

Bolsover District Council

Executive

18th February 2019

Medium Term Financial Plan 2019/20 to 2022/23

**Report of the Portfolio Holder for Finance and Resources and
Renewable Energy**

This report is public

Purpose of the Report

- To seek approval of the proposed budget for 2019/20 for the General Fund, Housing Revenue Account and Capital Programme as part of the Council's Medium Term Financial Plan covering the years 2019/20 to 2022/23.
- To provide Elected Members with an overview of the Council's financial position in order to inform the decision making process.

1 Report Details

Introduction

1.1 This report presents the following budgets for Members to consider:

- General Fund – **Appendix 1 and 2**
- Housing Revenue Account (HRA) – **Appendix 3**
- Capital Programme – **Appendix 4**

In particular financial projections are provided for:

- 2018/19 Current Budget Position – this is the current year budget, revised to take account of changes during the financial year that will end on 31st March 2019.
- 2019/20 Original Budget – this is the proposed budget for the next financial year, on which the Council Tax will be based, and will commence from 1st April 2019.
- 2019/20 Original Budget – this includes proposed increases to rents and charges for the Housing Revenue Account will be included.

- 2020/21 to 2022/23 Financial Plan - In accordance with good practice the Council agrees its annual budgets within the context of a Medium Term Financial Plan (MTFP). This includes financial projections in respect of the next three financial years.
- 1.2 Once Executive has considered this report and the appendices, recommendations agreed by Executive will be referred to the Council meeting of 20th February 2019 for members' consideration and approval.

General Fund

2018/19 Current Budget

- 1.3 In February 2018, Members agreed a budget for 2018/19 to determine Council Tax. The original budget showed a surplus of £1.027m. Despite this, budgets have still been actively managed throughout the year with savings removed from the budget once they have been agreed.
- 1.4 The Revised Budget was considered by Executive at its meeting on the 3rd December 2018. There have been no changes to the budget position since this time.
- 1.5 The final in-year surplus will be dependent on the actual financial performance outturning in line with the revised budgets. Whilst these estimates reflect the position at the time of setting there can be some volatility from the budget to the outturn position. It was agreed that the surplus generated in the financial year be transferred to the Transformation Reserve where it can finance the Council's transformation plans, service developments and any restructuring costs.

2019/20 Original Budget and 2020/21 to 2022/23 Financial Plan

- 1.6 The proposed budget for 2019/20 currently shows a deficit of £0.083m. However, based on current information the requirement to achieve financial savings for future years is 2020/21 £0.975m; 2021/22 £1.559m; 2022/23 £2.205m (**Appendix 1**). **Appendix 2** details the net cost of each cost centre by Directorate.
- 1.7 The financial projection in respect of 2019/20 to 2021/22 was approved by Members in February 2018. The table on the following page shows the movement from the financial projection of February 2018 to the updated figures now presented and also the movement on the Estimated Outturn (Current Budget) for 2018/19.

	2018/19 Current Budget £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000
Opening Budget (surplus)/Budget Shortfall	(1,027)	34	550	1,184
Council Tax Increase 18/19	(107)	(107)	(107)	(107)
NNDR Growth	(1,547)	0	0	0
Transformation, Income Generation/Cost Reduction /Business Redesign	(243)	(619)	(495)	(412)
Vacancy Management	(290)	(156)	(149)	(141)
Total Transformation Options	(2,187)	(882)	(751)	(660)
Cost Pressures	628	821	905	875
Expected loss of New Homes Bonus /RSG /NNDR	0	110	971	860
General Fund (surplus)/Budget Shortfall	(2,586)	83	1,675	2,259
Transfer to/(from) NNDR Growth Reserve	1,547	0	(700)	(700)
Closing Budget (surplus)/Budget Shortfall	(1,039)	83	975	1,559

1.8 The main factors taken into account in developing the Council's financial plans are set out within the sections below.

Level of Government Funding

1.9 The current financial year 2018/19 is the third year of the four year settlement announced in December 2015. The Provisional Local Government Finance Settlement announced in December 2018, provided an update on the New Homes Bonus and informed us that the Derbyshire Business Rates Pool was not accepted by Government as a 75% Business Rates Pilot for 2019/20. Details for Bolsover District Council are:

New Homes Bonus

1.10 The Government made changes to the way New Homes Bonus operated in 2017/18 and 2018/19. The number of years for payments to be received (legacy payments)

was reduced from 6 – 5 in 2017/18 and then down to 4 years in 2018/19. A national baseline was introduced in 2017/18. It was set at 0.4% in 2017/18 and remained at this level in 2018/19.

- 1.11 Due to the uncertainty created by the consultation on the future of New Homes Bonus payments, prudent estimates were included in the budget during 2017/18. The provisional allocations now received mean we can update the estimates previously included. Unfortunately, provisional allocation figures decrease receipts even further for 2019/20 by £0.110m each year to 2022/23.
- 1.12 New Homes Bonus is not confirmed beyond 2019/20 and there is a real risk that the scheme will either be ended in 2020, or its value eroded over the next spending review period. It is for this reason that we have made prudent updates to estimates for future years. For 2020/21 onwards we have estimated no new allocation each year and have removed all estimates of receipts. Instead we have estimated we will receive a share of the New Homes Bonus returned funding pot of £0.059m for 2020/21; £0.101m for 2021/22 and £0.145m for 2022/23, all to be received in that year only. Therefore in our financial plan years, the net decreases will be 2019/20 £0.110m; 2020/21 £0.457m and 2021/22 £0.860m (no figures were previously included for 2022/23).

Business Rates Retention (BRR) Pilot

- 1.13 The Derbyshire Business Rates Pool was accepted by the Government as one of ten 100% Business Rates Retention Pilot for 2018/19 as part of the Finance Settlement announced in December 2017.
- 1.14 As the pilot was for one financial year only, a bid was submitted by the Derbyshire Business Rates Pool to the 75% Business Rates Pilot round for 2019/20. The terms offered for 2019/20 were not as good as those available for 2018/19 with only 75% being retained. Thirty bids were submitted, of which Derbyshire was one, and fifteen were accepted. As mentioned in paragraph 1.9, the Derbyshire Business Rates Pool was not accepted this time and income therefore reverts back to existing pool arrangements.

The National Funding Settlement 2020/21

- 1.15 As reported in the quarter 1 budget monitoring report, a number of fundamental changes to local authority funding are currently being considered by the Government for incorporation into the 2020/21 settlement. The Fair Funding Review and the Business Rates Reset are both likely to negatively affect district councils.

Fair Funding Review

- 1.16 A further consultation paper on part of the Fair Funding Review was issued in December 2018 and it is still too early to say with any clarity what the impact of the Fair Funding Review will be but initial modelling is showing that the recalculated Settlement Funding Assessment (SFA) is redirecting resources to those based on “need” which will impact negatively on most shire districts.

- 1.17 The risk of losses from the Fair Funding Review is also much greater for district councils because of their ability to raise council tax. This puts a greater burden on the local decision making with regards council tax setting each year.
- 1.18 The lack of any concrete figures means we have not been able to include an estimate of the likely impact of the Fair Funding Review in the budgets at this time. When information is received to enable a value to be attributed to the changes, Members will be updated at the first opportunity.

Business Rates Reset

- 1.19 As previously mentioned, income for Business Rates for 2019/20 and future years reverts back to existing pool arrangements when the pilot ends. A consultation paper was released in December 2018 on Business Rates Retention Reform. The issues are around resetting our business rates baseline and therefore potentially wiping out any growth since 2013/14 and also changing the share for business rates from 50% to 75% from 2020/21 (although increases are likely to go to county councils).
- 1.20 The figures for Business Rates have therefore been revised to include estimates of likely changes to our baseline funding level information, tariff amounts and the impact of a business rate reset. It must be stressed these are initial estimates of the changes and are subject to change resulting from the consultation. As protection against further negative adjustments, no growth in business rates has been included for any year, figures have only been updated by the change in the business rates multiplier. The increase each year to the financial plan is 2020/21 £0.255m and 2021/22 £0.373m. At this point in time no changes have been made to 2019/20 until the NNDR1 form has been completed. The updated 2019/20 position will be reported to Executive with quarter 1 monitoring.
- 1.21 To help mitigate losses caused by these funding changes a transfer from the NNDR Growth Protection Reserve into general fund has been included: £0.700m in both 2020/21 and 2021/22 and £0.500m in 2022/23.

Revenue Support Grant

- 1.22 The provisional settlement in December 2017 confirmed that Revenue Support Grant will be phased out. Bolsover District Council will receive £1.169m in 2019/20, the last year of this settlement.

Expenditure, income levels and efficiencies

- 1.23 In developing the financial projections covering the period 2019/20 to 2022/23, officers have made a number of assumptions. The major assumptions are:
- A pay award in-line with the National Pay Agreement has been included in staffing budgets for the financial year 2019/20. For 2020/21 to 2022/23, 2% has been included in staffing budgets.
 - Employer superannuation contributions are fixed amounts for 2019/20. For 2020/21 to 2022/23 a 1% increase on the 2019/20 cost has been assumed.
 - Inflation specific budgets such as energy costs and fuel have been amended to reflect anticipated price changes.

- With respect to planning fees, a base level for income has been included for all future years of £0.400m. Where income levels and the associated workload increase above this level, then part of the additional income may be used to fund costs such as agency staff.
- Fees and charges – service specific increases as agreed by Members.
- Brexit – no provision has been made in the budget for costs that may be incurred. Any significant impact will be dealt with in a future report, if necessary with financing from reserves.

1.24 Additionally, the Council’s transformation programme seeks to contribute to the financial challenges faced through the progression of innovative and forward thinking ideas.

Council Tax Implications

Council Tax Base

1.25 In preparation for the budget, the Chief Finance Officer under delegated powers has determined the Tax Base at Band D for 2019/20 as 21,982.87.

Council Tax Options

1.26 The Council’s part of the Council Tax bill in 2018/19 was set at £171.17 for a Band D property. This was an increase of 2.99%.

1.27 The Council has a range of options when setting the Council Tax. The Government indicate what upper limit they consider acceptable. For 2019/20 District Councils are again permitted to increase their share of the Council Tax by the greater of 3% or £5 without triggering the need to hold a referendum.

1.28 The table below shows some of the options and the extra revenue generated.

Increase	New Band D £	Annual Increase £	Weekly Increase £	Extra Revenue £
1.00%	172.88	1.71	0.03	37,614
2.00%	174.59	3.42	0.07	75,242
2.90%	176.14	4.97	0.09	109,241
2.99%	176.29	5.12	0.10	112,494

1.29 The level of increase each year affects the base for future years and the proposed increase for 2019/20 is 2.99%, generating additional revenue of £112,494.

Financial Reserves – General Fund

1.30 The Council’s main uncommitted Financial Reserves are the General Fund Working Balance of £2.0m and the uncommitted element of the Transformation Reserve of £3.440m. Due to the uncertainty surrounding local authority income and the fact that the Council has reduced budgets to a minimal level, it is important that the

Council continues to review whether we have an acceptable General Fund Working Balance.

Housing Revenue Account (HRA)

2018/19 Current Budget

- 1.31 In February 2018, Members agreed a budget for 2018/19. Rent levels were set in line with Government regulations with a reduction of 1%, effective from 1st April 2018. HRA fees and charges were also set, effective from the same date.
- 1.32 The Revised Budget was considered by Executive at its meeting on the 3rd December 2018. A surplus of £0.002m was estimated, which was £0.025m lower than the current budget of £0.027m. There have been no changes to the budgets position since this time.

2019/20 Original Budget and 2020/21 to 2022/23 Financial Plan

- 1.33 The proposed budget for 2019/20 currently shows a surplus of £0.023m. Based on current information the surplus for future years is 2020/21 £0.023m; 2021/22 £0.014m; 2022/23 £0.009m (**Appendix 3**).
- 1.34 The HRA budget is made up of the same assumptions as the General Fund budget for staff costs, superannuation costs and inflation. There are however, some assumptions that are specific to the HRA. The main factors taken into account in developing the Council's financial plans for the HRA are set out within the sections below.

Level of Council Dwelling Rents

- 1.35 Government rent policy is currently that rent levels will reduce by 1% per annum for four years from April 2016. Therefore for 2019/20 the income for dwelling rents has been included in the budget on this basis. For future years it has been assumed that we will return to the previous policy, based upon increases in line with inflation.

Fees and Charges

- 1.36 Although the main source of income for the HRA is property rents, the HRA is also dependent for its financial sustainability on a range of other charges. These charges are set on the principle that wherever possible charges for services should reflect the cost of providing those services.
- 1.37 A schedule of the proposed charges is set out at **Appendix 3, table 1**. For 2019/20 the charges are recommended to be increased by 2.4%.

Financial Reserves - HRA

- 1.38 The Council's main uncommitted Financial Reserves are the Housing Revenue Account Working Balance of £1.928m. In addition to the Working Balance there are further reserves for the HRA used only to fund the Council's HRA capital programme. These are the Major Repairs Reserve, New Build Reserve, Vehicle

Repair and Renewal Reserve, Development Reserve and Debt Repayment Reserve.

Capital Programme

- 1.39 There will be three separate reports to Council on 20th February 2019 concerning the Council's Treasury Management Strategy, Investment Strategy and Capital Strategy. The Capital Strategy report will consider capital financing such as borrowing which enables the proposed capital programme budgets to proceed.

2018/19 Current Budget

- 1.40 In February 2018, Members approved a Capital Programme in respect of 2018/19 to 2021/22. Scheme delays and technical problems can cause expenditure to slip into following years and schemes can be added or extended as a result of securing additional external funding. Where capital expenditure slipped into 2018/19, the equivalent amount of funding was not applied during 2017/18 and is therefore available in 2018/19 to meet the delayed payments.
- 1.41 The Revised Capital Programme was considered by Executive at its meeting on the 3rd December 2018. There have been no changes to the budget position since this time.

General Fund Capital Programme 2019/20 to 2022/23

- 1.42 The proposed Capital Programme for the General Fund totals £3.536m for 2019/20; £1.720m for 2020/21; £3.037m for 2021/22 and £1.881m for 2022/23 (**Appendix 4**).

Housing Revenue Account Capital Programme 2019/20 to 2022/23

- 1.43 The proposed Capital Programme for the Housing Revenue Account totals £8.371m for 2019/20; £4.869m for 2020/21; £4.980m for 2021/22 and £5.404m for 2022/23 (**Appendix 4**).
- 1.44 An analysis of all the schemes and associated funding are attached as **Appendix 4** to this report.

Robustness of the Estimates

- 1.45 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 on the adequacy of the financial reserves.

The Council's Section 151 Officer (The Head of Service – Finance and Resources) is satisfied that the estimates are considered to be robust, employee costs are based on the approved establishment, investment income is based on the advice of the Council's Treasury Management Advisors and income targets are considered to be achievable.

Likewise the Section 151 Officer is satisfied that the levels of reserves are considered to be adequate to fund planned expenditure and potential issues and risks that face the Council.

2 Conclusions and Reasons for Recommendations

- 2.1 This report presents a budget for consideration by Executive. It seeks to ensure approval to budgets in respect of the General Fund, the Housing Revenue Account and the Capital Programme.

3 Consultation and Equality Impact

- 3.1 The Council is required to consult with stakeholders on the proposed budget. This consultation is part of the Council's service planning framework and has effectively been taking place throughout the financial year. These mechanisms include active participation in the Local Strategic Partnership, a range of meetings with local groups and associations and a performance management framework. These meetings help to inform the Council's understanding of what is expected of it by our local communities.
- 3.2 There are no equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 Alternative options are considered throughout the report.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 Financial issues and implications are covered in the relevant sections throughout this report.
- 5.1.2 The Council has a risk management strategy and associated framework in place and the Strategic Risk Register is regularly reviewed through the Council's performance management framework. Strategic risks along with the mitigation in place to ensure such risks are manageable are reported to the Audit Committee on a quarterly basis. The risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register and is therefore closely monitored through these practices and reporting processes.

5.2 Legal Implications including Data Protection

- 5.2.1 The Council is legally obliged to approve a budget prior to the commencement of the new financial year in April 2019. This report together with the associated budget timetable has been prepared in order to comply with our legal obligations.
- 5.2.2 The recommended budget for the General Fund, Housing Revenue Account and Capital Programme comply with the Council's legal obligation to agree a balanced budget.

5.2.3 There are no Data Protection issues arising directly from this report.

5.3 Human Resources Implications

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

6 Recommendations

6.1 That all recommendations below are referred to the meeting of Council on the 20th February 2019.

The recommendations to Council are:

6.2 That in the view of the Chief Financial Officer, that the estimates included in the Medium Term Financial Plan 2019/20 to 2022/23 are robust and that the level of financial reserves whilst at minimum levels are adequate, be accepted.

6.3 That officers report back to Executive and to the Budget Scrutiny Committee on a quarterly basis regarding the overall position in respect of the Council's budgets. These reports to include updates on achieving the savings and efficiencies necessary to secure a balanced budget for 2020/21 and future years.

GENERAL FUND

6.4 A Council Tax increase of £5.12 is levied in respect of a notional Band D property (2.99%).

6.5 The Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1** of this report be approved as the Current Budget 2018/19, as the Original Budget in respect of 2019/20, and the financial projection in respect of 2020/21 to 2022/23.

6.6 That any under spend in respect of 2018/19 is transferred to the Transformation Reserve.

6.7 On the basis that income from Planning Fees may exceed £0.500m in 2019/20, 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.

HOUSING REVENUE ACCOUNT

6.8 That Council sets its rent levels in line with Government regulations, reducing rent levels by 1% to apply from 1st April 2019.

6.9 That the increases in respect of other charges as outlined in **Appendix 3 Table 1** be implemented with effect from 1 April 2019.

6.10 The Medium Term Financial Plan in respect of the Housing Revenue Account as set out in **Appendix 3** of this report be approved as the Current Budget in respect of 2018/19, as the Original Budget in respect of 2019/20, and the financial projection in respect of 2020/21 to 2022/23.

CAPITAL PROGRAMME

6.11 That the Capital Programme as set out in **Appendix 4** be approved as the Current Budget in respect of 2018/19, and as the Approved Programme for 2019/20 to 2022/23.

6.12 The Head of Service - 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 Work allocation, with such approvals to be reported back to Executive through the Quarterly Budget Monitoring Report.

7 Decision Information

<p>Is the decision a Key Decision?</p> <p>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:</p> <p><i>BDC: Revenue - £75,000</i> <input type="checkbox"/></p> <p><i>Capital - £150,000</i> <input type="checkbox"/></p> <p><i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/></p> <p><i>Capital - £250,000</i> <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	<p>No</p>
<p>Is the decision subject to Call-In?</p> <p>(Only Key Decisions are subject to Call-In)</p>	<p>No</p>
<p>Has the relevant Portfolio Holder been informed</p>	<p>Yes</p>
<p>District Wards Affected</p>	<p>All indirectly</p>
<p>Links to Corporate Plan priorities or Policy Framework</p>	<p>All</p>

8 Document Information

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	Housing Revenue Account
4	Capital Programme
<p>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)</p>	
Report Author	Contact Number
Head of Service Finance and Resources	01246 217658
Chief Accountant	01246 242458