

Bolsover District Council

Meeting of the Executive on 11th September 2023

Financial Outturn 2022/23

Report of the Portfolio Holder for Resources

Classification	This report is public.
Contact Officer	Theresa Fletcher Director of Finance and Section 151 Officer

PURPOSE/SUMMARY OF REPORT

To inform Executive of the outturn position of the Council for the 2022/23 financial year.

REPORT DETAILS

1. Background

- 1.1 The Council published its draft Statement of Accounts in respect of 2022/23 on 19th of May 2023. The statutory deadline of 31st of May was reinstated in 2023, for the first time since before the Covid-19 pandemic. The draft Statement of Accounts 2022/23 is now subject to the independent audit from the Council's external auditors, Mazars.
- 1.2 Until the accounts have been agreed by our external auditors, there remains the possibility that they will be subject to amendment. The external audit will be undertaken remotely throughout July and August. The statutory date for the final audited accounts has been extended from 31st of July to 30th of September 2023 for all local government, to try to ease the pressure on auditors and finance teams who have in some cases, 2 years' where the audit opinion is outstanding on the accounts.
- 1.3 We received the audit opinion on our 2021/22 accounts on the 28th of November 2022 and were included in the 12% of local government audits that were completed by the 30th of November 2022 deadline.
- 1.4 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.

- 1.5 The following sections of this report will consider the 2022/23 outturn position in respect of the General Fund, the Housing Revenue Account (HRA), the Capital Programme and the 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. Details of Proposal or Information

General Fund

- 2.1 The position in respect of the General Fund outturn is detailed in **Appendix 1** attached to this report. The appendix shows 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
ITC	(40)
Rent rebates and allowances	76
Go Active!	(104)
Year-end capital admin allowance	(78)
Pleasley Vale Mills	(93)
Planning Fee income	(70)
Salaries variances	(668)
Non-staff miscellaneous variances	(275)
Net cost of services	(1,252)
Debt Charges/Investment Interest	(630)
Additional general government grants	(64)
Total Outturn Variance	(1,946)
Changes to general fund balance since revised budget – until outturn	(9)
Contribution to Reserves – 2022/23 Outturn	(1,955)

Financial Reserves

Transfers from Earmarked Reserves

- 2.2 The use of earmarked reserves in 2022/23 was £3.248m. This reflects the expenditure incurred on projects at 31st March 2023 which have approval to use

earmarked reserves. This also included £1.940m from the Covid-19 reserve to cover the S31 grants for business rates relating to the 2021/22 deficit on the collection fund. There are ongoing commitments for reserve expenditure in 2023/24 when the balance of this year's reserve funding (£0.393m) will be utilised.

Transfers to Reserves

2.3 At the end of the financial year, it has been necessary to agree transfers into reserves in preparation for future expenditure commitments, some from income received in 2022/23. Transfers to reserves total £5.948m which is £1.955m higher than originally forecast, reflecting the outturn shown in table 1.

These consist of:

- £0.500m contribution to the IT Reserve to fund future expenditure requirements.
- £0.100m contribution to the Legal Costs Reserve in preparation to fund future specialist legal advice.
- £0.100m contribution to the 3G Pitch Carpet Replacement Reserve, as a requirement of the grant conditions from an external funder.
- £0.200m contribution to the Building, Repair and Renewal Reserve to fund future unexpected works on the Council's buildings.
- £1m transfer to the NNDR Growth Protection Reserve to mitigate against future changes to the funding of the Council.
- £0.055m transfer to the Transformation Reserve as the remainder of the in-year surplus.

2.4 The Transformation Reserve has a balance at the end of the year of £3.795m. Commitments already made against this reserve for 2023/24 and future years amount to £3.208m leaving £0.587m uncommitted at the date of writing this report.

2.5 As already discussed, there are ongoing commitments against the earmarked reserves which will continue in 2023/24 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

2.6 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 has decreased to £2.019m in line with the MTFP. This needs to be considered against the background of ongoing changes to the level of Government funding together with the range of risks facing the Council. With only a limited level of General Fund reserves it is crucial that the Council continues to maintain robust budgetary control in order to safeguard both its reserves and its financial sustainability.

2.7 Given the level of general balances, should either an overspend or an under achievement of income occur, 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.

- 2.8 The main feature of the 2022/23 financial year is that the Council transferred £1.955m to Earmarked Reserves in preparation for future expenditure.
- 2.9 With regard to the underlying favourable variance on the General Fund in 2022/23 this will be reviewed as usual during the budget process for 2023/24 – 2027/28, from October onwards. The latest position for all years in the current MTFP is shown in Table 2.
- 2.10 As a Council we made it our strategy to save extra business rates income earned in years when we received more than we estimated, to be able to use it in future years when Government funding was reduced. This is being held in the NNDR Growth Protection Reserve and the balance after the transfer from the 2022/23 outturn is £11.566m. Transfers are made from this reserve to the general fund to replace the losses caused by changes in Government funding.
- 2.11 Within the current MTFP, estimates of the movement to/from the reserve are as follows: there is a contribution from the reserve to general fund of £0.275m in 2023/24, £2.829m in 2025/26 and £2.971m in 2026/27. In 2024/25 there is a transfer into the reserve from general fund of £0.354m. This reserve is not a long-term source of income for the general fund.

Table 2

	2023/24 Budget £000	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000
Net Cost of Services	12,544	12,281	12,400	12,745
Net debt charges + investment interest	(282)	(21)	85	61
Net t/f to/(from) reserves + balances	1,210	1,321	270	344
Net t/f to/(from) NNDR Growth Protection Reserve	(275)	354	(2,829)	(2,971)
Parish precept	3,646	3,646	3,646	3,646
Funding from council tax, business rates and	(16,825)	(17,851)	(13,572)	(13,825)

government grants				
Use of GF balance	18	0	0	0

The Cost of Living

- 2.12 The invasion of Ukraine created significant uncertainty in the global economy, particularly in energy markets. Higher than expected global energy and goods prices led to an increase in the cost of living in the UK. To try to counter the rise in inflation the UK bank base rate increased from 0.75% in April 2022 to 4.25% by the end of March 2023.
- 2.13 Throughout 2022/23, the Government provided various financial support schemes to help households with the increased costs, these were paid to us as billing authority and administered by our revenues and benefits section. The table below shows the main schemes and how much was paid out for each:

	Amount available to spend in 2022/23	Amount paid during 2022/23
Council Tax Rebate, support for energy prices which provided £150 non-refundable rebate for households in England in Council tax bands A-D	£5.170m	£5.155m
Discretionary Fund, to support households in need who would not otherwise be eligible for the above scheme.	£0.157m	£0.151m
Energy Bills Support Scheme Alternative Funding Grant facilitated a £400 payment for domestic energy consumers in the UK that would otherwise not receive support due to the absence of a domestic electricity supply.	£0.331m	£0.008m (Received late in 2022/23)
Alternative Fuel Payment Scheme Alternative Fund Grant, provided £200 to domestic energy consumers in the UK that use alternative fuels.	£0.070m	£0.013m

- 2.14 In addition, the Government made payments to County Councils to provide more general support to households most in need. During 2022/23, Derbyshire County Council provided the following amounts to Bolsover which were administered by our revenues and benefits and housing teams.

	Amount available to spend in 2022/23	Amount paid during 2022/23
Household Support Fund, support for households who may not be eligible for other forms of support. Not necessarily for energy costs this also supported arrears on council tax or rent accounts.	£0.208m	£0.208m

Housing Revenue Account (HRA)

- 2.15 The Housing Revenue Account is provided in **Appendix 3** to this report.
- 2.16 The Housing Revenue Account position shows a number of variances during the year. The main expenditure under spends are in relation to vacancies £0.093m within various sections of the HRA and £0.075m in utilities under spends on sheltered dwellings. The income position was over achieved mainly due to £0.084m better than anticipated property lettings plus, other favourable miscellaneous income variances. The overall expenditure position is £0.281m below the current budget. The overall income position is £0.229m above the current budget. This gives a net cost of services under spend of £0.510m, adjusting to £0.181m under spend after interest.
- 2.17 The surplus has been used to fund a contribution of £0.043m to the HRA Vehicle, Plant and Equipment Reserve which is available to fund future expenditure requirements. Where the use of Reserves has not been fully applied in 2022/23 and there are ongoing commitments for these activities in 2023/24, the funding will be carried forward and utilised.
- 2.18 The level of HRA Balances has decreased to £2.039m in line with the MTFP. The HRA balances are 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

- 2.19 Details of the capital expenditure incurred by the Council in 2022/23 on a scheme-by-scheme basis is provided in **Appendix 4**.

The Capital Programme may be summarised as follows:

General Fund:	Current Programme £'000	Outturn £'000	Variance £'000
GF Building Assets	3,669	2,078	(1,591)
GF ICT Schemes	339	61	(278)
Leisure Schemes	955	721	(234)
Disabled Facilities Grants	650	382	(268)
Joint Venture - Dragonfly	2,272	754	(1,518)
GF Vehicle/Plant Replacements	1,182	479	(703)
General Fund Total	9,067	4,475	(4,592)
HRA:	Current Programme £'000	Outturn £'000	Variance £'000
HRA New Build Properties	11,704	7,108	(4,596)
HRA Vehicle Replacements	525	12	(513)
Public Sector Housing Schemes	5,834	4,893	(941)
HRA ICT Schemes	80	29	(51)
New Bolsover Scheme	21	6	(15)
HRA Total	18,164	12,048	(6,116)
Programme Total	27,231	16,523	(10,708)

General Fund Schemes

- 2.20 In relation to the General Fund element of the Capital Programme during 2022/23, £4.592m was not undertaken. Shirebrook Crematorium, the Joint Venture and Vehicle replacements were the main variances.

HRA Schemes

- 2.21 Within the HRA the variances show that £6.116m of the total HRA programme has not been undertaken during the year. The New Build Properties category constituted the main variance.
- 2.22 **Appendix 4** also details the proposed carry forward amounts to 2023/24. 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 £10.173m with the impact on the 2023/24 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 2023/24.

Capital Financing

2.23 The Capital Programme was financed as follows:

General Fund:	Current Programme £'000	Outturn £'000	Variance £'000
The Better Care Fund	650	382	(268)
Prudential Borrowing	1,597	341	(1,256)
Reserves	4,270	1,803	(2,467)
Capital Receipts	397	171	(226)
External Funding	2,153	1,778	(375)
Total General Fund	9,067	4,475	(4,592)
HRA:	Current Programme £'000	Outturn £'000	Variance £'000
Major Repairs Reserve	5,834	4,815	(1,019)
Prudential Borrowing	2,179	906	(1,273)
HRA Reserves	8,165	4,499	(3,666)
Usable Capital Receipts	250	60	(190)
External Funding	1,736	1,768	(32)
Total HRA	18,164	12,048	(6,116)
Grand Total	27,231	16,523	(10,708)

General Fund Capital Financing

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

HRA Capital Financing

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

Treasury Management

2.26 **Appendix 5** provides a brief report on the Treasury Management activity of the Council for 2022/23. In summary, the Council operated throughout 2022/23 within the Authorised and Operational Boundary limits approved in the Treasury Management Strategy as approved by the Council in February 2022.

2.27 The key points from the summary report are:

- The overall borrowing requirement of the Council (the Capital Financing Requirement) - £117.204m at 31 March 2023.
- The PWLB debt - £89.400m.
- Effective internal borrowing - £27.804m.
- £4m repayments of PWLB debt in year.
- No new PWLB borrowing was undertaken in 2022/23.
- PWLB interest paid in 2022/23 - £3.204m.
- Interest received on investments - £0.703m.

3. Reasons for Recommendation

General Fund

3.1 During the previous financial year the Council managed its budget effectively securing a favourable financial outturn. The Council was able to make contributions of £1.955m to reserves in preparation for future expenditure commitments. The Transformation Reserve, which is the Council's main general earmarked reserve, has £3.208m committed against it in 2023/24 and future years, so continued prudence is needed when committing against this reserve.

HRA

3.2 The Council was able to contribute £0.043m to the HRA Vehicle, Plant and Equipment 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 government legislation, and that the HRA remains sustainable over the 30-year period of the Business Plan.

Capital Programme

3.3 The Capital Programme saw good progress on approved schemes during the 2022/23 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 2023/24 financial year.

Capital Financing

3.4 Capital expenditure during 2022/23 has been fully financed in line with the approved programme.

Treasury Management

3.5 The Council operated in line with its agreed Treasury Management Strategy during the 2022/23 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.

4 Alternative Options and Reasons for Rejection

- 4.1 The financial outturn report for 2022/23 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.

RECOMMENDATION(S)

1. That Members note the outturn position in respect of the 2022/23 financial year.
2. That Members approve the transfers to earmarked reserves of £1.955m and £0.043m as outlined in detail in paragraphs 2.3 and 2.17, respectively.
3. That Members approve the proposed carry forward of capital budgets detailed in Appendix 4 totalling £10.173m.

Approved by Councillor Clive Moesby, Portfolio Holder for Resources

IMPLICATIONS.

Finance and Risk: Yes No

Details:

The financial implications are set out within the body of the report. Members should note that the budgets against which we have monitored the 2022/23 outturn were those agreed within the Council's Medium Term Financial Plan (MTFP). The MTFP considered both the affordability of the budgets that were approved and ensured that the level of balances remained adequate for purposes of enabling sound financial management.

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.

On behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

Details:

The Statement of Accounts is currently required to be prepared by 31 May and audited by the 31st of July each year, although again this year the deadline for audit sign off has been moved to 30th September, due to the ongoing external audit capacity issue. The Council has now completed the draft Statement of Accounts and they have been signed off by the Section 151 Officer as at 19th May 2023 which secures compliance with the Council's obligations.

On behalf of the Solicitor to the Council

Environment: Yes No

Please identify (if applicable) how this proposal/report will help the Authority meet its carbon neutral target or enhance the environment.

Details:

Not applicable to this report.

Staffing: Yes No

Details:

There are no human resource issues arising directly out of this report.

On behalf of the Head of Paid Service

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: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <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

District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Executive <input type="checkbox"/> SLT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Details: Portfolio Holder for Finance

Links to Council Ambition: Customers, Economy and Environment.

DOCUMENT INFORMATION

Appendix No	Title
1	General Fund Summary – Outturn 2022/23
2	General Fund Detail – Outturn 2022/23
3	Housing Revenue Account – Outturn 2022/23
4	Capital Expenditure – Outturn 2022/23
5	Treasury Management – Outturn 2022/23

Background Papers
<i>(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 Executive, you must provide copies of the background papers).</i>
None