

Bolsover District Council

Executive

29th June 2020

Financial Outturn 2019/20

Report of the Portfolio Holder - Finance & Community Safety

This report is public

Purpose of the Report

To inform Executive of the outturn position of the Council for the 2019/20 financial year.

1 Background Information

- 1.1 The Council published its draft Statement of Accounts in respect of 2019/20 on 28 May 2020. The statutory deadline of 31 May was extended to 31 August this year to take into consideration the impact of Coronavirus. The draft Statement of Accounts 2019/20 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 subject to amendment. It is anticipated that the external audit will be completed remotely during June and July but this is also subject to delay caused by Coronavirus. The statutory date for the final audited accounts has been extended from 31 July to 30 November 2020. Although after discussions with Mazars, it is hoped the audited accounts will be reported to and approved by the Audit Committee at a meeting during September 2020.
- 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 2019/20 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 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	(119)
Funding of Benefits	205
Go Active Leisure Centre	(56)
Environmental Health budgets	(76)
Bad debt provision not used	(58)
Income from capital for staff time	(64)
Salaries variances	(178)
Non-staff miscellaneous variances	(336)
Net cost of services	(682)
Debt Charges/Investment Interest	(120)
Additional NNDR income	(676)
Additional general government grants	(15)
Total Outturn Variance	(1,493)
Vacancy savings transferred to general fund balance since revised budget – until outturn	(102)
Contribution to Reserves – 2019/20 Outturn	(1,595)

Financial Reserves

Transfers from Earmarked Reserves

- 1.5 The use of earmarked reserves in 2019/20 was £0.963m. This reflects the expenditure incurred on projects at 31 March 2020 which have approval to use earmarked reserves. There are ongoing commitments for these activities in 2020/21 when the balance of this years' reserve funding (£0.215m) 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 in preparation for future expenditure commitments, some from income received in 2019/20. Transfers to reserves total £2.675m which is £1.595m higher than originally forecast, reflecting the outturn shown in table 1.

These consist of:

- £0.100m contribution to the IT Reserve to fund future expenditure requirements being highlighted by the current pandemic.
- £0.250m contribution to the Vehicle Renewal Reserve to enable the continued financing of new vehicles and therefore not incur debt charges.
- £0.676m transfer to the NNDR Growth Protection Reserve to mitigate against future changes to the business rates system.
- £0.569m transfer to the General Reserve as the remainder of the in-year surplus.

The Leader of the Council has requested that £80,000 (maximum) of the in-year surplus be made available in 2020/21 for a 'Parish and District - end of pandemic/VJ Day commemoration project'. The intention would be to pay £1 per head of the population in each area to the Parish Council. This would then be used to encourage community participation and togetherness and help lift spirits as we start on the road to recovery from the pandemic. Any unused funds would remain in the General Reserve if not required.

- 1.7 The Transformation Reserve has a balance at the end of the year of £7.461m. Commitments already made against this reserve for 2020/21 and future years amount to £5.389m leaving £2.072m uncommitted.
- 1.8 As already discussed there are ongoing commitments against the earmarked reserves which will continue in 2020/21 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 increased to £2.261m. This was agreed at the December Executive meeting in preparation for the increase to the Council in superannuation costs from 20/21. 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 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 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 over spend 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. Local Government finances are now such that all new sources of income, both capital and revenue should be given careful consideration before being rejected.

- 1.11 The main feature of the 2019/20 financial year is that the Council transferred £1.595m to Earmarked Reserves in preparation for future expenditure.
- 1.12 With regard to the underlying favourable variance on the General Fund in 2019/20, this will be reviewed as usual during the budget process for 2020/21 - 2024/25, from October onwards. The latest position for all years in the current MTFP is shown in Table 2. It should be remembered that for all years from 2021/22 there is a transfer into the general fund from the NNDR Growth Protection Reserve to replace the losses caused by changes in Government funding. As a Council we made it our strategy to save extra income earned in years when we received more than we estimated, to be able to use it in future years when income was reduced. These transfers are £1.027m 2021/22, £1.033m 2022/23 and £1.246m in 2023/24. Even with the extra contribution to this reserve in 2019/20 of £0.676m, this reserve is not a sustainable source of income for the general fund. This is where we look to the new directorate for development to generate income and replace the funding we've lost before we run out of the NNDR Growth Protection Reserve.

Table 2

	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000
Budget Shortfall - MTFP Feb 2020	290	441	594	682
Efficiencies identified to date (removed from budget)	(111)	(111)	(111)	(111)
Current Budget Shortfall	179	330	483	571
Efficiencies Identified <u>not yet realised</u>	(100)	(249)	(401)	(552)
Pension costs to be funded by GF balance	(79)	(81)	(82)	(19)
Closing Budget Shortfall	0	0	0	0

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 vacancies and sub-contractor payments within repairs and maintenance. Higher void levels than estimated meant a reduction in dwelling rents income. The overall expenditure position is £0.383m below the current budget. The overall income position is £0.123m below the current budget. This gives a net cost of services under spend of £0.260m, adjusting to £0.256m under spend after interest.

- 1.15 The surplus has been used to fund a contribution of £0.256m 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 2019/20 and there are ongoing commitments for these activities in 2020/21, the funding will be carried forward and utilised.
- 1.16 The level of HRA Balances has increased to £2.155m as agreed by Executive in December. The increase of £0.155m will be utilised to mitigate the increase in the contribution to the Local Government Pension Scheme over the next three financial years. 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

- 1.17 Details of the capital expenditure incurred by the Council in 2019/20 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
General Fund:			
GF Building Assets	615	336	(279)
GF ICT Schemes	225	189	(36)
Disabled Facilities Grants	999	433	(566)
Joint Venture - Dragonfly	2,181	59	(2,122)
Other Capital Schemes	729	679	(50)
General Fund Total	4,749	1,696	(3,053)
HRA:			
HRA New Build Properties	2,993	943	(2,050)
Public Sector Housing Schemes	5,283	3,553	(1,730)
HRA ICT Schemes	56	46	(10)
New Bolsover Scheme	4,404	3,909	(495)
HRA Total	12,736	8,451	(4,285)
Programme Total	17,485	10,147	(7,338)

1.18 General Fund

In relation to the General Fund element of the Capital Programme during 2019/20, £3.053m was not undertaken. The Joint Venture, Disabled Facilities Grants and the Building Assets programme were the main General Fund variances.

1.19 HRA Schemes

Within the HRA the variances show that £4.285m of the total HRA programme has not been undertaken during the year. The New Build Properties, Bolsover Safe and Warm and the New Bolsover schemes are the main variances.

1.20 **Appendix 4** also details the proposed carry forward amounts to 2020/21. 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 £6.582m with the impact on the 2020/21 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 2020/21.

1.21 Capital Financing

The Capital Programme was financed as follows:-

	Current Programme	Outturn	Variance
	£000	£000	£000
General Fund:			
The Better Care Fund	(1,000)	(433)	(567)
Reserves	(3,520)	(1,052)	(2,468)
External Funding	(124)	(154)	30
Usable Capital Receipts	(105)	(57)	(48)
Total General Fund	(4,749)	(1,696)	(3,053)
HRA:			
Major Repairs Reserve	(8,932)	(6,671)	(2,261)
Prudential Borrowing	(2,187)	(707)	(1,480)
HRA Reserves	(500)	(500)	0
External Funding	(312)	(346)	34
Usable Capital Receipts	(805)	(227)	(578)
Total HRA	(12,736)	(8,451)	(4,285)
Grand Total	(17,485)	(10,147)	(7,338)

1.22 General Fund Capital Financing

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

1.23 HRA Capital Financing

Officers have financed the HRA 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 2019.

Treasury Management

1.24 **Appendix 5** provides a brief report on the Treasury Management activity of the Council for 2019/20. In summary the Council operated throughout 2019/20 within the Authorised and Operational Boundary limits approved in the Treasury Management Strategy as approved by the Council in February 2019.

1.25 The key points from the summary report are:

- The overall borrowing requirement of the Council (the Capital Financing Requirement) was £115.286m at 31 March 2020.
- The PWLB debt is £99.100m.
- Effective internal borrowing is £16.186m.
- £3m repayments of PWLB debt in year.
- No new PWLB borrowing was undertaken in 2019/20.
- PWLB interest paid in 2019/20 was £3.588m.
- Interest received on investments was £0.328m.

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 contributions of £1.595m to numerous reserves in preparation for future expenditure commitments. The Transformation Reserve, which is the Council's main general earmarked reserve, has £5.389m commitments against it in 2020/21 and future years so continued prudence is needed when committing against this reserve.

2.2 HRA

The Council was able to make a contribution of £0.256m 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 2019/20 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 2020/21 financial year.

2.4 Capital Financing

Capital expenditure during 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 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 2019/20 it needs to be recognised that the Council will need to give careful consideration to both capital and revenue income opportunities before they are rejected, looking to the new directorate for development to generate income to ensure the Council's financial future is sustainable over the long term.

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, although for this year only the deadlines have been moved to 31 August and 30 November respectively. The Council has now completed the draft Statement of Accounts and they have been signed off by the Chief Financial Officer as at 28 May 2020 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 Members note the outturn position in respect of the 2019/20 financial year.
- 6.2 That Members approve the transfers to various earmarked reserves of £1,595,013 as outlined in detail in paragraph 1.6, including the £80,000 of the in-year surplus to be made available in 2020/21 for a 'Parish and District - end of pandemic/VJ Day commemoration project'.
- 6.3 That Members approve the proposed carry forward of capital budgets detailed in **Appendix 4** totalling £6.582m.

7 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><i>BDC: Revenue - £75,000 <input type="checkbox"/></i> <i>Capital - £150,000 <input type="checkbox"/></i></p> <p><i>NEDDC: Revenue - £100,000 <input type="checkbox"/></i> <i>Capital - £250,000 <input type="checkbox"/></i></p> <p><input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	Yes
<p>Is the decision subject to Call-In?(Only Key Decisions are subject to Call-In)</p>	Yes
<p>Has the relevant Portfolio Holder been informed</p>	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 2019/20
2	General Fund Detail - Outturn 2019/20
3	Housing Revenue Account - Outturn 2019/20
4	Capital Expenditure - Outturn 2019/20
5	Treasury Management - Outturn 2019/20
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)	
Report Author	Contact Number
Theresa Fletcher – Head of Finance and Resources	(01246) 242458