

Bolsover District Council

Meeting of the Executive on 29th July 2024

Financial Outturn 2023/24

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 2023/24 financial year.

REPORT DETAILS

1. Background

- 1.1 This outturn report is presented to Members at the end of a challenging year for the finance team. The Council published its draft Statement of Accounts in respect of 2022/23 on the 19th of May 2023, which was well in advance of the 31st of May statutory deadline. Indeed, I am told we were the first finance team in England to publish our 2022/23 financial statements.
- 1.2 The external audit of the accounts was largely undertaken during July and August 2023, but due to Mazars parking the audit until the Derbyshire Pension Fund audit had been completed, we did not receive the audit opinion on the 2022/23 accounts until the 28th of March 2024. This still put us in the minority group of Councils who had their 2022/23 Statement of Accounts signed off by the 31st of March 2024.
- 1.3 The knock-on effect of the delayed audit conclusion meant that throughout the revised budget and Medium-term Financial Plan process, the finance team were still answering audit queries, as well as setting up the financial systems for Dragonfly. This resulted in the whole budget process being done in a rush and ending awfully close to the committee meetings. This then led to the usual year-end preparation work for the 2023/24 accounts being delayed and in some cases not able to be done at all.
- 1.4 On the 2nd of July 2024, we published the Council's draft Statement of Accounts for 2023/24. This was over a month past the statutory deadline, but our auditors agreed we should wait to include the correct Pension Fund information rather than include estimates of the figures. We had to wait almost 12 weeks for the Pension Fund valuation showing Dragonfly separated from the Council. At the time of writing this report (4th of July) we are still waiting for the draft financial statements

for Dragonfly from their auditors. I took the decision to go with estimates of these figures, to avoid any further delay.

- 1.5 On the 12th of March 2024, I presented a report to the Audit Committee titled 'Local audit delays – consultation and proposals for the future'. This discussed in detail the deterioration in the timeliness of local audit since 2017/18, with delays compounding during the Covid pandemic, leading to a persistent and significant backlog of audit opinions. As of the 31st of December 2023, the backlog of outstanding audit opinions stood at 771, with some audits dating back to 2015/16. Only 1% of English Councils were in a position to publish their audited accounts by the 30th of September 2023 deadline, this was 5 out of the 467 total. By mid-January this had increased to 10% according to commentators.
- 1.6 To clear this backlog and embed timely audit there is now a 3-phase process. **Phase 1** is the reset and involves clearing the backlog of historical audit opinions up to and including the financial year 2022/23 by the 30th of September. Whilst this does not affect us because our 2022/23 accounts are already signed off, we have been informed by our external auditors that they will not start our 2023/24 audit until October at the earliest as they concentrate on the Councils where the 2022/23 and earlier years' audit remains outstanding.
- 1.7 In **Phase 2** of the process described as recovery, the date for approval of the 2023/24 audited accounts has been changed from the 30th of September 2024 to the 31st of May 2025. Changes have also been made to the audited approval date for future years up to and including the financial year 2027/28. This means for 2023/24 that our accounts may not be signed off until after Christmas 2024, and until this time, the accounts would be subject to amendment by external audit. To accommodate the change to our audit we will be undertaking the revised budget process from July to September for this year.
- 1.8 For completeness, **Phase 3** is reform, and this will require work to address the systemic challenges that have led to the current local audit backlog. This work will build on the recommendations of the Redmond Review and all parties to the Cross-System Statement have committed to continue work to ensure that financial reporting, auditing, and regulatory requirements are proportionate and based on a common understanding of the purposes of local audit and reporting
- 1.9 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.
- 1.10 The following sections of this report will consider the 2023/24 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	(80)
Rent rebates and allowances	251
Go Active!	(213)
Year-end capital admin allowance	(25)
Pleasley Vale Mills	(65)
Street scene services	(151)
Joint crematorium income	(42)
Environmental health	69
Salaries variances	(361)
Non-staff miscellaneous variances	(202)
Net cost of services	(819)
Debt Charges/Investment Interest	(323)
Additional general government grants	(139)
Total Outturn Variance	(1,281)
Changes to general fund balance since revised budget – until outturn	(174)
Contribution to Reserves – 2023/24 Outturn	(1,455)

Financial Reserves

Transfers from Earmarked Reserves

- 2.2 The use of earmarked reserves in 2023/24 was £0.486m. This reflects the expenditure incurred on projects at 31st March 2024 which have approval to use earmarked reserves. There are ongoing commitments for reserve expenditure in 2024/25 when the balance of this years' reserve funding (£0.285m) 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 2023/24. Transfers to reserves total £3.824m which is £1.455m higher than originally forecast, reflecting the outturn shown in table 1.

These consist of:

- £0.200m contribution to the IT Reserve to fund future expenditure requirements.
- £0.200m 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.
- £0.350m transfer to the Vehicle Replacement Reserve to finance new waste vehicles instead of borrowing and incurring costs in case our challenge for extra new burdens grant proves unsuccessful.
- £0.260m transfer to the NNDR Growth Protection Reserve to mitigate against future changes to the funding of the Council.
- £0.145m 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 £3.056m. Commitments already made against this reserve for 2024/25 and future years amount to £2.355m leaving £0.701m 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 2024/25 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 £2.001m 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 2023/24 financial year is that the Council transferred £1.455m to Earmarked Reserves in preparation for future expenditure.
- 2.9 With regard to the underlying favourable variance on the General Fund in 2023/24 this will be reviewed as usual during the budget process for 2024/25 – 2028/29, from July 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 2023/24 outturn is £12.517m. 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 £0.620m in 2025/26, £3.803m in 2026/27 and £4.122m in 2027/28. In 2024/25 there is a transfer into the reserve from general fund of £0.188m. This reserve is not a long-term source of income for the general fund.

Table 2

	2024/25 Budget £000	2025/26 Budget £000	2026/27 Budget £000	2027/28 Budget £000
Net Cost of Services	13,907	14,266	14,747	15,342
Net debt charges + investment interest	(1,052)	(806)	(1,185)	(1,235)
Net t/f to/(from) reserves + balances	1,178	1,462	367	321
Net t/f to/(from) NNDR Growth Protection Reserve	188	(620)	(3,803)	(4,122)
Parish precept	3,968	3,968	3,968	3,968
Funding from council tax, business rates and government grants	(18,189)	(18,270)	(14,094)	(14,274)
Use of GF balance	0	0	0	0

Storm Babet

2.12 Storm Babet affected a number of households and businesses in our district, either directly or indirectly due to the flooding. The Government's Flood Recovery Framework scheme was activated for those authorities that had been significantly impacted by the storm. The support included:

- **Community Recovery Grant** - £500 per flooded household to help households in areas severely affected by the flooding with immediate recovery.
- **Business Recovery Grant** - £2,500 per small and medium-sized enterprise (SME) to support businesses that suffered severe impacts from the floods.
- **Council Tax Discount** – 100% council tax relief for a minimum of three months, for residents whose property had been flooded, or which was considered unliveable, as a consequence of the storm.
- **Business Rates Relief** – 100% relief from business rates for a minimum of three months, for those businesses directly impacted by the storm.
- **Property Flood Resilience scheme grants** - £5,000 to help homes and businesses to become more resilient to flooding by helping to pay for a range of property improvements.

2.13 All the schemes had closed by the 31st of March 2024. The table below shows how much was paid out by Bolsover District Council for each scheme.

	Applications received	Applications paid out	Amount paid out
Community Recovery Grant	43	42	£21,000 in grants
Business Recovery Grant	26	25	£62,500 in grants
Council Tax Discount	51	51	£26,800 in relief
Business Rates Relief	14	14	£15,413 in relief
Property Flood Resilience Grant	none	none	zero

2.14 The schemes were administered by the Council's revenues and benefits section and the economic development team.

2.15 Damage caused to our own property in Pleasley Vale has largely been funded by an insurance claim but there is likely to be some use of the Council's insurance reserve.

Housing Revenue Account (HRA)

2.16 The Housing Revenue Account is provided in **Appendix 3 and 4** to this report.

- 2.17 The Housing Revenue Account position shows a number of variances during the year. The main expenditure under spends are in relation to vacancies £0.160m within various sections of the HRA and £0.093m in utilities under spends on sheltered dwellings. Unfortunately, the under spends were offset by the over spend on repairs materials of £0.238m. The income position was over achieved mainly due to £0.139m better than anticipated property lettings plus, other favourable miscellaneous income variances. The overall expenditure position is £0.022m above the current budget. The overall income position is £0.244m above the current budget. This gives a net cost of services under spend of £0.222m, adjusting to £0.007m under spend after interest and depreciation.
- 2.18 The small surplus has meant the budgeted use of the HRA Balance can be slightly less than estimated. The level of HRA Balances has decreased to £1.644m in line with the MTFP during 2023/24, but in the MTFP for 2024/25 there is estimated to be a contribution back into the balance of £0.363m. 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
- 2.19 Where the use of Reserves has not been fully applied in 2023/24 and there are ongoing commitments for these activities in 2024/25, the funding will be carried forward and utilised. The balance of the HRA reserves at 31st March 2024 is £3.958m.

Capital Investment Programme

- 2.20 Details of the capital expenditure incurred by the Council in 2023/24 on a scheme-by-scheme basis is provided in **Appendix 5**.

The Capital Programme may be summarised as follows:

General Fund:	Current Programme £'000	Outturn £'000	Variance £'000
GF Building Assets	7,613	3,775	(3,838)
GF ICT Schemes	629	80	(549)
Leisure Schemes	231	49	(182)
Disabled Facilities Grants	650	355	(295)
Investment Activities	105	105	0
GF Vehicle/Plant Replacements	2,277	1,675	(602)
General Fund Total	11,505	6,039	(5,466)

HRA:	Current Programme £'000	Outturn £'000	Variance £'000
HRA New Build Properties	13,708	8,231	(5,477)
HRA Vehicle Replacements	1,108	103	(1,005)
Public Sector Housing Schemes	6,477	5,677	(800)
HRA ICT Schemes	51	22	(29)
New Bolsover Scheme	1	1	0
HRA Total	21,345	14,034	(7,311)
Programme Total	32,850	20,073	(12,777)

General Fund Schemes

- 2.21 In relation to the General Fund element of the Capital Programme during 2023/24, £5.466m was not undertaken. Shirebrook Crematorium, ICT infrastructure and Vehicle replacements were the main variances.

HRA Schemes

- 2.22 Within the HRA the variances show that £7.311m of the total HRA programme has not been undertaken during the year. The New Build Properties category constituted the main variance.
- 2.23 **Appendix 5** also details the proposed carry forward amounts to 2024/25. 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 £12.332m with the impact on the 2024/25 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 2024/25.

Capital Financing

- 2.24 The Capital Programme was financed as follows:

General Fund:	Current Programme £'000	Outturn £'000	Variance £'000
The Better Care Fund	650	355	(295)
Prudential Borrowing	5,432	3,015	(2,417)
Reserves	3,428	1,993	(1,435)
Capital Receipts	152	40	(112)
External Funding	1,843	636	(1,207)
Total General Fund	11,505	6,039	(5,466)

HRA:	Current Programme £'000	Outturn £'000	Variance £'000
Major Repairs Reserve	6,421	5,596	(825)
Prudential Borrowing	8,224	4,106	(4,118)
HRA Reserves	4,204	2,467	(1,737)
Capital Receipts	1,319	722	(597)
External Funding	1,177	1,143	(34)
Total HRA	21,345	14,034	(7,311)
Grand Total	32,850	20,073	(12,777)

General Fund Capital Financing

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

HRA Capital Financing

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

Treasury Management

- 2.27 **Appendix 6** provides a brief report on the Treasury Management activity of the Council for 2023/24. In summary, the Council operated throughout 2023/24 within the Authorised and Operational Boundary limits approved in the Treasury Management Strategy as approved by the Council in February 2023.
- 2.28 The key points from the summary report are:
- The overall borrowing requirement of the Council (the Capital Financing Requirement) - £123.981m at 31 March 2024.
 - The PWLB debt - £86m.
 - Effective internal borrowing - £37.981m.
 - £3.4m repayments of PWLB debt in year.
 - No new PWLB borrowing was undertaken in 2023/24.
 - PWLB interest paid in 2023/24 - £3.093m.
 - Interest received on investments - £1.756m.

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 £1.455m to reserves in preparation for future expenditure commitments. The Transformation Reserve, which is the Council's main general earmarked reserve, has £2.355m committed against it in 2024/25 and future years, so continued prudence is needed when committing against this reserve.

HRA

- 3.2 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 2023/24 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 2024/25 financial year.

Capital Financing

- 3.4 Capital expenditure during 2023/24 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 2023/24 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 2023/24 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 2023/24 financial year.
2. That Members approve the transfers to earmarked reserves of £1.455m as outlined in detail in paragraph 2.3.
3. That Members approve the proposed carry forward of capital budgets detailed in Appendix 5 totalling £12.332m.

Approved by the Portfolio Holder - Cllr Clive Moesby, Executive Member 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 2023/24 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 this year the deadline for audit sign off has been moved to 31st of May 2025, as phase 2 of the process to clear the local audit back log as described in the report. The Council has now completed the draft Statement of Accounts and they have been signed off by the Section 151 Officer as at 2nd of July 2024.

On behalf of the Solicitor to the Council

Environment:

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

<p>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:</p> <p>Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies.</i></p>	No
<p>Is the decision subject to Call-In? <i>(Only Key Decisions are subject to Call-In)</i></p>	No

<p>District Wards Significantly Affected</p>	None
<p>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"/></p>	<p>Details: Portfolio Holder for Finance</p>

<p>Links to Council Ambition: Customers, Economy, and Environment.</p>

DOCUMENT INFORMATION	
Appendix No	Title
1	General Fund Summary – Outturn 2023/24
2	General Fund Detail – Outturn 2023/24
3	Housing Revenue Account – Outturn 2023/24
4	Housing Revenue Account Detail – Outturn 2023/24
5	Capital Expenditure – Outturn 2023/24
6	Treasury Management – Outturn 2023/24

<p>Background Papers</p>
<p><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></p>
<p>None</p>