

Bolsover District Council

Executive

24th June 2019

Financial Outturn 2018/19

Report of the Portfolio Holder – Finance and Resources

This report is public

Purpose of the Report

- To inform Executive of the outturn position of the Council for the 2018/19 financial year.

1 Report Details

Background Information

- 1.1 The Council published its draft Statement of Accounts in respect of 2018/19 on 17 May 2019, in line with the statutory deadline of 31 May 2019. The draft Statement of Accounts 2018/19 is now subject to the independent audit from the Council's external auditors, Mazars. Until the accounts have been agreed by our external auditors, there remains the possibility that they will be subjected to amendment. It is anticipated that the external audit will be completed during June in order to allow the final audited accounts to be reported to and approved by the Audit Committee at its meeting of 23 July 2019.
- 1.2 International Financial Reporting Standards (IFRS) dictate 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 2018/19 outturn position in respect of the General Fund, the Housing Revenue Account (HRA), the 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.

General Fund

- 1.4 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 2018, together with the Current Budget compared to the final Outturn position. The main variances against the current budget are shown in table 1 below with variances at service level shown in **Appendix 2**.

Table 1

	£000
Planning income	(147)
Trade waste	(86)
Decrease in equal pay provision	(376)
Sporting exemption income	(282)
Bad debt provision not used	(104)
Income from capital for staff time	(78)
Non-staff miscellaneous variances	(247)
Net cost of services	(1,320)
Debt Charges/Investment Interest	(206)
Additional NNDR grant income	(261)
Payment to Business Rates Strategic Investment Fund	365
Additional general government grants	(14)
Total Outturn Variance	(1,436)
Vacancy savings to transfer to reserve since revised budget	(165)
Budgeted transfer to Transformation Reserve	(1,040)
Contribution to Transformation Reserve - Outturn	(2,641)

Financial Reserves

Transfers from Earmarked Reserves

- 1.5 The use of earmarked reserves in 2018/19 was £0.708m which is £0.135m 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 2019/20 when funding will be utilised.

Transfers to Reserves

- 1.6 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 2018/19. Transfers to reserves total £3.029m which is £1.646m higher than originally forecast.

These consist of:

- £1.601m contribution to the transformation reserve for the in-year surplus generated.
- £0.036m extra government grants to be ring-fenced to cover expenditure expected to be incurred in 2019/20.

- £0.009m of the extra planning fee income received as per the statutory ring-fence legislation.
- 1.7 The Transformation Reserve has a balance at the end of the year of £8.354m. Commitments already made against this reserve for 2019/20 and future years amount to £2.356m leaving £5.998m uncommitted.
- 1.8 There are ongoing commitments against the earmarked reserves which will continue in 2019/20 and future years. Should any of these reserves prove unnecessary in the future, they will be moved back into unallocated General Fund resources.

General Fund Balances

- 1.9 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.
- 1.10 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 £2m, against the requirement to secure £4.4m of financial savings by 2022/23, as identified in the Medium Term Financial Plan of February 2019, the need to continue to tackle the underlying forecast budget deficit remains.
- 1.11 The main feature of the 2018/19 financial year is that the Council transferred £2.641m 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 2019/20 and future financial years.
- 1.12 With regard to the underlying favourable variance on the General Fund in 2018/19 it is proposed to review the budget for 2019/20 in the light of expenditure and income patterns during 2018/19. The intention is to identify ongoing expenditure budget savings or additional income levels from 2018/19 that are anticipated to be available in 2019/20 and future years to ease the current budget shortfalls in the current MTFP as shown in Table 2. The results will be reported back to Executive with the request to approve any proposed budget adjustments as required.

Table 2

	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000
Budget Shortfall - MTFP Feb 2019	83	974	1,559	2,204
Efficiencies identified to date (removed from budget)	(119)	(115)	(115)	(123)
Current Budget Shortfall	(36)	859	1,444	2,081
Efficiencies Identified <u>not yet realised</u>	(339)	(551)	(734)	(916)
Target Budget Shortfall	(375)	308	710	1,165

Housing Revenue Account (HRA)

- 1.13 The Housing Revenue Account is provided in **Appendix 3** to this report.
- 1.14 The Housing Revenue Account position shows a number of variances during the year. The main under spends are in relation to sub-contractor payments within repairs and maintenance. The overall expenditure position is £0.289m below the revised budget. The overall income position is £0.104m above the revised budget. This gives a net cost of services under spend of £0.393m, adjusting to £0.383m under spend after interest.
- 1.15 The surplus has mainly been used to fund a contribution of £0.314m to the Development Reserve which is available to sustain the Council's housing stock. Where the use of Reserves has not been fully applied in 2018/19 and there are ongoing commitments for these activities in 2019/20, the funding will be carried forward and utilised.
- 1.16 The remainder of the under spend £0.071m, has been used to increase the year-end HRA balance to £2m. 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.

Capital Investment Programme

- 1.17 Details of the capital expenditure incurred by the Council in 2018/19 on a scheme by scheme basis is provided in **Appendix 4**.

The Capital Programme may be summarised as follows:-

	Current Programme £'000	Outturn £'000	Variance £'000
HRA New Build Properties	6,086	5,436	(650)
Vehicle Replacements	23	23	0
Public Sector Housing Schemes	4,336	2,869	(1,467)
HRA ICT Schemes	468	451	(17)
New Bolsover Scheme	5,500	4,948	(552)
HRA Total	16,413	13,727	(2,686)
	Current Programme £'000	Outturn £'000	Variance £'000
GF Building Assets	1,164	706	(458)
GF ICT Schemes	114	92	(22)
Disabled Facility Grants	850	529	(321)
Other Capital Schemes	2,509	1,452	(1,057)
General Fund Total	4,637	2,779	(1,858)
Programme Total	21,050	16,506	(4,544)

1.18 HRA Schemes

Within the HRA the variances show that £2.686m of the total HRA programme has not been undertaken during the year. The New Bolsover Scheme and the Bolsover Safe and Warm schemes are the main variances.

1.19 General Fund

In relation to the General Fund element of the Capital Programme during 2018/19, £1.858m was not undertaken. The Joint Venture, Disabled Facilities Grants and the vehicle replacement programme are the main General Fund variances.

1.20 **Appendix 4** also details the proposed carry forward amounts to 2019/20. These requests relate to individual schemes that are still in progress, where there are outstanding commitments or where the scheme has been delayed. The carry forward amount is £3.910m with the impact on the 2019/20 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 2019/20.

1.21 Capital Financing

The Capital Programme was financed as follows:-

	Revised Budget	Outturn	Variance
	£000's	£000's	£000's
HRA:			
External Funding	(2,626)	(2,537)	(89)
Major Repairs Reserve	(9,181)	(7,183)	(1,998)
Prudential Borrowing	(3,734)	(3,348)	(386)
HRA Reserves and Revenue	(277)	(271)	(6)
Usable Capital Receipts	(595)	(388)	(207)
Total HRA	(16,413)	(13,727)	(2,686)
General Fund:			
The Better Care Fund	(850)	(529)	(321)
Prudential Borrowing	(2,779)	(1,632)	(1,147)
Reserves	(918)	(554)	(364)
External Funding	(11)	(9)	(2)
Usable Capital Receipts	(79)	(55)	(24)
Total General Fund	(4,637)	(2,779)	(1,858)
Grand Total	(21,050)	(16,506)	(4,544)

1.22 HRA Capital Financing

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

1.23 General Fund Capital Financing

Officers have financed the General Fund Capital Programme from a combination of capital receipts, reserve contributions, prudential borrowing and external funding. The Prudential Borrowing financing arrangements were agreed by Council as part of the Treasury Management Strategy at its meeting in February 2018.

Treasury Management

1.24 **Appendix 5** provides a brief report on the Treasury Management activity of the Council for 2018/19. In summary the Council operated throughout 2018/19 within the Authorised

and Operational Boundary limits approved in the Treasury Management strategy as approved by the Council in February 2018.

1.25 The key points from the summary report are:

- The overall borrowing requirement of the Council was £115.866m at 31 March 2019
- The PWLB debt is £102.100m
- Effective internal borrowing is £13.766m
- No new PWLB borrowing was undertaken in 2018/19
- PWLB interest paid in 2018/19 was £3.642m
- Interest received on investments was £0.368m
- No repayments of PWLB debt in year

2 Conclusions and Reasons for Recommendation

2.1 General Fund

During the previous financial year the Council managed its budget effectively securing a favourable financial outturn. The Council was able to make a contribution of £2.641m to the Transformation Reserve. The Transformation Reserve, which is the Council's main general earmarked reserve, has commitments against it in 2019/20 so continued prudence is needed when committing against this reserve.

2.2 HRA

The Council was able to increase the HRA Balance to £2m earlier than anticipated and also make a contribution of £0.314m to the Development Reserve. 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.

2.3 Capital Programme

The Capital Programme saw good progress on approved schemes during the 2018/19 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 2019/20 financial year.

2.4 Capital Financing

Capital expenditure during 2018/19 has been fully financed in line with the approved programme.

2.5 Treasury Management

The Council operated in line with its agreed Treasury Management Strategy during the 2018/19 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.

3 Consultation and Equality Impact

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

4 Alternative Options and Reasons for Rejection

4.1 The financial outturn report for 2018/19 is primarily a factual report which details the outcome of previously approved budgets therefore there are no alternative options that need to be considered.

4.2 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.

5 Implications

5.1 Finance and Risk Implications

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

5.1.2 Members should note that the budgets against which we have monitored the 2018/19 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.

5.1.3 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 2018/19 has been successful, with our budgets balanced and the level of financial reserves protected.

5.1.4 While the Council has effectively addressed its Strategic Financial Risks during 2018/19 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.

5.2 Legal Implications including Data Protection

5.2.1 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 17 May 2019 which secures compliance with the Council's obligations.

5.3 Human Resources Implications

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

6 Recommendations

6.1 That Executive note the outturn position in respect of the 2018/19 financial year.

6.2 That Executive approve the proposed carry forward of capital budgets detailed in **Appendix 4** totalling £3.910m.

7 Decision Information

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

8 Document Information

Appendix No	Title
1	General Fund Summary - Outturn 2018/19
2	General Fund Detail - Outturn 2018/19
3	Housing Revenue Account - Outturn 2018/19
4	Capital Expenditure - Outturn 2018/19
5	Treasury Management - Outturn 2018/19
<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
Theresa Fletcher – Chief Accountant	(01246) 242458