

To: Chair & Members of the Budget Scrutiny Committee

The Arc
High Street
Clowne
S43 4JY

Contact: Donna Cairns
Telephone: 01246 242529
Email: donna.cairns@bolsover.gov.uk

Wednesday, 29th January 2020

Dear Councillor

BUDGET SCRUTINY COMMITTEE – THURSDAY, 30TH JANUARY, 2020 AT 10:00 HOURS

Please find enclosed a copy of the presentations for the above meeting.

Yours faithfully



Joint Head of Corporate Governance & Monitoring Officer



We speak your language
Polish **Mówimy Twoim językiem**
Slovak **Rozprávame Vaším jazykom**
Chinese **我们会说你的语言**

**If you require this agenda in large print
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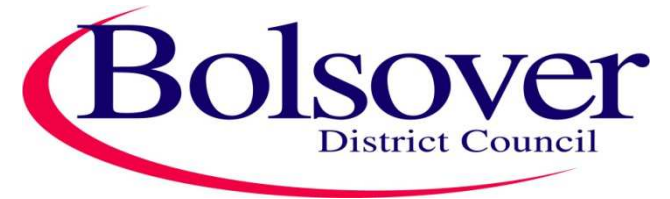
BUDGET SCRUTINY COMMITTEE

Thursday, 30th January, 2020 at 10:00 in the Council Chamber, The Arc, Clowne

Item No.	PART 1 – OPEN ITEMS	Page No.(s)
5.	Proposed Budgets - Medium Term Financial Plan 2020/21 to 2023/24	3 - 16
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Medium Term Financial Plan 2020/21 to 2023/24

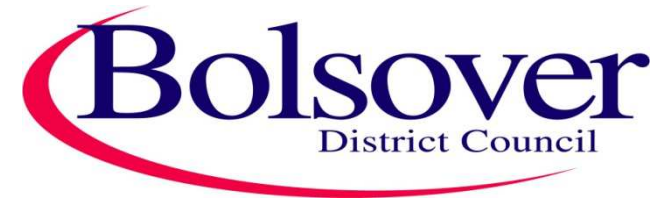
Introduction to the report



- Finances for the Council for the years 2020/21 to 2023/24.
- Includes revenue and capital expenditure.
- Includes General Fund (GF) and Housing Revenue Account (HRA) expenditure and income.
- Council Tax implications are discussed.
- HRA dwelling rents are proposed.
- Capital Programme detailed.

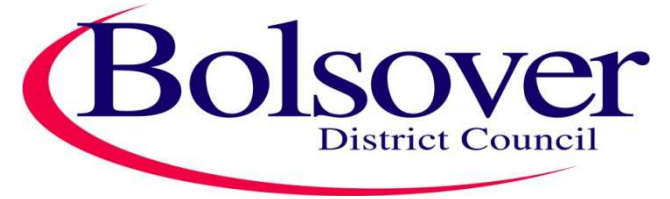
- The report contains:
 - Appendix 1 is GF summary
 - Appendix 2 gives the GF detail.
 - Appendix 3 is HRA summary
 - Appendix 3 table 1 gives HRA fees and charges
 - Appendix 4 gives the capital programme detail

Revenue or Capital?



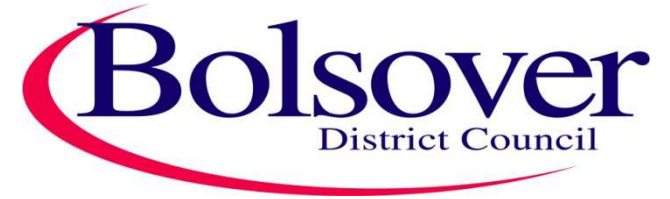
- The revenue budget is the term used to describe the amount spent on the Council's day-to-day running of services.
- In addition to the costs of running services, we also have to fund the costs of borrowing money to pay for capital assets.
- The capital budget covers the money the Council spends on investing in or the construction of buildings, infrastructure and expensive pieces of plant or equipment.
- It also includes grants and advances made to the private sector for capital purposes, such as grants for disabled adaptations.
- As a Council we have decided anything costing less than £10,000 is automatically revenue, unless a number of the same item are purchased such as photocopiers.

What is the HRA?



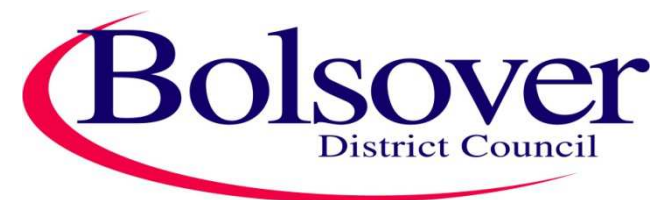
- Housing Revenue Account
- 'Councils with more than 50 properties are required to maintain a separate account that contains all the income and expenditure necessary to manage and maintain their housing stock.'
- This is a ring-fenced account and all transactions must be kept separate from other Council income and expenditure.
- The Council must balance the HRA each year, they must not budget for a deficit after the working balance is taken into account.
- Housing rents provide the income for the HRA and this must not be used to pay for general fund items.
- The main area of expense is the repair and maintenance of properties and interest and debt repayments.
- Separation applies to revenue and capital expenditure.

What is the GF?



- Any transaction that is not housing is automatically general fund!
- The main sources of income are business rates, council tax and a small amount of government grant.
- The main cost for GF is salaries.
- GF income must not be used to pay for HRA expenditure.
- Again, we have to keep separate, revenue and capital expenditure.

The proposed General Fund revenue budgets



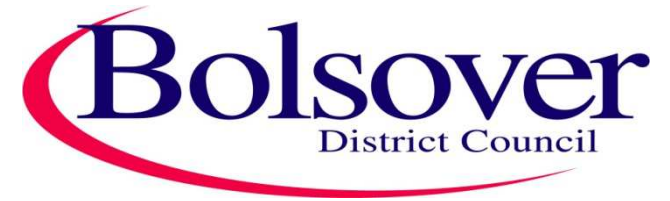
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	2020/21 Original Budget £'000	2021/22 Forecast £'000	2022/23 Forecast £'000	2023/24 Forecast £'000
Budget Shortfall	290	441	594	682
Estimate of one-off vacancies each year	(100)	(100)	(100)	(100)
Estimate of tax base growth	0	(40)	(80)	(120)
Assumption for future council tax increases	(111)	(220)	(332)	(443)
Pension costs to be funded by GF balance	(79)	(81)	(82)	(19)
Closing Budget Shortfall	0	0	0	0

Government Funding

- Delay to the 'real' Spending Review 2019.
- 2019/20 was rolled over into 2020/21 and this was good news for us.
- New homes bonus extra £0.343m
- Business rates £0.519m
- Revenue support grant £1.1m
- These are only a one year benefit!
- 2021/22 onwards reverts to previous assumptions.
- The Spending Review 2020 is likely to cover 2021/22, 2022/23, 2023/24 and should be announced this Autumn.

NNDR Growth Protection Reserve



- Established a few years ago from business rates income.
- A savings pot to fund GF for when the growth is taken from us.
- In recent years any excess government income has been transferred in.
- Contributions to and use of, the reserve:

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	2020/21 £'m	2021/22 £'m	2022/23 £'m	2023/24 £'m
Movement (to)/from reserve	(0.336)	1.027	1.033	1.246

- For 2024/25 we have £0.481m left!

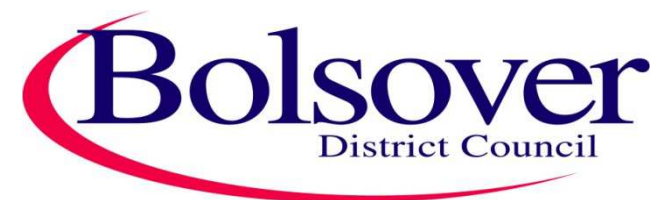
Council Tax implications – Band D

- The Council's part of the bill in 2019/20 was increased by 2.99%.
- This year we are limited to 2% or £5 whichever is greater.

Increase	New Band D £	Annual Increase £	Weekly Increase £	Extra Revenue £
1%	178.05	1.76	0.03	39,023
2%	179.81	3.52	0.07	78,105
2.83%	181.29	5.00	0.10	110,789

- For 2020/21, 2.83% is proposed, which is £5 for a band D property.

The proposed Housing Revenue Account revenue budgets



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	2020/21 Original Budget £'000	2021/22 Forecast £'000	2022/23 Forecast £'000	2023/24 Forecast £'000
Expenditure	15,652	15,761	15,865	15,970
Income	(21,568)	(21,917)	(22,362)	(22,986)
Net Cost of Service	(5,916)	(6,156)	(6,497)	(7,016)
Depreciation	3,800	3,800	3,800	3,800
Net t/f to reserves and balances	2,010	2,309	2,610	3,169
Net (Surplus)/Deficit	(106)	(47)	(87)	(47)

Proposed HRA dwelling rents and fees and charges



- In 2019/20 rents were set in line with Government regulations with a reduction of 1%.
- For 2020/21 – 2023/24 we are allowed Consumer Price Index (CPI) plus 1%.
- For 2020/21 the increase is 2.7%.
- 2.7% has been assumed for all years of the plan.
- Fees and Charges increased by 2.7% where an increase has been applied.

The GF Capital Programme



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	2020/21 Original Programme £'000	2021/22 Forecast Programme £'000	2022/23 Forecast Programme £'000	2023/24 Forecast Programme £'000
Building Assets	338	260	260	260
IT Schemes	123	164	54	174
Leisure Schemes	65	385	0	0
Disabled Facilities Grants	900	900	900	900
Vehicles and Plant	442	756	740	1,536
GF Total	1,868	2,465	1,954	2,870

The HRA Capital Programme



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	2020/21 Original Programme £'000	2021/22 Forecast Programme £'000	2022/23 Forecast Programme £'000	2023/24 Forecast Programme £'000
Vehicles	64	69	364	580
Public Sector Housing Schemes	4,049	4,108	4,708	4,708
IT Schemes	59	0	0	0
HRA Total	4,172	4,177	5,072	5,288

Any Questions?

Strategy Reports 2020/21

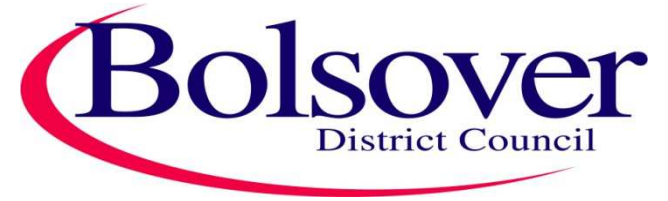
Introduction

- Conducted within the framework of Cipfa's Treasury Management in the Public Services: Code of Practice 2017.
- Authority to approve a Treasury Management Strategy before 1st of April.
- In the past Treasury Management Strategy contained all the information.
- Now produce 3 separate strategies.
- In February all will be reported to Council for approval.
- Here for you to consider and pass on any comments to Council.

The Treasury Management Strategy – Appendix 1

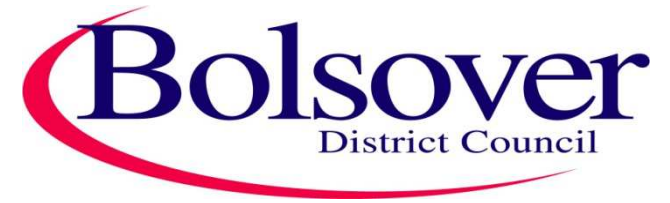
- Treasury Management is the management of the Authority's cash flows borrowing and investments and the associated risks.
 - The Authority is exposed to financial risks due to its investments and borrowing.
 - The identification, monitoring and control of financial risk are central to the Authority's financial management.

The Treasury Management Strategy contains:



- 1.6 – 1.22 local context.
- 1.23 – 1.35 The Borrowing strategy.
- 1.36 – 1.58 The Investment strategy.
- 1.59 – 1.64 Treasury management indicators.
- 1.65 onwards information about derivatives.

The Capital Strategy - Appendix 2



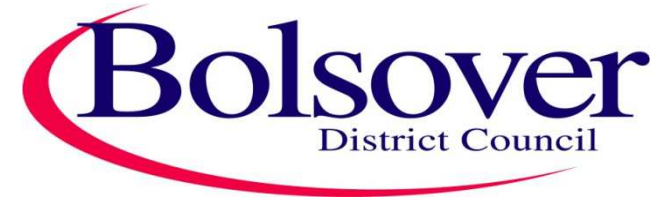
- Introduced by 2017 edition of the Prudential Code.
- Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year.
- Assets below £10,000 are not capitalised.

Capital Financing



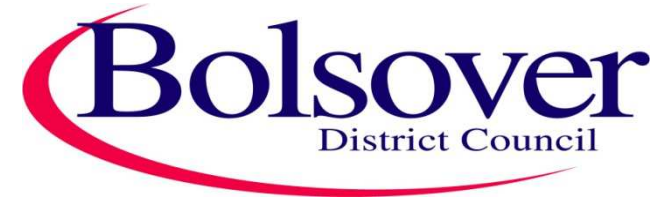
- All capital expenditure must be financed either from:
- External sources such as government grants and other contributions.
- The Council's own resources (revenue, reserves and capital receipts) or
- Debt, which is borrowing and leasing.

When Capital is Financed by Debt



- Debt is only a temporary source of finance, since loans must be repaid.
- This is therefore replaced over time by other financing, usually from revenue, which is known as minimum revenue provision (MRP).
- Alternatively proceeds from selling capital assets (known as capital receipts) may be used to replace the debt.
- The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR).
- This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

The Capital Strategy contains:



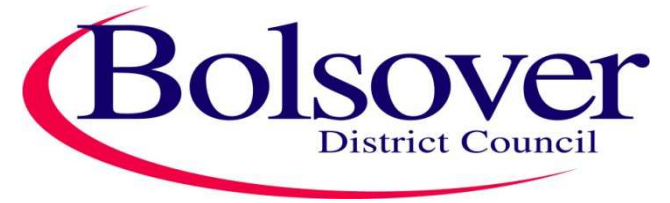
- Table 1 Capital expenditure plans – summary.
- Appendix A Capital expenditure plans – detail.
- Table 2 how the capital expenditure will be financed – summary.
- Table 3 at 1.12 has the revenue implications of capital debt.
- Table 4 at 1.13 is estimated capital financing requirements.
- Appendix B The minimum revenue provision statement.

The Corporate Investment Strategy – Appendix 3



- Introduced by the 2018 edition of the Government's Guidance on Local Government Investments.
- Focuses on service investments and commercial investments.
- We've already covered the Treasury Management Investments in the TM Strategy.

The Investment Strategy contains:



- 1.10 – 1.18 Loans and shares for service.
- 1.19 - 1.23 Property held for investment purposes.
- 1.24 Loan commitments and financial guarantees.
- 1.30 – 1.33 Investment indicators.

Our Commercial Investments are



- **Property** - The Council invests in local, commercial and residential property with the intention of making a profit that will be spent on local public services.
- The Ministry for Housing Communities and Local Government, defines property to be an investment if it is held primarily or partially to generate a profit.

Service Investments



- **Loans** - The Council lends money to support local public services and to stimulate local economic growth.
- **Shares** - The Council invests in the shares of Dragonfly Development Limited.

Any Questions?