of financial reserves protected.

- 9.5 While the Council has effectively addressed its Strategic Financial Risks during 2017/18 it needs to be recognised that the Council will need to continue to meet a range of challenging savings targets if it is to operate effectively within the financial environment established by Central Government spending targets. The success of the Council's approach remains reliant on the ability to utilise the Transformation reserve to secure reductions in the costs of operating existing services. If this approach cannot balance the budget in future years then it will be necessary to look more closely at service priorities in the future.

## **10 Legal Implications including Data Protection**

- 10.1 The Statement of Accounts is required to be prepared by 31 May and audited by the 31 July each year. The Council has now completed the draft Statement of Accounts and they have been signed off by the Chief Financial Officer as at 24 May 2018 which secures compliance with the Council's obligations.

## **11 Human Resources Implications**

- 11.1 There are no Human Resources issues arising directly from this report.

## **12 Recommendations**

- 12.1 That Members note the outturn position in respect of the 2017/18 financial year.
- 12.2 That Members approve the proposed carry forward of capital budgets detailed in **Appendix 4** totalling £3.739m.

## **13 Decision Information**

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000 <input type="checkbox"/></i> <i>Capital - £150,000 <input type="checkbox"/></i> <i>NEDDC: Revenue - £100,000 <input type="checkbox"/></i> <i>Capital - £250,000 <input type="checkbox"/></i> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	Yes
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	Yes
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All



## 14 Document Information

Appendix No	Title
1	General Fund Summary - Outturn 2017/18
2	General Fund Detail - Outturn 2017/18
3	Housing Revenue Account - Outturn 2017/18
4	Capital Expenditure - Outturn 2017/18
5	Treasury Management - Outturn 2017/18
<b>Background Papers</b> (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
Dawn Clarke – Head of Finance and Resources	(01246) 217658
Theresa Fletcher – Chief Accountant	(01246) 242458