



**F. McArdle**  
**Chief Executive**

Civic Offices, Civic Way,  
Swadlincote, Derbyshire DE11 0AH

[www.south-derbys.gov.uk](http://www.south-derbys.gov.uk)

**Please ask for: Democratic Services**  
Phone: (01283) 595722 / 595848  
Minicom: (01283) 595849  
DX 23912 Swadlincote  
Email :  
[democraticservices@south-derbys.gov.uk](mailto:democraticservices@south-derbys.gov.uk)

Date: 10 February 2016

Dear Councillor,

**Finance and Management Committee**

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber**, on **Thursday, 18 February 2016 at 18:00**. You are requested to attend.

Yours faithfully,

Chief Executive

To:- **Conservative Group**

Councillor Harrison (Chairman), Councillor Mrs. Plenderleith (Vice-Chairman) and Councillors Billings, Mrs. Coyle, Hewlett, MacPherson, Smith, Watson and Wheeler.

**Labour Group**

Councillors Rhind, Richards, Southerd and Wilkins.



## **AGENDA**

### **Open to Public and Press**

- 1 Apologies and to note any substitutes appointed for the Meeting.
- 2 To receive the Open Minutes of the Meeting held on 3rd December 2015.  
  
Finance and Management Committee 3rd December 2015 Open Minutes **4 - 6**
- 3 To note any declarations of interest arising from any items on the Agenda
- 4 To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 5 To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 6 Reports of Overview and Scrutiny Committee
- 7 CHESTNUT AVENUE COMMUNITY FACILITY **7 - 10**
- 8 CORPORATE SERVICES PERFORMANCE MONITORING 2015-16 - **11 - 22**  
QUARTER 3 TO DECEMBER 2015
- 9 TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL **23 - 48**  
INDICATORS 2016-17
- 10 FINAL BUDGET PROPOSALS 2016-17 AND FINANCIAL PLAN TO 2021 **49 - 77**

### **Exclusion of the Public and Press:**

- 11 The Chairman may therefore move:-  
  
That in accordance with Section 100 (A) of the Local Government Act 1972 the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.

- 12 To receive the Exempt Minutes of the Meeting held on 3rd December 2015.  
Finance and Management Committee 3rd December 2015 Exempt Minutes
- 13 To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 14 LEASE OF WINDING HOUSE AT WOODHOUSE RECREATION GROUND TO SWADLINCOTE BOXING ACADEMY
- 15 HOUSING REVENUE ACCOUNT - REVIEW OF THE UNIT MANAGER STRUCTURE
- 16 RESTRUCTURING THE DIRECT SERVICES OPERATION



FINANCE AND MANAGEMENT COMMITTEE

3<sup>rd</sup> December 2015

**PRESENT:-**

**Conservative Group**

Councillor Harrison (Chairman), Councillor Mrs Plenderleith (Vice-Chairman) and Councillors Billings, Mrs Brown (substituting for Councillor Smith), Mrs Coyle, Hewlett, MacPherson, Watson and Wheeler.

**Labour Group**

Councillors Rhind, Richards, Southerd and Wilkins.

FM/72 **APOLOGIES**

Apologies for absence from the Meeting were received on behalf of Councillor Smith (Conservative Group).

FM/73 **MINUTES**

The Open Minutes of the Meetings held on 3<sup>rd</sup> September 2015, 24<sup>th</sup> September 2015, 30<sup>th</sup> September 2015 and 15<sup>th</sup> October 2015 were taken as read, approved as a true record and signed by the Chairman.

FM/74 **DECLARATIONS OF INTEREST**

The Committee was informed that no declarations of interest had been received.

FM/75 **QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO 10**

The Committee was informed that no questions from members of the public had been received.

FM/76 **QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO 11**

The Committee was informed that no questions from Members of the Council had been received.

FM/77 **REPORTS OF THE OVERVIEW AND SCRUTINY COMMITTEE**

There were no reports of the Overview & Scrutiny Committee to consider.

**MATTERS DELEGATED TO COMMITTEE****FM/78 CORPORATE SERVICES PERFORMANCE MONITORING 2015/16: QUARTER 2 TO SEPTEMBER 2015**

The Director of Finance and Corporate Services presented the report to Committee, drawing particular attention to Council Tax collection, a subject that the Overview and Scrutiny Committee is currently considering, as well as the absence management figures, which, positively, are now in decline.

**RESOLVED:**

***The Committee considered and noted the progress made against the performance targets.***

**FM/79 BUDGET AND FINANCIAL MONITORING 2015/16**

The Director of Finance and Corporate Services delivered the report to the Committee, highlighting the General Fund position, recycling, insurance, land charges, Business Rates income, housing maintenance and treasury management.

Comments and queries raised by Members relating to pension costs and land charges were noted and responded to.

The Chief Executive, in referencing paragraph 3.71 of the report, commended the Council's management of its land assets, resulting in additional income, land becoming free for housing projects and enabling the relocation of the Council's depot to a more suitable location.

**RESOLVED:**

***The Committee considered and approved the latest budget and financial monitoring figures for 2015/16.***

**FM/80 COMPLAINTS, COMPLIMENTS AND FREEDOM OF INFORMATION REQUESTS 01 APRIL 2015 TO 30 SEPTEMBER 2015****RESOLVED:**

***The Committee considered and noted the complaints and Freedom of Information requests, as detailed in the report.***

**FM/81 LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)****RESOLVED:-**

***That, in accordance with Section 100(A)(4) of the Local Government Act 1972 (as amended), the press and public be excluded from the remainder***

*of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.*

**MINUTES**

*The Exempt Minutes of the Meetings held on 3<sup>rd</sup> September 2015 and 15<sup>th</sup> October 2015 were received.*

**TO RECEIVE QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO. 11**

*The Committee was informed that no questions had been received.*

**RESTRUCTURING THE DIRECT SERVICES OPERATION (Paragraph 1)**

*The Committee approved the restructuring of the Direct Services operation as detailed in the report.*

**A REVIEW OF THE CLIENT SERVICES UNIT (Paragraph 2)**

*The Committee approved the proposed changes relating to the duties and responsibilities associated with the Client Services Unit, as detailed in the report.*

**CORPORATE SERVICES CONTRACT AND STRATEGIC PARTNERSHIP (Paragraph 3)**

*The Committee considered the option to extend the current partnership arrangement with its external contractor in accordance with the contractual terms.*

**DEBTS SUBMITTED FOR WRITE-OFF (Paragraph 1)**

*The Committee approved the write-off of debts detailed in the report, deemed irrecoverable under the provisions of Financial Regulations D2.4 (b).3.*

The meeting terminated at 7.25pm.

COUNCILLOR J HARRISON

CHAIRMAN

---

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>18<sup>th</sup> FEBRUARY 2016</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF COMMUNITY AND PLANNING</b>	<b>OPEN PARAGRAPH NO:</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>MALCOLM ROSEBURGH x5774</b> <a href="mailto:malcolm.roseburgh@south-derbys.gov.uk">malcolm.roseburgh@south-derbys.gov.uk</a>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>CHESTNUT AVENUE COMMUNITY FACILITY</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>MIDWAY</b>	<b>TERMS OF REFERENCE: FM01</b>

---

## **1.0 Recommendations**

1.1 To recommend approval of a start-up revenue budget of £28,889 in 2016/17, £16,875 in 2017/18 and £13,572 in 2018/19 to manage the Council's new community facility at Chestnut Avenue.

## **2.0 Purpose of Report**

2.1 A new community facility is being built at Chestnut Avenue with an expected completion and handover to the Council in late Summer of 2016. The report seeks to gain approval for a 3 year revenue budget including year 1 start-up costs in order to manage the facility.

## **3.0 Detail**

3.1 On 21st June 2012 Housing & Community Services (HCS) Committee approved in principle the sale of land at Chestnut Avenue, Midway with the receipt to be invested directly into the provision of new leisure and community facilities on the retained land at Chestnut Avenue Recreation Ground.

3.2 In March 2014 committee approved that Strata Homes (Yorkshire) Limited be selected as the preferred developer for the sale of the residential land and construction of the leisure facilities at the Chestnut Avenue site and further, that subject to planning consent, approval be granted to the design and specification of the leisure and community facilities for the site as detailed in the committee report.

3.3 In addition Committee were asked to give consideration to financing an estimated revenue cost of £13,000 from the 2015/16 Leisure & Facilities budget, until such time as a community group were in a position to manage the facility.

3.4 The leisure facilities along with the residential development are now well under construction. The leisure facilities will comprise:

- A 400 sq m/4,300 sq ft Community Building with parking for 48 vehicles
- Two positively drained football pitches together with a ball-keep fence adjacent to the residential development and
- A play area

The building contains a badminton-court sized multi-purpose hall, together with kitchen, toilet facilities, a foyer and changing rooms for two teams and officials. The layout has been designed to divide the changing rooms from activities within the hall area, with players having separate access to the football pitches.

- 3.5 In the aforementioned March 2014 Committee Report it was indicated that to start with the new facility would be managed by the Council's Community & Planning Department in conjunction with the Grounds Service.
- 3.6 It was explained Cultural Services had previously managed bookings on the original pitch and the plan initially at least was to continue this arrangement on the new pitches. It was further explained that they would need to employ a caretaker/cleaner to manage opening and closing of the facility and cleaning of all areas with the exception of the changing rooms. The Grounds team previously maintained and marked the pitches and cleaned the changing rooms, and it was anticipated that this arrangement would also continue in the new facility.
- 3.7 Contact from community representatives had indicated that there were groups ready and waiting to use the new facilities and an initial revenue budget was estimated and presented utilising information based on this information and research done at other community facilities in the district. This initial budget estimate showed a net year on year cost of approx. £13,000 p.a.
- 3.8 Strata have made good progress with both building and selling the residential plots and likewise have also made good progress in building the leisure facilities. According to their latest programme they intend to leave the site in September 2016 at which point the Council will take control of the leisure facilities. In light of this further work has been done on the budget to include start-up costs to kit out the different rooms and the football facility. The revised budget includes items such as kitchen fit out; general fixtures and fittings; tables, chairs, trolleys; goal posts; badminton equipment; storage systems etc. With the start-up equipment costs added to the original estimated running costs it is necessary to seek approval for a start-up revenue budget of £28,889 in 2016/17, £16,875 in 2017/18 and £13,572 in 2018/19. The budget decreases significantly after year 1 once start-up costs disappear and requires only a minimal equipment budget after year 2. The proposed revised budget is attached at Appendix 1.
- 3.9 The long term ambition for the Council is that once opened representatives from the community will come forward and wish to manage the facility for themselves. However in the meantime it is imperative that the Council are correctly positioned to manage the facility from the handover.
- 3.10 At its meeting on February 4<sup>th</sup> HCS committee considered the request for the budget outlined above and recommended a report to the F&M committee for approval. Since the HCS Committee further examination of the budget has revealed a miscalculation primarily relating to year one of the NNDR cost which should have been halved. This has now been rectified resulting in a reduction of £4,000 in the year one budget from that reported to HCS Committee i.e. from £32,889 to £28,889.

#### **4.0 Financial Implications**

- 4.1 The above revenue cost is a best estimate covering the first 3 years of operation and its accuracy will be somewhat dependant on to what extent use of the facility is taken up by the local community.
- 4.2 The largest single cost year-on-year is business rates. If a community group managed the facility they would enjoy 80% mandatory rate relief and in addition potentially undertake at least some of the caretaking duties on a voluntary basis. Removal of these two cost items alone from the budget would significantly reduce the annual operating costs. Discussions will take place with any community groups that express an interest in the future management of the facility.
- 4.3 There is no budgetary provision included in the Council's Medium-term Financial Plan hence the financial implications of the proposals need to be considered by this Committee.

#### **5.0 Corporate Implications**

- 5.1 The new facility will support the health and cultural elements of both the existing and emerging Corporate Plans.
- 5.2 The project will offer positive opportunities to showcase a new facility in the heart of the District.

#### **6.0 Community Implications**

- 6.1 The new facilities replace an old and inferior pavilion, sports field and play area with bigger and better facilities and represent the realisation of a long held community aspiration to provide decent community facilities in Midway.

#### **7.0 Background Papers**

- 7.1 Appendix 1 – Updated Chestnut Avenue 3 year revenue budget.

APPENDIX 1

Chestnut Avenue Revised budget including for start-up

Incoming Resources	Yr 1	Yr2	Yr3	Notes
Pitch rental	643	700	750	Football pitch annual rate: 1xSenior £442, 1xJunior £201
Badminton	500	1000	1000	2 hrs/week x 50 weeks @ £10 - halved year 1
Community Room Rental	3,000	8000	8500	Yr 1 - £10x 15hrs x 50 weeks; increasing Yr 2 & 3 then leveling - reduced year 1
Sundry Income	500	1000	1000	Est. based on village halls in South Derbyshire - halved year 1
<b>TOTALS</b>	<b>4643</b>	<b>10700</b>	<b>11250</b>	
<b>Expenditure*</b>				
Caretaking #	2586	5275	5380	Yr 1 - 13hrs / wk X £7.65 x 52 wks . Based on living wage rate - halved year 1
Rates	3,750	7500	7500	Rateable value £18,250 : full rate £7,500 - halved year 1
Water	250	550	600	Reduced year 1
Rubbish Collection	546	1092	1092	1 x General waste + 1 x green waste - current charge £21/wk - halved year 1
Heat & Light	2250	4800	5100	Used 1/2 cost for Hilton VH 2012/13 - halved year 1
Telephone & Internet				Dependant upon how operated - assumption operated by SDDC - within existing bills
Insurance	500	500	500	
Repairs & Maintenance	500	1000	1000	halved year 1
Licences	1000	1100	1200	Various inc music
Advertising/promotion	500	550	600	
Printing & Stationery	500	550	600	
Equipment	20,000	3983	500	high start up costs years 1 and 2 - reducing in year 3
Recruitment	500	0	0	B Mail advert
Legionella inspections	350	350	350	
Other expenses	300	325	400	
<b>TOTAL EXPENDITURE</b>	<b>33532</b>	<b>27575</b>	<b>24822</b>	
<b>NET Surplus / (Deficit)</b>	<b>-28889</b>	<b>-16875</b>	<b>-13572</b>	

\* Expenditure, unless shown otherwise, based on typical village hall accounts / costs within SD  
 # Grounds & Cultural Services will absorb additional costs associated with ground-keeping and bookings

<b>REPORT TO:</b>	<b>FINANCE and MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 8</b>
<b>DATE OF MEETING:</b>	<b>18th FEBRUARY 2016</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE &amp; CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/corporate planning/monitoring 201516/corporate services performance monitoring – Qtr 3 December 2015
<b>SUBJECT:</b>	<b>CORPORATE SERVICES PERFORMANCE MONITORING 2015/16: QUARTER 3 TO DECEMBER 2015</b>	
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

## 1.0 Recommendation

1.1 That progress against performance targets is considered and noted.

## 2.0 Purpose of Report

2.1 To report progress against targets during the period April to December 2015 in relation to Corporate Services. Following completion of work in the Corporate Plan (2009 to 2014) which was approved by the Committee in June 2015, this report reviews progress against on-going indicators and targets contained in the Management Plan for this service area.

2.2 When the updated Corporate Plan is approved, the relevant targets and projects relating to this Committee will be added into future quarterly reports.

## 3.0 Detail

3.1 During the period in which the Corporate Plan has been reviewed, the Committee has continued to oversee performance in benefits processing and customer services contact, together with collection rates and updates on key developments in Corporate Services that have previously been approved.

3.2 These indicators are designed to help measure value for money and the way in which the Council delivers services to its residents. In addition, the Committee is also responsible for reviewing health and safety, together with absence management performance and the Council's strategic risk register.

3.3 The targets set are based on benchmark standards and are regularly compared with other councils.

### Collection Rates for Council Tax and Business Rates

3.4 The collection rates for Council Tax, Business Rates and Sundry Debtors are shown in the following table.

Collection Rates	Annual Volumes	Actual 2013/14	Actual 2014/15	Target	Projection 2015/16	
Council Tax in-year Collection	£47.2m	97.80%	98.10%	97.40%	98.50%	GREEN
Council Tax Arrears Collection	£4.4m	22.10%	18.50%	26.70%	18.10%	RED
Business Rates Collection	£24.1m	98.10%	98.40%	96.10%	98.50%	GREEN
Recovery of Housing Benefit Overpayments	£1.4m	37.50%	40.10%	34.20%	39.20%	GREEN
Sundry Debtor Collection (incl. Arrears)	£4.6m	84.20%	90.10%	82.60%	89.60%	GREEN

3.5 Performance in 2015/16 remains generally unchanged from that reported for the first half-year. The table shows that all collection targets are likely to be exceeded, apart from Council Tax arrears. The targets are those set in the contract for Corporate Services.

3.6 The service provider (Northgate) is incentivised to maximise collection as much as possible, as they can gain a share of additional income. If overall collection falls below target, then they are required to make up any shortfall in cash collected.

3.7 However, the above targets are aggregated for the purpose of measuring performance against the contractual target. Overall, Northgate are currently on track to exceed the target for 2015/16.

3.8 The performance on Council Tax arrears collection is being reviewed by the Overview and Scrutiny Committee as part of their budget scrutiny work for 2016/17.

### Benefits Processing

3.9 This is summarised in the following table.

Benefits Processing (Average Time)	Annual Volumes	Actual 2013/14	Actual 2014/15	Target	Projection 2015/16	
Processing New Claims	1,000	17 Days	40 Days	18 Days	16 Days	GREEN
Processing Change of Circumstances	14,000	14 Days	28 Days	8 Days	7 Days	GREEN

3.10 Performance continues to steadily improve and processing times have stabilised within targets due to the impact of recent system and process developments.

### Customer Services

3.11 Performance is summarised in the following table.

Customer Services	Annual Volumes	Actual 2013/14	Actual 2014/15	Target	Projection 2015/16	
Telephone calls answered within 20 seconds	135,000	81%	77%	80%	81%	GREEN
Customer Satisfaction (face to face enquiries)	34,000	95%	94%	90%	94%	GREEN

3.12 Again, performance continues to steadily improve and response times have stabilised within targets due to the impact of recent system and process improvements.

3.13 The development of voice recognition within the telephony system, which also allows direct extensions to be keyed in, has helped to filter calls more efficiently and reduced the number of calls into the switchboard.

3.14 There has been no discernible change in the number of abandoned calls. This development was implemented in November 2015 and continues to be monitored.

### Payment of Invoices

3.15 This is summarised in the following table.

Financial Efficiency	Annual Volumes	Actual 2013/14	Actual 2014/15	Target	Projection 2015/16	
Percentage of Invoices paid within 30-days	6,600	96.40%	97.24%	97.50%	98.25%	GREEN
Percentage of Invoices paid within 10-days	6,600	69.10%	74.64%	65.00%	82.50%	GREEN
Number of Payments made Electronically	32,500	98.30%	99.40%	90.00%	99.25%	GREEN

### Projects and Service Improvements

3.16 An update on the main projects is provided in the following sections

#### Installation of Payment Machines

3.17 These became operational during September 2015 and are being well used. Cash is no longer taken on the Customer Service desks.

3.18 A new “self-service” computer terminal has been installed to enable visitors to deal with their council tax and benefit accounts on-line. Current take-up has been minimal but this is being trialled ahead of the implementation of Universal Credit.

## **ICT Upgrades**

- 3.19 As previously reported, during the first quarter, wireless connectivity was extended to all parts of the Civic Offices. A major network upgrade was completed in January. The Council's network is now fully warranted and has modern ports and switches. This has strengthened the resilience and capacity for electronic communications, both internally and externally.
- 3.20 However, the increase in speed that was also expected has not to-date materialised. IT technicians are currently investigating why improvement in connection speed has not been experienced by all users.
- 3.21 Several servers have been replaced to meet the Government's Public Services Network requirements. This has resulted in most servers in the Council's IT estate being at the latest specification level.

## **Web site**

- 3.22 Several changes have been made to the Council's current website to make it easier for visitors to navigate to certain parts, for example, to pay or make amendments to their Council Tax account. This was in response to an analysis of website hits, to ascertain why and how frequently people used, or wanted to use the website.
- 3.23 This is part of the strategy that enables those customers who are willing and able, to use the website in their dealings with the Council. A project to redevelop the website, following that of the internal intranet, has recently commenced; a new website is expected to be implemented during the latter part of 2016.

## **Health and Safety Overview**

- 3.24 The accident statistics for April to December 2015 are detailed in **Appendix 1**. There was one reportable accident during the quarter October to December 2015. A detailed analysis of all accidents and near misses, including lessons learnt, is considered by the Health and Safety Committee.

## **Sickness Absence Data**

- 3.25 Following deteriorating performance on sickness absence in 2013/14, the Council's absence rate during 2014/15 steadily improved. For 2014/15, there was an average of 9.9 days lost per employee for the year, which compared with 12.4 days in 2013/14.
- 3.26 The rate can be disproportionately affected by the number of long term absences, which occur for various reasons and which are not always work related.
- 3.27 The Council aspires to be at least below the local government average of around 8 days lost per employee.

3.28 Absence data for previous years, including 2015/16 year to–date (April to December 2015) is detailed in the following table.

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16*
Number of Days Lost in the Year	2,684.20	2,580.00	2,684.00	3,075.00	2,535.00	1,664.0
Number of Full Time Equivalents in the Year	292.7	259.3	262.4	250.5	253.8	250.01
Total Days Lost per Person	9.2	9.9	10.2	12.3	10.0	6.7
Average Number of People Absent Per Month	41	36	39	33	34	24

\* Note: 2015/16 is April to December 2015

3.29 Based on a straight line projection, the out-turn for 2015/16 would be just under 9 days.

3.30 In December, 120 days were lost in total; 68 of these days were due to 4 long term absences, of which one case was directly work related.

## Risk Register

3.31 An updated corporate risk register is detailed in **Appendix 2**. This has recently been reviewed in detail given the potential effects on Council services of the recent Financial Settlement, together with incidents and progress in IT and data security.

3.32 The register summarises what are considered to be the key corporate risks to the Council, together with the mitigating action that is currently in place to address these risks. The key risks are:

- The potential effects on services of reductions in core spending power
- The potential effects of the national economic position at a local level
- Keeping pace with technology and security of data
- Business continuity and in particular the loss of the Civic Offices and IT
- Capacity and resilience in service provision
- A reduction in resources for the community and voluntary sector

3.33 Operational and service risks are detailed in Departmental Service Plans and reported to other Policy Committees. A separate financial risk register is contained in the Medium Term Financial Plan.

#### **4.0 Financial Implications**

4.1 None directly

#### **5.0 Corporate Implications**

5.1 None directly

#### **6.0 Community Implications**

6.1 None directly

#### **7.0 Background Papers**

None

## ACCIDENT STATISTICS

### Purpose of the Report

This report provides an overview of the number of accidents that have occurred during the period 1 October to 31 December 2015 within the Council.

### Background

The Health & Safety Officer provides advice and training on health and safety matters across the Council. This Officer is also responsible for producing management information on the number of accidents. These are collated on a regular basis and are reported to the Joint Health & Safety Committee. This Committee reviews the accidents and makes recommendations or learning that needs to be implemented.

### Accident Statistics

The Council's accident statistics are broken down into reportable and non-reportable accidents.

Reportable accidents are those covered by RIDDOR (Reporting of Injuries, Diseases & Dangerous Occurrences Regulations, 1995). These accidents have to be reported to the Health and Safety Executive and include:

- Where a member of staff has been required to stay in hospital for 24 hours after an accident;
- Where a member of the public was taken to hospital for treatment after the accident;
- If the accident results in the member of staff being off work for 7 days after the date of the accident,

The table overleaf shows the number of accidents that have occurred during the current quarter by reportable accident type and category and the year-to-date.

During the third quarter of 2015/16 there were

- 9 accidents involving employees of which 0 were reportable.
- 1 accident involving a member of the public which was reportable.
- 4 near misses.
- Total of 14.

An increase has been generated throughout the year by minor incidents in the summer schemes. The table provides comparative details of the number of accidents for the previous year 2014. All incidents, existing risk assessments have been reviewed, with existing control measures reinforced and additional measures recommended.

**Table: Accident Cause Statistics – (for the 3rd Quarter - 1 October to 31 December 2015) and Year to Date: Comparative Accident Cause Statistics for the previous year (2014/15)**

Accident Cause	Quarter 3 (1 October - December 2015)					Current Year (to date) 1 April - 31 December 2015 Actual				Previous Year Total (to date) 1 April - 31 December 2014 Actual			
	Non Reportable		Reportable		Total	Non Reportable		Reportable		Non Reportable		Reportable	
	Employees	Public	Employees	Public		Employees	Public	Employees	Public	Employees	Public	Employees	Public
Manual handling		-	-	-		4		-	-	3	2		-
Contact Fixed Objects (e.g. sharps)	3		-	-	3	6	3	-	-	3	2	-	-
Struck by Moving Vehicles RTA's		-	-	-		1	-	-	-		-		-
Struck by Moving Objects - others	3		-	-	3	5	8		-	6	4	2	-
Slips / Trips / Falls	1			1	2	4	14	2	5	9	13	2	-
Violence - Physical such as dog bites	-			-		-	2	-	-			-	
Violence - Verbal	2	-	-	-	2	2	-	-	-	-	-	-	-
Near Miss	4		-	-	4	9	1	-	-	2	-	-	-
Other, such as cuts.	-		-	-			4	-	1	4	2	1	1
<b>Total</b>	<b>13</b>			<b>1</b>	<b>14</b>	<b>31</b>	<b>32</b>	<b>2</b>	<b>6</b>	<b>27</b>	<b>23</b>	<b>5</b>	<b>1</b>

Source: SDDC Accident Statistics

	Risk Action	Risk Rating Likelihood/ Impact	Mitigating Action
<p><b>The effect on Services of reductions in Core Spending Power</b></p> <ul style="list-style-type: none"> <li>The Council is now aware of reductions over the period 2016/17 to 2019/20; this was confirmed in the provisional Financial Settlement in December.</li> </ul> <p><i>(Chief Officer Responsible – Director of Finance and Corporate Services)</i></p>	Treat the Risk	High	<ul style="list-style-type: none"> <li>The Medium-term Financial Plan has been updated to reflect provisional figures and this was considered by the Committee on 14<sup>th</sup> January.</li> <li>Budgets are considered to be prudent with provisions for inflation and growth.</li> <li>Current reserves are healthy and will help to sustain funding reductions in the short-term allowing time for more sustainable action.</li> <li>As a growth area, the overall reduction in core funding will be less if growth out performs that planned and included in the MTFP.</li> </ul> <p><i>The effects of the reductions are considered high as the Council will be required to identify additional resources of £1.5m prior to 2018/19 in order to protect the financial position on General Fund services.</i></p>
<p><b>The effects of the national economy locally.</b></p> <ul style="list-style-type: none"> <li>Although the national economy grew in 2013 and 2014, there were signs that this slowed during 2015. This has caused some unease in financial markets and more global events are also creating uncertainty. Interest rates and inflation remain low.</li> <li>Locally, the amount of people claiming benefit has levelled off and has slightly reduced. Local unemployment levels are below national and regional averages.</li> <li>However, Council Tax and Housing Rent arrears have slightly increased over the last year.</li> </ul>	Tolerate the Risk	Medium	<ul style="list-style-type: none"> <li>On-going budgets for income from planning fees and land charges, etc. are set at levels below current actuals leaving some room for a downturn.</li> <li>The MTFP is not reliant on interest rates increasing from the current level to generate revenue. Debt is at fixed interest rates and is affordable within the HRA's Financial Plan.</li> </ul> <ul style="list-style-type: none"> <li>The Council continues to work with voluntary and community groups to help people in need, including through the Derbyshire Financial Inclusion Partnership and with the CAB/CVS. Regular meetings take place.</li> </ul>

	Risk Action	Risk Rating Likelihood/ Impact	Mitigating Action
<ul style="list-style-type: none"> <li>New development and regeneration locally continues although it is slower and less frequent compared to pre 2010 as many investors and businesses are still taking a cautionary approach.</li> </ul> <p><i>(Chief Officers Responsible – Chief Executive and Director of Finance and Corporate Services)</i></p>			<ul style="list-style-type: none"> <li>The Asset Management Plan has focused on ensuring the Council’s assets are being positioned to react to an economic upturn. This includes land assembly and possible joint venture arrangements.</li> <li>On-going dialogue with D2N2 to access funding and with developers to look at alternative options for regeneration.</li> </ul> <p><i>The risk remains Medium, but it is considered that the Council is undertaking as much action as reasonably possible at this stage to mitigate influencing factors.</i></p>
<p><b>Keeping pace with technology and security of data</b></p> <ul style="list-style-type: none"> <li>The Council’s IT infrastructure needs to keep pace with existing and emerging technologies to ensure sufficient capacity and resilience.</li> <li>Stricter regulations for managing and exchanging information in electronic form through the Public Services Network.</li> <li>Systems subject to virus attacks.</li> <li>Greater expectations through Data Protection regulations to safeguard personal information.</li> </ul>	Treat the Risk	High	<ul style="list-style-type: none"> <li>Significant investment in recent years has upgraded the server infrastructure. The network for data flow has recently been upgraded to strengthen capacity and resilience.</li> <li>Network and wireless points recently upgraded.</li> <li>E-mail archiving/storage system, desktop virtualisation and Microsoft upgrade completed.</li> <li>Remote access also upgraded in 2015.</li> <li>Disaster Recovery solution being strengthened at an independent location and business continuity for IT being reviewed and tested.</li> <li>The Council undertakes an annual independent health check to ensure that the Council is compliant with the Government’s Security Standard (Public Services Network – PSN). The Council achieved compliance with new regulations in April 2015.</li> <li>Annual internal audit review tests robustness of systems and infrastructure – recommendations for improvement are monitored by the Audit Sub-Committee.</li> <li>Regular training and briefings given to Members and Officers to raise awareness of potential data and security issues.</li> </ul>

	Risk Action	Risk Rating Likelihood/ Impact	Mitigating Action
<p><b>(Chief Officer Responsible – Director of Finance and Corporate Services)</b></p>			<ul style="list-style-type: none"> <li>Staff resources identified for reviewing the management of information across the Council.</li> </ul> <p><i>The risk is high and there have been recent incidents that have tested the Council's framework and processes. As approved, the longer-term aim of finding a data centre solution will be pursued in 2016.</i></p>
<p><b>Business Continuity and in particular the loss of the main Civic Offices and IT.</b></p> <ul style="list-style-type: none"> <li>Council services are predominantly managed from one Administrative Building.</li> </ul> <p><b>(Chief Officer Responsible – Director of Finance and Corporate Services)</b></p>	Treat the Risk	High	<ul style="list-style-type: none"> <li>Business Continuity Plan in place which is regularly reviewed.</li> <li>A partial Disaster Recovery solution is available off site which would allow major systems to be accessed remotely. This will be developed further in 2016.</li> <li>Relocation of infrastructure into a Data Centre to be progressed in 2016.</li> <li>All data backed up to tape and stored in a secure offsite facility outside of the Region.</li> <li>Maintain relationships with other agencies and partners to secure alternative accommodation on a reciprocal basis if required.</li> <li>Provision for home working and remote access in place.</li> <li>Insurance cover provided for 4 years and insurers provide support to secure temporary accommodation.</li> </ul> <p><i>Although the likelihood of occurrence is low, the potential impact of this risk is high.</i></p>
<p><b>Capacity and Resilience in Service Provision</b></p> <ul style="list-style-type: none"> <li>Reducing staff and budget resources could lower capacity and resilience within council services.</li> </ul> <p><b>(Chief Officer Responsible – Chief Executive Officer)</b></p>	Tolerate the Risk	Medium	<ul style="list-style-type: none"> <li>Training and development programme being delivered for senior and aspiring managers.</li> <li>Recent restructures continue to mature and bed in.</li> </ul> <p><i>The risk remains medium but could increase depending on the effects of the reduction in core spending power over the medium-term. This could lead to additional measures in order to treat this risk in the future.</i></p>

	Risk Action	Risk Rating Likelihood/ Impact	Mitigating Action
<p><b>Reduction in resources for partners in the community and voluntary sector</b></p> <ul style="list-style-type: none"> <li>Financial pressures on partners who deliver services with or on behalf of the Council, including voluntary organisations.</li> </ul> <p><i>(Chief Officer Responsible – Director of Community and Planning Services)</i></p>	Tolerate the Risk	Medium	<ul style="list-style-type: none"> <li>Current grant funding is being maintained and increased in 2016/17 for all supported organisations.</li> <li>Spending can be refocused to meet external funding requirements and is project based rather than on-going.</li> <li>Dedicated officer time in place to support the voluntary sector and local organisations. This includes direct secondment where necessary.</li> </ul> <p><i>The risk remains Medium, but it is considered that the Council is undertaking as much action as reasonably possible at this stage to mitigate the risk.</i></p>

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 9</b>
<b>DATE OF MEETING:</b>	<b>18th FEBRUARY 2016</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE and CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/treasury management/strategies/strategy 2016-17
<b>SUBJECT:</b>	<b>TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2016/17</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

## **1.0 Recommendations**

- 1.1 The Treasury Management Strategy for 2016/17 is approved.
- 1.2 The Prudential Indicators and Limits for 2016/17 to 2020/21 as set out in **Appendix 1** are approved.
- 1.3 The Investment Policy for 2016/17 including the associated counterparty (lending) list is approved.

## **2.0 Purpose of the Report**

- 2.1 To detail the Council's Prudential Indicators for its expected treasury operations for the medium-term financial planning period, 2016/17 to 2020/21. This is in accordance with the requirements of the Local Government Act 2003, updated for provisions contained in the Localism Act 2011. Three main areas are covered:
  - The CIPFA Prudential Code (2011) which requires the reporting of the Indicators for Capital Finance in Local Authorities.
  - The Treasury Strategy in accordance with the CIPFA Code of Practice on Treasury Management.
  - The Investment Strategy in accordance with Central Government guidance (2010).

### 3.0 Summary

#### The Prudential System for Capital Finance

3.1 The Council is required to manage its treasury and capital expenditure activities under a National Code. The main aims of the National Prudential System are to ensure that:

- Capital investment plans of local authorities are affordable and sustainable.
- Treasury management decisions are taken in accordance with best professional practice.
- Financial planning and asset management are integrated into the Council's overall corporate planning arrangements.

3.2 Treasury operations are measured within a set of prudential indicators. The main purpose of these indicators is to provide the limits and benchmarks to control the level of capital expenditure, borrowing and investment. The Council is expected to operate comfortably within these limits.

3.3 The Prudential System allows councils the freedom to borrow on a prudential basis. Any new borrowing has to be accommodated within any maximum debt limits or caps set by Central Government and the Council has to demonstrate that it can afford to service and repay the debt within its financial plans.

#### The Treasury Management Strategy

3.4 The Strategy aims to provide transparency for treasury decisions including the use of counterparties, together with assessing how risk is managed on a day to day basis.

#### Prudential Indicators

3.5 The relevant indicators required under the regulations are summarised in the following sections. They are detailed in **Appendix 1**.

#### Estimated Capital Expenditure

3.6 This is the approved capital investment programme for the General Fund, together with stock investment proposals included in the HRA Business Plan. The programme is summarised in the following table.

Estimated Capital Expenditure	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
General Fund	3,849,635	6,033,200	2,041,497	780,118	586,000	586,000
HRA	8,995,000	5,993,000	3,452,000	2,452,000	2,452,000	2,452,000
<b>TOTAL</b>	<b>12,844,635</b>	<b>12,026,200</b>	<b>5,493,497</b>	<b>3,232,118</b>	<b>3,038,000</b>	<b>3,038,000</b>

- 3.7 The increase in estimated expenditure on the General Fund for 2016/17 is due to the costs of the new Depot. Overall, the capital expenditure programme is financed from government grants, external contributions, council reserves and capital receipts. Some external borrowing may be undertaken in 2016/17 and 2017/18 depending upon the timing of capital payments for the Council's New Build Programme.
- 3.8 It is expected that internal borrowing will be undertaken to finance that part of the financial package (as previously approved). This will depend on the availability of capital receipts and general reserves, although they are anticipated to be adequate over the 5-year planning period to finance the borrowing required (£2.37m).

### Capital Financing Requirement (CFR) and Debt Outstanding

- 3.9 The CFR is a measure of the Council's underlying need to borrow for capital investment. It is based on the value of fixed assets as reported in the Council's Balance Sheet.
- 3.10 The CFR does not necessarily represent the amount of actual external debt outstanding. This is due to the fact that not all borrowing previously allowed has in effect taken place against this requirement, but is being financed internally through cash deposits and reserves.

### Debt Pools

- 3.11 The Council operates two separate Debt Pools for the General Fund and the Housing Revenue Account (HRA). There is no external debt currently outstanding on the General Fund, although it has a positive CFR representing an underlying borrowing need.
- 3.12 The General Fund CFR is reduced each year by a statutory revenue charge known as the Minimum Revenue Provision (MRP). In addition a Voluntary Revenue Provision (VRP) is made where borrowing has taken place on a prudential basis.
- 3.13 There is no requirement to make a MRP or VRP in the Housing Revenue Account. The HRA has debt outstanding of just over £57m. This represents the debt inherited under the self-financing framework for Council Housing.
- 3.14 Although no MRP is required for the HRA, in future years, money will be set-aside to repay the HRA debt in accordance with the maturity profile. This strategy is reflected in the HRA's Financial Plan. The expected CFRs over the current financial planning period to 2021 are detailed in the following table.

Expected CFRs	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
General Fund	6,390	6,034	5,688	5,351	5,021	4,700
HRA	61,584	62,504	63,954	63,954	63,954	63,954
<b>TOTAL</b>	<b>67,974</b>	<b>68,538</b>	<b>69,642</b>	<b>69,305</b>	<b>68,975</b>	<b>68,654</b>

3.15 The CFR on the General Fund will continue to reduce over the medium-term due to MRP/VRP being applied. These charges, which are £342,000 in 2015/16 and £355,000 in 2016/17, are included in the Council's base budget.

3.16 The CFR in 2015/16 allows internal borrowing of £200,000 to finance the Grove Hall Extreme Sports Development project (as previously approved by the Committee). In addition, the HRA includes provision for new borrowing of £0.92m in 2016/17 and £1.45m in 2017/18, to finance a second phase of new Build.

3.17 Effectively, the MRP/VRP creates a cash amount in the Council's budget in order to write down the underlying borrowing requirement. The larger CFR on the HRA is forecast to remain fairly static until such time as any new borrowing is undertaken or until the first repayment of self-financing debt in 2021/2022.

### Operational Boundaries and Limits

3.18 These are summarised in the following table.

Debt Limits	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Authorised Limit - Gen Fund	6,390	6,034	5,688	5,351	5,021	4,700
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Operational Boundary	62,423	62,423	62,423	62,423	62,423	62,423

3.19 The Authorised Limit is the Borrowing Cap for the Council. It includes the CFR on the General Fund, plus the debt cap set by the Government on the HRA for self-financing, i.e. £66.853m. The Operational Boundary represents the expected fixed external debt outstanding in the year (HRA at £57.423m) plus a provision for temporary borrowing of £5m.

3.20 As in recent years, it is not expected that any temporary borrowing will be required, but is included as a contingency should cash flow become negative in the short-term.

### Cost of Debt to Finance Capital Expenditure

3.21 The estimated cost of debt, to finance the capital programme contained in the consolidated budget proposals on Council Tax and Housing Rents, is summarised in the following table.

Cost of Servicing Debt	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Band D Council Tax	-£1.15	-£1.40	-£1.62	-£1.49	-£1.44	-£1.42
Per Council Dwelling	£565	£569	£624	£644	£647	£650

3.22 As there is no actual debt on the General Fund, the impact on Council Tax is positive as this represents interest on cash deposits. The surplus is expected to rise moderately in the medium term in accordance with interest rates.

## Estimated Resources

3.23 These represent balances and reserves held for specific purposes and to act as a contingency / provision. These are the resources the Council has to invest and to internally finance any short term borrowing requirement. The estimated year end position is shown in the following table.

Estimated Resources Available	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>TOTAL</b>	<b>15,204</b>	<b>13,240</b>	<b>11,372</b>	<b>10,062</b>	<b>8,258</b>	<b>6,518</b>

3.24 It is expected that the level of resources will decrease over the financial period and it assumes in particular, that forecasted deficits on the General Fund will be financed from general reserves. Where this is not the case, the level of resources will be higher.

3.25 Based on the estimated level of resources, the Council will continue to have sums invested throughout the year. In accordance with the Investment Strategy, this will continue to be held in short-term (less than 364 days) deposit accounts.

## 4.0 Detail

### Prudential Indicators for Capital Expenditure and Borrowing

- 4.1 The Local Government Act 2003 requires the Council to adopt the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code and in doing so, to calculate and monitor a set of prudential indicators. The Code and indicators should sit alongside the Council's main financial plan.
- 4.2 The prudential framework is designed to control the level of borrowing and investment activity at a local level. The indicators themselves either summarise the expected treasury activity or place limits upon the activity that reflect the outcome of the Council's underlying capital expenditure and borrowing requirements.
- 4.3 A fundamental part of the Code is the requirement to adopt and utilise a Treasury Management Strategy. The Council's proposed strategy for 2016/17 is detailed in **Appendix 2**. The Prudential Indicators are detailed in **Appendix 1** with comments and analysis in the following sections.

## Capital Expenditure and Financing

4.4 The approved capital programme is summarised in the following table.

Estimated Capital Expenditure	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £
General Fund	3,849,635	6,033,200	2,041,497	780,118	586,000	586,000
HRA	8,995,000	5,993,000	3,452,000	2,452,000	2,452,000	2,452,000
<b>TOTAL</b>	<b>12,844,635</b>	<b>12,026,200</b>	<b>5,493,497</b>	<b>3,232,118</b>	<b>3,038,000</b>	<b>3,038,000</b>
<b>Financed By</b>						
Borrowing	1,087,500	1,450,000	0	0	0	0
Grants and Contributions	2,084,733	1,470,804	962,866	463,118	336,000	336,000
Council Resources	9,672,402	9,105,396	4,530,631	2,769,000	2,702,000	2,702,000
<b>TOTAL</b>	<b>12,844,635</b>	<b>12,026,200</b>	<b>5,493,497</b>	<b>3,232,118</b>	<b>3,038,000</b>	<b>3,038,000</b>

4.5 The table highlights that the 5-year investment programme is fully funded. It is expected that the borrowing requirement will be met internally. If all financing is not secured, expenditure will need to be curtailed or other resources and reserves identified.

4.6 Due to the current level of reserves and cash on deposit, current policy is that any longer term borrowing is undertaken only as a last resort to meet any shortfall; any new borrowing is undertaken prudentially within the Council's debt limits.

### The Council's Borrowing Need or Capital Financing Requirement (CFR)

4.7 The CFR is a measure of the Council's underlying need to borrow for capital investment and is based on the net value of fixed assets contained in the Council's Balance Sheet.

4.8 Capital expenditure that has not been immediately paid for increases the CFR through additional borrowing, including internally. The CFR is reduced following debt repayment or through setting-aside revenue sums to repay internal borrowing.

4.9 The Council is required to pay off an element of the accumulated General Fund CFR each year through a revenue charge called the Minimum Revenue Provision (MRP). In addition, a Voluntary Revenue Provision (VRP) is made where borrowing has taken place on a prudential basis.

4.10 There is no requirement to make a MRP for the HRA. However, in future years, money will be set-aside to repay HRA debt in accordance with the maturity profile. This strategy is reflected in the HRA's Financial Plan.

4.11 A summary of the CFR estimates is shown in the following table.

Expected CFRs	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
CFR b/fwd	68,116	67,974	68,538	69,642	69,305	68,975
Add New Financing	200	920	1,450	0	0	0
Less MRP	-232	-223	-214	-206	-197	-190
Less VRP	-110	-132	-132	-132	-132	-132
Less Loan Repayments	0	0	0	0	0	0
<b>CFR c/fwd</b>	<b>67,974</b>	<b>68,538</b>	<b>69,642</b>	<b>69,305</b>	<b>68,975</b>	<b>68,654</b>
General Fund Proportion	6,390	6,034	5,688	5,351	5,021	4,700
HRA Proportion	61,584	62,504	63,954	63,954	63,954	63,954

4.12 The Committee has previously approved the use of prudential borrowing from internal reserves as part of the funding package to redevelop the Grove Hall in Swadlincote. Therefore, provision of £200,000 has been made in 2015/16 as new financing.

4.13 The new financing in 2016/17 and 2017/18, relates to a provision to fund a second phase on New Build and property acquisition in the HRA, as approved by the Committee on 4<sup>th</sup> February.

4.14 The VRP relates to the repayment of previous internal borrowing relating to the purchase of receptacles to extend the kerbside recycling scheme in 2013, together with the repayment of the internal borrowing for the Grove Hall project (from 2016/17 onwards).

4.15 The HRA CFR is projected to remain fairly static over the current financial planning period, subject to any new borrowing undertaken as highlighted previously.

### The Use of the Council's Resources and the Investment Position

4.16 The Council has available at any one time, reserves and balances which are held to finance future expenditure commitments or to act as a contingency sum as recommended by the Council's Chief Finance Officer.

4.17 These balances are available for investment on a short-term basis in accordance with the Investment Strategy. The expected level of reserves and balances is shown in the following table.

Estimated Usable Reserves	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
General Fund	5,788	6,212	5,454	3,912	1,815	-568
Earmarked Reserves	4,476	3,606	2,451	1,542	1,347	1,417
HRA	2,067	1,748	1,102	1,242	1,338	1,317
Capital Receipts	2,873	1,674	2,365	3,366	3,758	4,352
<b>TOTAL</b>	<b>15,204</b>	<b>13,240</b>	<b>11,372</b>	<b>10,062</b>	<b>8,258</b>	<b>6,518</b>

4.18 The above table shows that overall the level of resources is expected to decrease over the financial period and it assumes in particular, that forecasted deficits on the General Fund will be financed from general reserves. Where this is not the case, the level of resources will be higher.

4.19 It is estimated that the current level of earmarked reserves will gradually be utilised over the financial period. The level of capital receipts is estimated to fluctuate due to the timing of receipts from council house and planned land sales, together with the timing of actual capital expenditure payments.

4.20 Based on this level of reserves, it is estimated that the Council will continue to have funds available for investment each year end. In accordance with the Investment Strategy, this will continue to be held in short-term (less than 364 days) deposit accounts.

### Limits to Borrowing Activity

4.21 The Council is required to set limits on overall borrowing (net of investments). This controls borrowing and ensures that the Council does not, except in the short term, exceed the total of the CFR in the preceding year, plus the estimates of any additional CFR for the current and the next two financial years.

4.22 A short term deviation is allowed for flexibility if a limited amount of borrowing was required to meet temporary shortfalls in cash flow. The estimated position is detailed in the following table.

<b>Estimated External Borrowing Compared to the CFR</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
Gross Borrowing - HRA	57,423	57,423	57,423	57,423	57,423	57,423
Gross Borrowing - General Fund	0	0	0	0	0	0
<b>Gross Borrowing - Total</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>
<b>Total CFR</b>	<b>67,974</b>	<b>68,538</b>	<b>69,642</b>	<b>69,305</b>	<b>68,975</b>	<b>68,654</b>

4.23 The above table shows that as gross borrowing is likely to remain below the CFR, the Council will comply with this Prudential Indicator.

### The Authorised Limit for External Debt

4.24 This is the limit beyond which external debt is prohibited. It is the statutory limit determined under section 3(1) of the Local Government Act 2003 and is the debt cap for HRA self-financing of £66.853m.

## The Operational Boundary for External Debt

4.25 This represents the expected external debt during the course of the year, but it is not a limit. It is designed to aid the Director of Finance to manage treasury activity on a daily basis and acts as an early warning sign of any potential issues. It includes a provision for temporary borrowing of £5m. The Limit and Boundary are summarised in the following table.

Debt Limits	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Authorised Limit - Gen Fund	6,390	6,034	5,688	5,351	5,021	4,700
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Operational Boundary	62,423	62,423	62,423	62,423	62,423	62,423

## Affordability Indicators

4.26 These indicators show the cost of borrowing and capital investment plans on the Council's finances, together with their impact on local taxpayers. Under the Prudential System, borrowing needs to be affordable and sustainable in the longer term.

## Ratio of Financing Costs to Net Revenue Stream

4.27 This indicator shows the trend in the net cost of borrowing (allowing for investment income) against the net revenue stream, i.e. Council Tax for the General Fund and Rent Income for the HRA. Estimates included the Council's Medium Term Financial Plan (MTFP) are shown in the following table.

Financing Ratios	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
<b>General Fund</b>						
Estimated Council Tax Income	£4,598,852	£4,747,044	£4,902,078	£5,061,000	£5,225,000	£5,400,000
Net Interest	-£35,250	-£43,250	-£51,000	-£47,250	-£46,250	-£46,250
<b>Proportion</b>	<b>-0.77%</b>	<b>-0.91%</b>	<b>-1.04%</b>	<b>-0.93%</b>	<b>-0.89%</b>	<b>-0.86%</b>
<b>HRA</b>						
Estimated Rent Income	£12,526,000	£12,457,000	£12,346,000	£12,231,000	£12,058,000	£12,301,000
Estimated Interest Payable	£1,684,805	£1,687,005	£1,837,755	£1,887,755	£1,887,755	£1,887,755
<b>Proportion</b>	<b>13.45%</b>	<b>13.54%</b>	<b>14.89%</b>	<b>15.43%</b>	<b>15.66%</b>	<b>15.35%</b>

4.28 With no debt on the General Fund, the indicator is negative. The ratio reflects the level of "gearing" - how much of the Council's revenue is tied up in borrowing costs. Although the proportion for the HRA is greater in percentage terms, this is a relatively fixed cost and affordable within the HRA's Financial Plan.

## Impact of Capital Investment on Council Tax and Housing Rents

4.29 This indicator shows how much per year the costs of borrowing impact upon each household (at Band D Council Tax rate) in the District and for each council tenant (HRA).

Cost of Servicing Debt	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Estimated Net Interest Received - General Fund	-£35,250	-£43,250	-£51,000	-£47,250	-£46,250	-£46,250
Estimated Band D Properties (per MTFP)	30,608	30,990	31,390	31,790	32,190	32,590
<b>Cost per Band D Property</b>	<b>-£1.15</b>	<b>-£1.40</b>	<b>-£1.62</b>	<b>-£1.49</b>	<b>-£1.44</b>	<b>-£1.42</b>

Estimated Interest Payable - HRA	£1,684,805	£1,687,005	£1,837,755	£1,887,755	£1,887,755	£1,887,755
Estimated Dwellings	2,972	2,954	2,939	2,924	2,911	2,898
<b>Annual Cost per Dwelling</b>	<b>£567</b>	<b>£571</b>	<b>£625</b>	<b>£646</b>	<b>£648</b>	<b>£651</b>

### 5.0 Financial Implications

5.1 As detailed in the report.

### 6.0 Corporate Implications

6.1. None directly

### 7.0 Community Implications

7.1 None directly

### 8.0 Background Papers

8.1 Treasury Management in Public Services and the Code of Practice (Cipfa Publication – November 2011)

8.2 Local Government Act 2003 (Part 1)

8.3 Localism Act 2011 – Part 7 Chapter 3

## Appendix1: LIST OF PRUDENTIAL INDICATORS 2015/16 to 2020/21

<b>External Debt</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
Debt 1st April	57,423	57,423	57,423	57,423	57,423	57,423
New Debt	0	0	0	0	0	0
Maturing Debt	0	0	0	0	0	0
<b>Debt 31st March</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>
Annual Change in Debt	0	0	0	0	0	0
Long-term Investments	0	0	0	0	0	0
Short-term Investments	12,000	10,000	8,000	5,000	4,000	4,000

<b>Limits compared to Actual Debt</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
Authorised Limit - General Fund	6,390	6,034	5,688	5,351	5,021	4,700
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Financing Requirement	67,974	68,538	69,642	69,305	68,975	68,654
Operational Boundary	62,423	62,423	62,423	62,423	62,423	62,423
Gross Debt	57,423	57,423	57,423	57,423	57,423	57,423
Debt Less Investments	45,423	47,423	49,423	52,423	53,423	53,423

<b>General Fund - Net Indebtedness</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
CFR	6,390	6,034	5,688	5,351	5,021	4,700
Estimated Reserves	9,845	9,031	7,259	4,447	1,878	-493
<b>Net Indebtedness</b>	<b>-3,455</b>	<b>-2,997</b>	<b>-1,571</b>	<b>904</b>	<b>3,143</b>	<b>5,193</b>

<b>HRA Limit on Indebtedness</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
HRA Debt Cap	66,853	66,853	66,853	66,853	66,853	66,853
HRA CFR	61,584	62,504	63,954	63,954	63,954	63,954
Difference	5,269	4,349	2,899	2,899	2,899	2,899
HRA Debt (incl Internal Borrowing)	57,423	58,343	59,793	59,793	59,793	59,793
<b>Borrowing Headroom</b>	<b>9,430</b>	<b>8,510</b>	<b>7,060</b>	<b>7,060</b>	<b>7,060</b>	<b>7,060</b>

<b>Interest Payable and Receivable</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
<b>General Fund</b>						
Interest Payable	0	0	0	0	0	0
Interest Received	39	47	68	68	74	74
<b>HRA</b>						
Interest Payable	1,685	1,687	1,838	1,888	1,888	1,888
Interest Received	-4	-4	-17	-20	-28	-28



**South  
Derbyshire  
District Council**

**Treasury Management and Investment Strategy 2016/17**

**February 2016**

## **1.0 Introduction**

- 1.1 The treasury management service is an important part of the overall financial management of the Council's activities. Supplemented by a series of Prudential Indicators, this helps to consider the affordability and impact of capital expenditure decisions, together with the associated borrowing and investment.
- 1.2 The treasury service considers the effective funding of these decisions. It forms part of the process that ensures the Council achieves a balanced budget requirement under the Local Government Finance Act 1992.
- 1.3 The Council's treasury activities are regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management).
- 1.4 The Council has adopted the Code and as a result, has adopted a Treasury Management Policy Statement.

### **Reporting Treasury Management**

- 1.5 A key requirement of this report is to explain both the risks and the management of those risks, associated with the treasury service. Updates on treasury activity are reported to the Finance and Management Committee on a quarterly basis.
- 1.6 A further annual report is produced alongside the final accounts each June to detail all activity for the year.

### **Responsibility for Treasury Management**

- 1.7 The Finance and Management Committee is responsible for setting and monitoring treasury activity at the Council. Under its terms of reference, this includes ensuring that the Council does not breach its borrowing limit.
- 1.8 The Committee is advised by its Section 151 (Chief Finance) Officer who is the Director of Finance and Corporate Services. This Officer is responsible for the oversight of activity and to ensure that treasury strategy and associated policies are met.
- 1.9 The day-to-day operational activity is undertaken within the Financial Services Unit at the Council. The main officers who have responsibility for daily transactions are the Financial Services Manager and the Service Accountants.
- 1.10 The Authorising Officers for transactions are the Director of Finance, Financial Services Manager and the Client Services Manager. Any new borrowing or investment has to have the prior approval of the Director of Finance.

## **External Support for Treasury Activity**

- 1.11 All designated officers involved in treasury activity are covered under the Council's insurance. Officers are also supported by external treasury advisors who provide research material, news bulletins, together with general advice and guidance.

## **Audit Arrangements**

- 1.12 The Council's Internal Audit function audits treasury policies and procedures, together with treasury activity and transactions at least once per year. This is a requirement of External Audit. Any matters raised concerning any governance or control matters, are considered and monitored by the Council's Audit Sub Committee

## **Scrutiny and Training**

- 1.13 Scrutiny is undertaken by the Finance and Management Committee as part of their role of agreeing policy and monitoring performance. The Audit Sub-Committee review internal audit reports regarding any procedural or wider control matters.
- 1.14 The Elected Members involved in reviewing Treasury Management have previously received only limited training outside of formal reports and briefing papers. To strengthen the role of Members and to supplement their understanding, it is planned to deliver a briefing/training session during the year for Members, facilitated by the Council's Treasury Advisors.

## **The Strategy**

- 1.15 This strategy covers:
- The management of debt
  - The Council's debt and investment projections
  - The expected movement in interest rates
  - The Council's borrowing and investment strategies
  - Treasury performance indicators
  - Specific limits on treasury activities
  - Any local treasury issues

## 2.0 Debt and Investment Projections

2.1 The table below shows the expected debt position of the Council over the Medium Term Financial Planning (MTFP) period.

<b>External Debt</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
Debt 1st April	57,423	57,423	57,423	57,423	57,423	57,423
New Debt	0	0	0	0	0	0
Maturing Debt	0	0	0	0	0	0
<b>Debt 31st March</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>	<b>57,423</b>
Annual Change in Debt	0	0	0	0	0	0
Long-term Investments	0	0	0	0	0	0
Short-term Investments	12,000	10,000	8,000	5,000	4,000	4,000

2.2 A comparison of this estimated debt position with the various borrowing limits is shown below.

<b>Limits compared to Actual Debt</b>	<b>2015/16 £'000</b>	<b>2016/17 £'000</b>	<b>2017/18 £'000</b>	<b>2018/19 £'000</b>	<b>2019/20 £'000</b>	<b>2020/21 £'000</b>
Authorised Limit - General Fund	6,390	6,034	5,688	5,351	5,021	4,700
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Financing Requirement (CFR)	67,974	68,538	69,642	69,305	68,975	68,654
Operational Boundary	62,423	62,423	62,423	62,423	62,423	62,423
Gross Debt	57,423	57,423	57,423	57,423	57,423	57,423
Debt Less Investments	45,423	47,423	49,423	52,423	53,423	53,423

2.3 The above table shows that (gross) debt outstanding is expected to be comfortably below the Financing or underlying Borrowing Requirement (CFR) and well within the Authorised Limit (Debt Cap).

2.4 The Operational Boundary allows a temporary borrowing requirement of £5m. However, it is expected that the Council will continue to be a net lender of funds on a day-to-day basis.

### **Management of Debt**

2.5 As approved by the Council, treasury activities are accounted within two separate pools. This involves splitting borrowing between the General Fund and the HRA and then allocating new loans to each pool as required.

2.6 This has been adopted for clarity and transparency and ensured there was no detriment to the General Fund on transition to HRA self-financing in 2012. Treasury Management decisions on the structure and timing of borrowing is made independently for the General Fund and HRA.

2.7 Interest on loans is calculated in accordance with proper accounting practice and allocated to either pool accordingly.

2.8 It is not anticipated that there will be a requirement to transfer loans between the two pools. Any proposals to do this will be considered and approved separately.

### Internal Borrowing – Cash Management

2.9 Both the HRA and General Fund are likely to have surplus cash balances which will allow either account to have external borrowing below its Capital Financing Requirement.

2.10 The interest earned on all deposits is initially allocated to the General Fund with a proportion allocated to the HRA based on the average rate of interest earned on the average cash balances during the year.

### Use of Financial Instruments

2.11 The Council does not use any type of derivative instruments, such as interest rate swaps or hedge accounting, to manage the risk of borrowing.

### General Fund Debt

2.12 The General Fund does not currently have any actual debt outstanding and its underlying borrowing requirement is financed from reserves and balances as shown in the following table.

General Fund - Net Indebtedness	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
CFR	6,390	6,034	5,688	5,351	5,021	4,700
Estimated Reserves	9,845	9,031	7,259	4,447	1,878	-493
<b>Net Indebtedness</b>	<b>-3,455</b>	<b>-2,997</b>	<b>-1,571</b>	<b>904</b>	<b>3,143</b>	<b>5,193</b>

2.13 However, the table also shows that by 2018/19, the underlying indebtedness becomes positive and increases to 2020/21. It has been assumed in the MTFP that the projected budget deficit on the General Fund will be financed from general reserves.

2.14 During the financial period, the Council will be addressing the projected deficit. Where reserves are not used, this will maintain balances at a higher level. However, this will be kept under review. If the net indebtedness does become positive, this may require some temporary borrowing at an additional cost.

### HRA and Limit on Indebtedness

2.15 Under self-financing, the HRA pool operates within a cap over which no actual borrowing is allowed. This is prescribed by the Government and is set at £66.853m.

2.16 The Cap is shown in the following table with a comparison to the CFR and expected level of actual debt of the HRA

HRA Limit on Indebtedness	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
HRA Debt Cap	66,853	66,853	66,853	66,853	66,853	66,853
HRA CFR	61,584	62,504	63,954	63,954	63,954	63,954
Difference	5,269	4,349	2,899	2,899	2,899	2,899
HRA Debt (incl Internal Borrowing)	57,423	58,343	59,793	59,793	59,793	59,793
<b>Borrowing Headroom (Debt Cap minus Debt)</b>	<b>9,430</b>	<b>8,510</b>	<b>7,060</b>	<b>7,060</b>	<b>7,060</b>	<b>7,060</b>

2.17 The Financial Plan for the HRA includes provision for new borrowing to finance the current New Build programme. It is expected that this borrowing will be undertaken internally between the General Fund and the HRA due to the current amount of reserves held by the Council.

2.18 The next debt repayment is a variable rate loan of £10m in 2021/2022. The HRA's Financial Plan allows for sums to be set aside from its revenue account, commencing in 2016/17 as a provision to repay this and future loans, in accordance with the debt maturity profile.

### Revenue Implications

2.19 The Financial implications of the Council's expected debt management transactions have been included in the MTFP and are summarised in the following table.

Interest Payable and Receivable	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>General Fund</b>						
Interest Payable	0	0	0	0	0	0
Interest Received	39	47	68	68	74	74
<b>HRA</b>						
Interest Payable	1,685	1,687	1,838	1,888	1,888	1,888
Interest Received	-4	-4	-17	-20	-28	-28

### **3.0 The Current Economic Situation and Outlook**

- 3.1 During 2013 and 2014, the UK economy continued to grow at a steady rate. In the past year, some economic commentators have been concerned about the underlying ability of sustained growth.
- 3.2 Both interest rates and inflation remain at historically low levels. During the second half of 2015, the main growth indicator (the *Gross Domestic Product or GDP*) did signal a slowdown and this has led to some pessimism in financial markets.
- 3.3 At its meeting last month in January 2016, the Monetary Policy Committee (MPC) at the Bank of England maintained the Bank Base Rate at 0.5%. The policy of maintaining the interest rate at a low level is designed to increase growth by boosting expenditure. However, this needs to be balanced against rates being raised too high, too early, so that economic productivity is not adversely affected.
- 3.4 In continuing this policy of maintaining a low Base Rate, the MPC noted that at 0.1% in November 2015, CPI inflation remained well below the Government's target of 2%. This was primarily as a consequence of unusually low prices in fuel and foodstuffs. It also reflects the weakening of domestic growth.
- 3.5 The MPC also noted a recent sharp fall in oil prices and the weakening of the Chinese economy, which both impact on the UK economy. The MPC remained concerned with increasing interest rates too soon whilst prices remain low and long-term productivity remains uncertain.
- 3.6 In addition, there has also been a recent reduction in the value of the Pound against the US Dollar and the Euro. This has occurred fairly quickly. Although it is beneficial for UK exporters, it signals that currency investors are shying away from the Pound due to concerns over the underlying strength of the UK economy.
- 3.7 The overall situation remains uncertain. Given this, it is unlikely that the Base Rate will increase now before the middle of 2017. It is then forecast to rise incrementally to 2% over a two to three year period. The prognosis for inflation is less certain and this could affect these forecasts for interest rate rises.

#### **Effect on the Council**

- 3.8 Interest rates currently pose a low risk for the Council. Clearly, given a positive cash and reserves situation, with interest rates so low, returns on deposits are limited. However, the Council's MTFP is not based on interest rates rising to generate income to ensure a balanced budget. Therefore, when rates do rise, this should generate extra revenue in addition to that budgeted.
- 3.9 The Council's current long-term borrowing is fixed at relatively low rates, with the variable element of the debt currently costing 0.65% per year. The HRA's Financial Plan allows for this to rise to 3% to its repayment date in 2021/22.

## **Borrowing Strategy 2016/17 and the Longer-Term Plan**

- 4.1 External debt outstanding totals £57.423m as at 31<sup>st</sup> January 2016. This relates wholly to the HRA. For many years, the Council has not entered into any other long-term borrowing arrangements and has managed new prudential borrowing internally through its cash reserves and balances.
- 4.2 This has proved to be a cheaper form of borrowing with interest rates historically low, which limits the interest earned by having those reserves on deposit.

### **Existing Debt**

- 4.3 The General Fund has no external borrowing outstanding.

### **HRA Debt**

- 4.4 Total debt outstanding is £57.423m. Of this debt, £10m is at a variable rate and is forecast to increase from 0.65% in 2015/16, to 1.5% by the end of 2016/17. The remaining balance of the debt is all at fixed rates, at an average of 3.19%.
- 4.5 This debt is due to mature periodically between 2022 and 2042. The HRA's Financial Plan allows for these repayments by setting-aside resources from 2016/17.

### **Debt restructuring**

- 4.6 The HRA debt will be reviewed regularly with the Council's treasury advisors to ensure that the portfolio continues to suit the Council. It is possible that the Council will be in a position to repay debt earlier or may opt to reschedule some longer-term debt depending on prevailing interest rates.
- 4.7 Although this is not anticipated over the current MTFP it will be kept under review. Any early repayment or rescheduling decision will be based on a Net Present Value calculation taking into account the relevant premium or discount of repaying debt early.

### **Variable Rate Debt**

- 4.8 As some of the debt is being borrowed at variable rates, this will be kept under closer scrutiny. The cost of this proportion of the portfolio (£10m) is currently contained within the resources of the HRA's Financial Plan.
- 4.9 The Plan assumes that the rate on this debt will rise from its current level of 0.65% per year to 1.5% in 2016/17, to 2.5% in 2017/18 and then up to 3% in 2018/19 through to maturity in 2021/22.

## **Additional Borrowing**

- 4.10 The Prudential System for Capital Finance provides flexibility for local authorities to borrow within their overall limit. Effectively, councils can borrow money as long as they are able to demonstrate that the associated interest and principal repayments are affordable and sustainable within their longer-term financial resources.
- 4.11 Additional borrowing can also be undertaken on an “invest to save” basis, i.e. the cost of loan finance is met from the payback of the investment (efficiencies or additional income, etc.).
- 4.12 The Council has used the prudential system to finance 2 capital projects in 2013/14 and 2015/16. The costs and payback of this borrowing are included in the treasury indicators and the MTFP.
- 4.13 The Council is also planning to borrow prudentially to finance further New Build and property acquisition in the HRA. Provision for this internal borrowing is also reflected in the treasury indicators and MTFP as detailed in Section 2.

## **Borrowing in Advance**

- 4.14 The Council will only borrow in advance of need if it is felt that the benefits of borrowing at interest rates now, compared to where they are expected to be in the future, outweighs the current cost and risks associated with investing the proceeds until the borrowing was actually required. Any accounting matters and the general legality will also be considered on a case by case basis.
- 4.15 In summary, the key matters in the borrowing strategy for 2016/17 are as follows:
- Meeting the Council’s cash flow requirements (*although this will be primarily through its Investment Strategy in Sections 6 and 7*).
  - Keeping under review the HRA debt pool and in particular the variable rate borrowing.

## **5.0 Treasury Management Prudential Indicators and Limits on Activity**

- 5.1 The purpose of these additional indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates.
- 5.2 However, if these are set too restrictively, they could impede the opportunity to reduce debt costs. The indicators are detailed in the following sections.

### **Upper limits on variable interest rate exposure**

- 5.3 This indicator identifies a maximum limit for variable interest rates based upon the debt position net of investments. This is set at **5%** and is based on the affordability in the HRA Business Plan. This remains unchanged from that previously.

### **Upper limits on fixed interest rate exposure**

- 5.4 This is set at **4.5%** and again is based on the affordability of the HRA Business Plan. This also remains unchanged from that previously.

### **Maturity structure of Fixed Rate Borrowing**

- 5.5 The current maturing structure of the HRA debt portfolio is as follows:

Under 12 months	0%
12 months to 2 years	0%
2 years to 5 years	0%
5 years to 10 years	35%
10 years and above	65%

- 5.6 Although all fixed rate debt is expected to be repaid beyond 10 years, this is spread so that each tranche is repaid at 5-yearly intervals between 2027 and 2042.

### **Total principal funds invested for greater than 364 days.**

- 5.7 As the Council does not have any long term investments, this indicator does not apply to the Council.

## **6.0 Investment Counterparty and Liquidity Framework**

6.1 In accordance with Central Government guidance, the primary principle governing the Council's investment criteria is the security and liquidity of its investments. Once that principle is achieved, then yield and length of investment are considered. The Council will also ensure that:

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections below.

### **Specified Investments**

6.2 The purpose of specified investments is to identify investments offering high security and high liquidity. These investments should be in pounds sterling and with a maturity of no more than a year. They are intended to be used with minimal procedural formalities. Any investments made with the UK Government, another local authority or parish council automatically qualify as specified investments.

6.3 In addition, short-term investments with institutions having "high credit ratings" will count as specified investments. The Guidance allows each council to determine these institutions and they must determine locally, investment limits, maximum periods and monitoring arrangements.

### **Non-Specified Investments**

6.4 These are all other investments not meeting the criteria of specified investments. Due to the fact that these investments could carry more risk than specified ones, the Council needs to set stricter limits on these investments and determine guidelines on when they should be used.

6.5 The Guidance makes it clear that it does not wish to discourage authorities from using non-specified investments. The aim is to ensure that proper procedures are in place for undertaking risk assessments of investments made for longer periods or with bodies that do not carry such a high credit rating.

### **Credit Quality**

6.6 The credit worthiness of counterparties remains paramount in any investment decision and this is reflected in the approved lending policy and counterparty list. This is currently pertinent given the on-going uncertainty and restructuring of the banking sector in the UK.

- 6.7 Many banks and financial institutions are still recovering following the financial crisis in 2008/09. In addition, legislation governing the “bail in” of wholesale depositors (including local authorities) should banks experience financial difficulties in the future, has led to the Council changing its approach regarding investment decisions.
- 6.8 In 2014/15, the Council approved a fundamental shift in its lending policy. This moved away from a traditional model based solely on credit ratings, to that based on an assessment of a financial institutions’ ability to incur losses before a depositor bail-in.
- 6.9 Besides this, the Council refers to the financial press, any implied government support for banks and other market data. This is backed up by information and advice from the Council’s retained treasury advisors.
- 6.10 Based on these core principles, the strategy in Section 7 (below) has been adopted.

## **7.0 Investment Strategy 2016/17**

- 7.1 The Council is expected to have a regular short-term investment requirement to enable it to manage its day-to-day financial affairs. There is no current proposal to enter into longer term and externally managed funds. Where the Council should need to borrow in advance of need, this investment strategy also applies.
- 7.2 The approved investment policy is based on a counterparty list that has been carefully considered to select those institutions with the best financial structure and the ability to incur losses before a depositor bail-in. This is based on economic data, together with analysis and advice from the Council’s treasury advisors.
- 7.3 The list is kept under review and updated on a quarterly basis depending on the changing circumstances of selected counterparties.
- 7.4 The approved lending list and policy is shown at **Appendix 3**. In accordance with regulations, it sets out where the Council will invest surplus funds and places limits upon the various institutions.
- 7.5 A summary of the counterparties is shown in the following table.

<b>Specified Investments</b>	<b>Non Specified Investments</b>
<ul style="list-style-type: none"> <li>• UK Debt Management Office (DMO)</li> <li>• Local, Police, Fire and Parish Authorities</li> <li>• HSBC</li> <li>• Standard Chartered</li> </ul>	<ul style="list-style-type: none"> <li>• Lloyds Bank</li> <li>• Bank of Scotland</li> <li>• Nationwide Building Society</li> <li>• Santander UK</li> <li>• Barclays Bank</li> <li>• Goldman Sachs International</li> <li>• Close Brothers</li> <li>• Leeds Building Society</li> <li>• Coventry Building Society</li> <li>• Foreign Counterparties <i>(AAA rated institutions subject to separate approval by the Section 151 Officer)</i></li> <li>• Independent Building Societies <i>(subject to separate approval by the Section 151 Officer)</i></li> </ul>

### **General Lending Policy**

- 7.6 Priority is given to specified investments in any investment decision. The length of investment is made in accordance with overall cash flow requirements.
- 7.7 The policy focuses on the credit quality of investment counterparties rather than amounts invested and returns.
- 7.8 Where regular investments are made with named financial institutions, this is generally undertaken via instant access accounts. This allows funds to be withdrawn at short notice if the financial situation of these institutions was to change. All other deposits, such as those with the DMO and other local authorities, tend to be on a fixed and longer-term basis.

### **Use of Non-Specified Investments**

- 7.9 These are only used as a “lender of last resort.” In particular, this may be the case where limits on specified investments are likely to be exceeded and where there is a temporary need to place money.
- 7.10 It should be noted that the named counterparties are still considered to be fairly low risk for short-term deposits in accordance with the maximum limits and periods as set out in **Appendix 3**.

## Use of Treasury Advisors

- 7.11 The Council uses a firm of advisors on a retained basis. Their role is to provide market analysis and advice, together with literature and updates on key treasury management developments. They do not offer any of their own or 3<sup>rd</sup> party products/instruments for borrowing or investing.
- 7.12 They also provide training workshops and seminars. They are appointed through the Council's procurement framework.

## Performance Indicators

- 7.13 The main indicator is for the return on short-term investments to average, over the year, the Average 7-Day Money Market Rate. This is a standard measure of performance. Performance in recent years is shown in the following table.

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
7-Day Rate (target)	5.61%	3.57%	0.39%	0.51%	0.62%	0.51%	0.47%	0.50%
Actual Rate	5.81%	4.38%	0.72%	0.78%	0.32%	0.31%	0.33%	0.31%

## COUNTERPARTY LIST 2016/17

*(As at February 2016)*

Institution	Limit	Maximum Term
<b><u>Specified Investments</u></b>		
<ul style="list-style-type: none"> <li>UK Debt Management Office (DMO)</li> </ul>	<b>£15m</b>	364 Days
<ul style="list-style-type: none"> <li>Local, Police, Fire and Parish Authorities</li> </ul>	<b>£5m</b> with anyone Authority	364 Days
<b><i>Named Counterparties</i></b>		
<ul style="list-style-type: none"> <li>HSBC</li> <li>Standard Chartered</li> </ul>	<b>£2m</b> with anyone Bank	6 months
<b><u>Non Specified Investments</u></b>		
<b><i>Named Counterparties</i></b>		
<ul style="list-style-type: none"> <li>Lloyds Bank</li> <li>Bank of Scotland</li> <li>Nationwide Building Society</li> <li>Santander UK</li> <li>Barclays Bank</li> <li>Goldman Sachs International</li> <li>Close Brothers</li> <li>Leeds Building Society</li> <li>Coventry Building Society</li> </ul>	<b>£2m</b> with anyone Bank	100 days
	<b>5% of total Deposits (Coventry BS only)</b>	100 days
<b><i>Foreign Counterparties</i></b>		
<ul style="list-style-type: none"> <li>AAA rated institutions (<i>subject to separate approval by the Section 151 Officer</i>)</li> </ul>	<b>£1m</b> with anyone Bank	1 month
<b><i>Independent Building Societies</i></b>		
<ul style="list-style-type: none"> <li><i>subject to separate approval by the Section 151 Officer</i></li> </ul>	<b>£1m</b> with anyone society	1 month

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 10</b>
<b>DATE OF MEETING:</b>	<b>18th FEBRUARY 2016</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE and CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE ( 01283 595811)</b> <a href="mailto:kevin.stackhouse@south-derbys.gov.uk">kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/budget round 201617/base budget policy reports/5 final/final budget proposals 16 17 <b>REF:</b>
<b>SUBJECT:</b>	<b>FINAL BUDGET PROPOSALS 2016/2017 and FINANCIAL PLAN to 2021</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

## **1.0 Recommendations**

- 1.1 That a Council Tax increase of 1.95% for 2016/17 is recommended to Full Council on 29<sup>th</sup> February 2016.
- 1.2 That estimated net General Fund Revenue Expenditure totalling £10,985,851 for 2015/16 (revised) and £11,137,566 for 2016/17 is recommended to Full Council on 29<sup>th</sup> February 2016.
- 1.3 That the Medium-term Financial Plan to 2021 on the Council's General Fund Revenue Account as detailed in **Appendix 1** is approved.
- 1.4 That a strategy and action plan is drawn up to generate budget savings of £1.5m on the General Fund over the spending review period to enable a minimum level of General Reserves of £1m by 2020
- 1.5 That the Financial Plan for the Housing Revenue Account (HRA) to 2027 as detailed in **Appendix 2** is approved.
- 1.6 That the rents of Council House Tenants, excluding Tenants in Sheltered Accommodation, are set in accordance with provisions contained in the Welfare Reform and Work Bill 2015/16 and are reduced by 1% in 2016/17.
- 1.7 That the option of freezing current rents or increasing rents by 0.9% in 2016/17 for tenants in Sheltered Accommodation is considered.
- 1.8 That the 5-year capital investment and financing plan to 2021 as detailed in **Appendix 3** is approved.

1.9 That the Councils National Non-Domestic Rate Return (NNDR 1) for 2016/17 showing retained business rates (before the Tariff) of £8,791,969 for 2015/16 and £9,413,679 for 2016/17 is noted.

1.10 That the report of the Council's Section 151 (Chief Finance) Officer under Section 25 of the Local Government Act 2003 is noted.

## **2.0 Purpose of the Report**

2.1 To detail the Council's final budget proposals for 2016/17 and medium term financial projections on its main revenue and capital accounts. This includes an assessment of the overall budget and level of reserves as required by the Local Government Act 2003. These proposals will form the basis of setting the Council Tax for 2016/17 by Full Council on 29th February 2016.

2.2 The Council's proposed base budget for 2016/17 and projected medium-term financial position was reported in detail to the Committee on 15<sup>th</sup> January 2016 (details are available at: <http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1859/Committee/391/Default.aspx>). This report does not repeat those details but firms up the position following a period of scrutiny and consultation, together with details of the final Financial Settlement.

2.3 The report also provides an overview of the Housing Revenue Account and its updated financial projection that was considered and approved by the Housing and Community Services Committee on 4th February 2015. That report is available at: <http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1869/Committee/394/Default.aspx>

2.4 Following the meeting on 4<sup>th</sup> February, the Committee is now required to ratify the level of Council House Rents in 2016/17 to reflect proposed amendments to the Welfare Reform and Work Bill 2015/16. This includes a consideration of the options for rent levels applying to tenants in Sheltered Accommodation.

2.5 The report is divided into the following sections.

- Section 3: General Fund Revenue Account, including Council Tax
- Section 4: Housing Revenue Account
- Section 5: Capital Investment
- Section 6: Report of the Chief Finance Officer under Section 25 of the Local Government Act 2003

## ***Appendices***

- *Appendix 1 – Projected General Fund Revenue Account*
- *Appendix 2 – Projected Housing Revenue Account*
- *Appendix 3 – Capital Investment Programme*
- *Appendix 4 – List of Earmarked Expenditure*

### **3.0 General Fund Revenue Account**

- 3.1 As reported in January, the Council's Base Budget and Medium Term Financial Plan (MTFP) were reviewed ahead of 2016/17. This took account of the Local Government Provisional Financial Settlement for 2016/17, together with outcomes from the annual base budget review undertaken during the autumn of 2015.
- 3.2 During the consultation period on the Provisional Financial Settlement, some further analysis has been undertaken on the Council's provisional allocations regarding its Core Spending Power in future years. In addition, the Base Budget has been updated to cover a potential risk which is detailed later in the report.

#### **The Final Financial Settlement for Local Government**

- 3.3 The provisional Financial Settlement announced by Central Government was released on 8th February 2016. Although there was a substantial amount of lobbying by representative groups, the principle behind the actual allocations for 2016/17, together with provisional allocations provided by Central Government to 2020, were generally approved.
- 3.4 The Government did provide some additional resources nationally and the effect on the Council is detailed later in the report.
- 3.5 The consultation on the Government's proposals for the future allocation of the New Homes Bonus (NHB) closes on 10<sup>th</sup> March 2016; a response is currently being prepared to the Government given the potential impact on the Council.

#### **Updated Estimates for Future Years**

- 3.6 During the consultation period, councils were advised to undertake their own sensitivity analysis on the provisional allocations between 2017/18 and 2019/20. This was to ensure that amounts for business rates retention and local growth projections were in accordance with Central Government assumptions.
- 3.7 Following a review, this has led to several changes to provisional allocations to take account of local factors for the Council. The revised figures are detailed and explained below.

#### **Revenue Support Grant (RSG)**

- 3.8 There was a small adjustment of £4,200 overall to reflect actual allocations. In addition, the Council has been awarded a transitional grant of £3,244 in 2016/17 and £3,230 in 2017/18. This is partly to compensate for the reduction in RSG, although clearly it is minimal compared to the overall loss.

## Business Rates Retention

3.9 The updated figures are shown in the following table.

<b>Updated Business Rates Retention included in the MTFP</b>	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Forecast £'000	2018/19 Forecast £'000	2019/20 Forecast £'000	2020/21 Forecast £'000
Total Retained Rates	9,080	9,633	9,599	9,882	10,198	10,198
Less Tariff	-6,200	-6,252	-6,375	-6,563	-6,773	-6,773
Less Levy	-459	-577	-585	-603	-622	-622
Add Pooling Share Returned	288	366	371	383	396	396
<b>Total Business Rates in the Year</b>	<b>2,709</b>	<b>3,170</b>	<b>3,010</b>	<b>3,099</b>	<b>3,199</b>	<b>3,199</b>
<b>January Figures</b>	2,291	2,709	2,553	2,623	2,672	2,750
<b>Increase</b>	418	461	457	476	527	449

3.10 The increase compared to the provisional figures reported in January, reflects the underlying growth in rates over and above that included in the Government's base line figure. The Committee declared a surplus for Business Rates in the Collection Fund of £400,000 in January. Effectively, this has been included directly in the Council's Core Spending Power.

3.11 In the above table, the Tariff paid over to the Government, as part of the redistributive mechanism, is fixed. Although a Levy is still calculated, approximately 2/3<sup>rd</sup> is retained with the Council as part of the Derbyshire Business Rates Pool. These figures are shown separately in the above table.

3.12 Overall, this provides additional resources of approximately £2.7m for the MTFP over the spending period. Although the amounts are realistic in that they reflect the actual position locally, with £9.6m of retained rates being the figure reported to the Government for 2016/17, the figures can vary.

3.13 The projections are based on the current level of rates being maintained and that benefits continue from the Derbyshire Pool. It should be noted that the Council is not protected by a "safety net" should overall rates income fall below a floor of 7.5%, as this is a risk that the Pool authorities have to meet.

3.14 In addition, there is still some uncertainty regarding future valuation appeals (from businesses). These mainly relate to the rating of supermarkets, ATM machines and health centres.

3.15 To mitigate these risks, the Council has already provided for the "worst-case" scenario regarding appeals, together with bad debts. The provisions, which are set-aside in the Collection Fund, total approximately £3m.

## **Section 31 Grants**

- 3.16 In addition, the Council should continue to benefit from Section 31 Grants it has previously received since the introduction of the Rates Retention system. These have been confirmed at £416,000 for 2015/16 and £353,000 for 2016/17.
- 3.17 The Grants are based on local businesses qualifying for concessions under various Government schemes. These schemes are designed to support businesses and in particular smaller businesses, together with providing incentives to bring empty space back into use.
- 3.18 These grants are paid to reimburse councils who, by granting relief or capping increases, lose rates income. The grants are paid by Central Government directly into the General Fund to ensure that the Billing Authority is no worse off overall.
- 3.19 These grants are calculated on an annual basis and *have not* been included in the MTFP. This will act as a contingency should any negative impacts force a reduction in retained rates.

## **New Homes Bonus (NHB)**

- 3.20 The provisional allocation for 2017/18 has been reduced by approximately £420,000 compared to the provisional figure reported in January. It is now expected that the Government's proposals (subject to consultation) for redistributing NHB will be effective from 2017/18 and not 2018/19. The MTFP has been updated accordingly.

## **Council Tax**

- 3.21 During the consultation process, some concerns were raised concerning the Government's projections for growth in the Council Tax Base (not the actual rate) in the medium-term. An analysis of the Council's figures highlighted that the Government were expecting South Derbyshire's Tax Base to increase by 3% in 2018/19 and 2019/20.
- 3.22 Although these percentages may materialise when the emerging Local Plan is approved and adopted, this is not certain. Therefore, the MTFP has been based on previous projections for growth of 1.5% per year, which is in accordance with recent figures.

## **Core Spending Power - Updated**

- 3.23 The revised figures detailed above are included in the updated MTFP in **Appendix 1**. Overall, this has provided a greater level of resources compared to the provisional figures in January as summarised in the following table.

<b>£'000</b>	
Retained Business Rates	2,788
Less: Council Tax	-521
Less: New Homes Bonus	-428
Add: Revenue Support Grant	2
	<b><u>1,841</u></b>

3.24 The effect of the updated figures on the MTFP is detailed later in the report.

### **Four Year Settlement**

3.25 The Government have offered local councils certainty over provisional allocations if they sign-up and agree to a 4-year Settlement. They need to do this by October 2016.

3.26 This is quite a broad proposal and further details are still awaited. However, it is anticipated that some incentive will be provided, although it is also likely that a “Plan” would need to be submitted to outline how efficiency savings would be made to deliver a sustainable MTFP.

3.27 This will be kept under review and reported to the Committee at the appropriate time.

### **Waste Collection and Recycling**

3.28 As previously reported, the Council has been aware that the cost of the Recycling Scheme may need to increase. The Council is still working with the main contractor to ascertain the potential costs involved.

3.29 Although the final outcome is still to be established, a provision has been included in the MTFP, pending negotiations.

3.30 When definitive proposals are known, these will be subject to a separate report to the relevant Policy Committee, together with the financial implications, which will also need to be considered by this Committee.

### **Updated Projection**

3.31 The updated MTFP is detailed in **Appendix 1**. This includes the revised figures for Core Spending Power and the provision for Recycling. All other budgets and forward projections remain unchanged from that reported in January. A summary is shown in the following table.

**General Fund: Medium-Term Projection as at February 2016**

Year	Budget Deficit / Surplus (-)	Sums Earmarked against Reserve	Balance of General Reserve	Balance in January
Base Budget 2015/16	-£563,667	£911,000	£5,787,667	£5,369,321
Proposed Budget 2016/17	-£856,917	£433,000	£6,211,584	£5,424,678
Projection 2017/18	£337,202	£420,000	£5,454,382	£4,807,750
Projection 2018/19	£1,442,959	£90,000	£3,921,423	£2,905,070
Projection 2019/20	£2,086,259	£20,000	£1,815,164	£530,834
Projection 2020/21	£2,112,933	£270,000	-£567,769	-£1,910,155

3.32 Although the position shows an improvement compared to January, the longer-term situation has not changed overall with a need to identify resources or seek budget savings over the medium-term.

3.33 The General Fund continues to show a budget surplus for 2015/16 and 2016/17 based on current budgets. This is mainly due to additional income from planning fees and business rates.

3.34 A deficit is then forecast from 2017/18, but this becomes acute in 2018/19 as Revenue Support Grant falls out and proposed reductions in New Homes Bonus Payments take effect.

3.35 The General Fund Reserve will eventually fall below the minimum level of £1m in 2020/21, with potentially a significant budget deficit by 2018/19.

3.36 The position is not serious in the short-term but the medium-term forecast shows a significant financial deficit which will need to be corrected before, or at the very latest, in 2017/18.

3.37 The Government's Financial Settlement has provided a significant challenge for local councils but, as the Government have stated, provides sufficient lead in-time to meet this challenge.

3.38 Currently, the level of General Reserves is fairly healthy and may increase in the short-term as additional income and general under spending in the current Base Budget for 2015/16 accrues. However, this is not guaranteed and this has not been included in the MTFP at this stage.

3.39 In addition, some of the additional income, in particular from Planning Fees, may need to be set-aside to meet appeal costs as previously reported. This will be kept under review and considered at the 2015/16 budget out-turn stage later in the year.

3.40 Although a higher level of reserves is clearly beneficial, based on the latest projections, the level of reserves will not sustain the overall deficit in the medium-term.

- 3.41 It has been anticipated for some time that the General Fund would face reductions in core funding. Consequently, the Council has taken a cautious approach and built up a good level of General Reserves.
- 3.42 As a growth area, income may accelerate at a greater rate than that contained in the assumptions and built into the MTFP. In addition, additional resources may flow to the Council when the Government reviews the distribution of future Business Rates. However, this is not clear and cannot be guaranteed.
- 3.43 Based on the projections, the Council's Base Budget and forward spending plans will need to be reviewed. Without a significant increase in resources, base budget savings of up to £1.5m will need to be made over the spending period in order for the minimum level of General Reserves to be sustained and for the longer-term budget deficit to be reduced.

### **Financial Risks**

- 3.44 During the annual budget round, several risks have been considered by the Council's Policy Committees. An updated risk analysis is detailed in **Section 6**.

### **Council Tax**

- 3.45 In January, the Committee proposed an increase in Council Tax of 1.95% in 2016/17, in accordance with Central Government guidelines. This is subject to approval by Full Council on 29<sup>th</sup> February 2016.
- 3.46 The Committee is required to recommend a Council Tax rate to that meeting with 1.95% increasing the Band D rate from £150.25 in 2015/16 to £153.18 in 2016/17 for the Council's services. This excludes other Preceptors.
- 3.47 For planning purposes, the MTFP has built-in a 1.95% increase in future years, again in line with Government guidelines.

### **Flexibility for a £5 per Year Increase**

- 3.48 As part of the final Financial Settlement, the Government has allowed all district councils to increase their Band D Council Tax by a maximum of 2% or £5 per year for each of the next 4 years without requiring a Referendum. If the Council was to take-up this option, it would generate approximately £65,000 per year over and above the current proposal of 1.95%.
- 3.49 If a £5 increase was levied on the current Band D rate of £150.25 for the next 4 years, this would generate approximately £900,000 cumulatively between 2016/17 and 2020/21.
- 3.50 A £5 increase would equate to 3.3% in 2016/17 and 3% by 2019/20. As Council Tax is paid by households in proportion to Band D, Bands E to H would pay more than £5, whilst those in Bands A to C would pay less.

## Retained Business Rates

- 3.51 The Council's updated projections were detailed earlier in the report. The Council is required to submit estimated figures to the Government through an annual return (*National Non-Domestic Rates Return 1 2016/17*).
- 3.52 This calculates the estimated net rates available for distribution as precepts, subject to growth and other variations. Following the completion of the annual return, the distributable amounts are estimated as shown in the following table.

Central Government (50%)	£11,767,098
South Derbyshire District Council (40%)	£9,413,679
Derbyshire County Council (9%)	£2,118,078
Derbyshire Fire and Rescue Service (1%)	£235,342
<b>Total Estimated Rates (before in-year growth) 2016/17</b>	<b>£23,534,197</b>

**Note: The Police and Crime Commissioner is not funded through the Business Rates system**

## 4.0 Housing Revenue Account (HRA)

- 4.1 The base budget and financial plan was considered in detail by the Housing and Community Services Committee on 4th February 2016. This included reducing rents for council tenants in 2016/17 in accordance with provisions set out in the Government's Welfare Reform and Work Bill 2015/16.
- 4.2 Provisions included in this Bill will also mean rents being reduced by a further 1% for the following 3 years after 2016/17. The detailed report to the Housing and Community Services Committee is available at:  
<http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1869/Committee/394/Default.aspx>

### **The Position Entering the 2016/17 Budget Round**

- 4.3 In October 2015, the financial position of the HRA was reviewed. This followed the announcement in Central Government's Summer Budget earlier in the year that they were proposing to reduce rents in the social housing sector by 1% per year from 2016/17, for 4 years.
- 4.4 The report, which was considered by the Committee last October, highlighted a significant loss of income in the HRA Business Plan of £6m to 2020, rising to £19m by 2024.
- 4.5 This was due to the fact that the previous financial plan had been predicated on real terms increases in social rents for 10-years. This was in accordance with previous Central Government policy following the introduction of the self-financing framework in 2012.

- 4.6 Based on this change, the financial projection in October 2015 highlighted that the HRA would not be able to meet the first debt repayment of £10m in 2021.
- 4.7 Therefore, the Finance and Management Committee approved a review of future capital investment plans. This was to ensure that the HRA could meet commitments for debt repayment in accordance with the approved debt repayment schedule and maintain a minimum working balance of £1m in accordance with the Financial Strategy.

### **HRA Financial Plan as at February 2016**

- 4.8 The updated plan is detailed in **Appendix 2**. This follows the base budget review and the need to identify resources to ensure the longer-term sustainability of the HRA.
- 4.9 In addition, the Housing and Community Services Committee, at its meeting on 12<sup>th</sup> January 2016, approved in principle further capital investment designed to deliver additional New Build properties (Phase 2). The financial implications of the associated projects have been included in the updated financial plan.
- 4.10 The proposed schemes are:
- Acquisition and refurbishment of properties on Alexander Road, Swadlincote - £0.22m.
  - Further New Build at Lullington Road, Overseal - £0.6m.
  - Development of the site, off Yard Close, Swadlincote - £2m.
  - Purchase of properties at Rowley Court, Swadlincote - £0.9m.
- 4.11 Overall, the updated Financial Plan shows a sustainable position although provisional capital expenditure in future years has been substantially reduced to ensure the HRA remains sustainable.
- 4.12 *In summary, the overall position is now much tighter to ensure that a working balance of £1m is maintained and that future debt repayments are met.*

### **Future Capital Expenditure**

- 4.13 In order to ensure to ensure the sustainability of the HRA and to provide resources to fund the proposed Phase 2 New Build/Acquisition programme, it has been necessary to reduce the sums estimated for future capital works by £12m over the next 10 years.
- 4.14 An assessment has been made to determine whether the remaining funding is sufficient to maintain the housing stock in future years based on the latest stock condition information.

4.15 Early indications are that the capital expenditure detailed within the latest revision of the HRA Financial Projection will be sufficient to meet the Council's requirements. This has been subject to a broad review. A more detailed assessment will be undertaken as part of a review of the Council's HRA Business Plan, which will be reported separately to the Committee later in the year.

### **Proposals for Council House Rents 2016/17**

4.16 The Housing and Community Services Committee approved a reduction of 1% in current rent levels for Council Tenants in accordance with provisions contained in the Welfare Reform and Work Bill 2015/16.

4.17 However, the Committee were unable to reach a decision on the rents for tenants in Sheltered Accommodation. This was because the Government was still considering proposals to exempt "supported housing" (which includes sheltered accommodation) from the 1% rent reduction for one year, pending a review into the financing of supported housing across the Country.

4.18 Although the Bill has still to receive Royal Assent, it is about to complete its passage through the Parliamentary process. The Government has confirmed that the exemption will apply for 2016/17 and the Regulations will be placed by 1<sup>st</sup> April 2016.

### **Options for Setting Rents for Tenants in Sheltered Accommodation**

4.19 As Sheltered Accommodation is exempt from the regulations in 2016/17, the Council has the option of reverting to the existing national rent policy, which the Council has previously adopted. This would mean rents *increasing* for these tenants by CPI, as it stood at September 2015 (minus 0.1%) +1%, i.e. a net increase of 0.9%.

4.20 However, the existing national rent policy is not mandatory, it is effectively a guideline. The Council's policy mirrors the national policy as this was a cornerstone of the self-financing framework.

4.21 The Financial Plan in **Appendix 2** assumes that rents in sheltered accommodation would decrease along with all other tenants. Increasing rents for these tenants by 0.9% would generate an additional £75,000 per year (£3/4m over the 10-year Financial Plan). This would help to alleviate the financial pressure on the HRA as detailed in this report.

4.22 On average, this would increase rents for individual tenants by 80p per week.

4.23 However, the Council is not required to follow the policy. It could opt to freeze the current rent level for sheltered tenants or indeed still reduce the rents in accordance with all other tenants.

4.24 If a rent freeze was implemented for 2016/17, this would increase revenue by approximately £40,000 per year (£400,000 over 10 years). A reduction of 1% would leave the current Financial Plan as detailed in this report, unchanged.

## HRA Financial Risks

4.25 The Budget Report to the Housing and Community Services Committee included an assessment of several risks and opportunities associated with the updated plan. These are summarised in the following table.

Risk Area	Effect / Mitigation
<b>Future Rent Levels</b>	The rent level for the next 4 years will be set in accordance with the Welfare Reform and Work Bill 2015/16, i.e. a 1% reduction. Beyond this, it has been assumed that rents will again be allowed to rise. The Government has indicated that they have only suspended the previous rent policy for the next 4-years until Universal Credit is fully implemented and that future levels will again be linked to an index based formula. The HRA is wholly dependent on rent income. Even small variations in rent (e.g. 0.5%) can have significant implications in monetary terms for the Financial Plan over the longer-term.
<b>Capital Expenditure</b>	The resources available for on-going capital have been reduced substantially (£12m) compared to the previous plan. A detailed assessment of the Council's medium and long-term capital investment requirements will be undertaken by technical officers as part of a review of the Council's HRA Business Plan. This will be to ensure resources are invested wisely and that the stock meets future requirements.
<b>Rents from New Build</b>	The risk is that any delay in letting properties will affect income. However, this is likely to be a short-term problem due to the demand for accommodation. In the longer-term, it is considered that the rent should remain achievable.
<b>Right to Buys</b>	A moderate decrease in current properties from sales continues to be built into the Financial Plan and this reflects the current level of sales. The main risk relates to a sudden surge in sales; although this will generate capital, the loss in on-going rental income could have a much more adverse impact on the HRA.
<b>Supporting People Grant</b>	It has been assumed that this continues (cash limited) over the Financial Plan; this will be subject to policy decisions and directions from the County Council. There have been indications in recent years that this could be reduced from its current level.
<b>Impairment</b>	This relates to an accounting adjustment. The Government is currently reviewing their accounting treatment to bring local authorities into line with other organisations in accordance with International Reporting Standards. This is being challenged by the relevant professional bodies.

	Impairment is rare. However, if there was a significant event affecting many properties, this would lead to an impairment charge. It is considered that the most likely scenario is a sudden fall in property values as this would affect the overall valuation of the housing stock. The potential for impairment charges could have serious implications for all housing authorities and this is why it is being challenged.
<b>Central Government Policy</b>	Although the HRA continues to operate under a self-financing framework, Central Government retain the power to change policy in many areas which can impact upon the Financial Projection.
<b>Welfare Reform / Universal Credit (UC)</b>	Although UC is still some years away from potentially impacting on Council Tenants, there is some concern amongst professional commentators that changes could reduce the ability for some vulnerable tenants to pay rent. The Council has supported some tenants in recent years, through its Discretionary Housing Fund, who have been affected by recent changes to Welfare Reform

4.26 *Given that the Financial Plan is now much tighter for the HRA and that there are still several risks that could impact on the longer-term projection, it is important that any future spending decisions are fully analysed for their affordability and the effect upon the longer-term Financial Plan*

## **5.0 Capital Investment**

- 5.1 The main areas of spend continue to be on council housing investment and the improvement of leisure and community facilities.
- 5.2 The full programme along with financing is detailed in **Appendix 3**. The relevant Prudential Indicators for the capital programme are detailed in the Treasury Management Strategy which is a separate report on this Committee's Agenda.

### **Housing Capital Receipts**

- 5.3 Council policy is to reinvest all housing receipts (after any pooling payment to Government) from the sale of council houses and land, into the housing stock and in particular, for New Build.
- 5.4 As regards New Build, the Council has entered into an agreement with the Government to enable it to retain additional receipts generated above a target level of council house sales each year (known as 1-4-1 receipts) to be used on New Build.
- 5.5 The level of receipts and their drawdown is included in the HRA's Financial Plan as detailed in Appendix 2. [Page 61 of 77](#)

## General Fund Receipts

5.6 Future receipts are anticipated from the sale of land (Phases 2 and 3) off William Nadin Way and as approved, these will be reinvested into relocating the Council Depot. The forecast and profile of general capital receipts is shown in the following table.

General Capital Receipts	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Balance b/fwd	3,131	2,393	63	775	1,025	775
Add: Land Sale Receipts	135	100	3,085	500	0	0
Less - Financing of New Depot		-1,473	-2,373			
Less - Contribution to Vehicle Renewals Fund	-250	-250		-250	-250	
Less - Amount Required for General Schemes	-623	-707				
<b>Balance c/fwd</b>	<b>2,393</b>	<b>63</b>	<b>775</b>	<b>1,025</b>	<b>775</b>	<b>775</b>

5.7 Due to previous concerns regarding financing vehicle replacements from capital receipts, these will be financed direct from the General Fund Reserve from 2020/21. This has been recognised in the MTFP, together with an amount previously set-aside for 2017/18.

5.8 However, in the meantime, there is still a requirement to finance vehicle replacements from capital. Therefore, this may leave limited scope to provide resources for new capital schemes.

## 6.0 Section 25 Report (under the Local Government Act 2003)

6.1 In their role as the Council's Section 151 (Chief Finance) Officer, the Director of Finance and Corporate Services, is required to provide an overall opinion on the robustness of the estimates included in budgets and the adequacy of Council reserves. An assessment is set out in the sections that follow.

### Comments of the Chief Finance Officer

6.2 This report, together with that considered on 14<sup>th</sup> January 2015, highlights the challenge that the Council now faces to ensure that its financial position remains robust and sustainable over the medium-term.

6.3 It is considered that estimates of income and expenditure included in the Base Budget and longer-term financial forecast are prudent. They provide for inflation and other known variations, together with provisions that recognise both current cost pressures and potential costs associated with growth of the District.

6.4 The Budget for 2016/17 and forward projections are based on the most up-to-date economic forecasts for inflation and interest rates, etc.

- 6.5 In addition, a realistic but prudent view has been taken regarding projected income levels from fees, charges and short-term investments. This also includes the likely effects of future funding in the form of Retained Business Rates, the New Homes Bonus and Council Tax receipts, based on provisional allocations (updated for local factors) from Central Government for the period ending in March 2020.
- 6.6 The compilation of detailed budgets has been undertaken in conjunction with service managers, including wherever possible, a zero based approach to compiling budgets. It is recognised that the Council has well established performance and budget monitoring arrangements in place to help ensure that Council finances are monitored effectively. This includes a quarterly report to this Committee.
- 6.7 The Council's Financial Strategy directs the Council to plan its spending over a 5-year rolling period for the General Fund and 10 years for the Housing Revenue Account. This provides an indication of the sustainability of spending plans and allows sufficient time in which remedial action can be implemented to address any issues in a planned and timely manner.
- 6.8 The following table shows the projected level of revenue reserves over the planning period, 2016 to 2021.

#### Projected Level of Revenue Reserves

Revenue Reserves	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
General Fund	5,788	6,212	5,454	3,912	1,815	-568
Earmarked Reserves	4,476	3,606	2,451	1,542	1,347	1,417
HRA	2,067	1,748	1,102	1,242	1,338	1,317
<b>Estimated Balances</b>	<b>12,331</b>	<b>11,566</b>	<b>9,007</b>	<b>6,696</b>	<b>4,500</b>	<b>2,166</b>

- 6.9 The Council, based on the recommendation of the Chief Finance Officer, has approved to set a minimum (contingency) level of General Reserves of £1m on both the General Fund and Housing Revenue Accounts. This meets the requirements of the Local Government Act 2003.

#### General Fund

- 6.10 The above table shows that the level of reserves on the General Fund is currently healthy compared to the minimum target of £1m. However, given the projected budget deficit from 2018/19, the level of reserves will ultimately become negative without corrective action being taken well before 2018/19.
- 6.11 Indeed, the projected level of the budget deficit and ultimately the General Reserve Balance, would not accord to legislative requirements or the Council's responsibility to set a balanced budget.

- 6.12 Although in budgeting terms expenditure is still greater than income over the medium-term, the Council does have a history of under spending on its General Fund. This is reviewed each year and budgets adjusted accordingly. However, future under spends are not guaranteed and therefore, should not be relied upon.
- 6.13 As a growth area, income from Planning Fees and the New Homes Bonus in particular, may increase above estimated levels. However, this cannot be guaranteed and this income can fluctuate over time.
- 6.14 The Base Budget will be reviewed when the impact of growth that arises from the emerging Local Plan is known. This may also bring additional expenditure as pressure on day-to-day service provision increases.
- 6.15 Future projections for core funding in the Business Rates Retention System, have taken into account current income levels, including a share of growth, based on provisional figures to 2020/21 issued by the Government.
- 6.16 This should continue to be enhanced by the Council being a member of the Derbyshire Pool. In addition, Central Government's proposals for further Business Rates retention could be positive for the financial position.
- 6.17 However, the Council is set to face a financial challenge to identify additional resources of up to £1.5m. Even if additional income is generated, it is considered inevitable that this will also bring about additional expenditure at some point.
- 6.18 Therefore, the Council should commence a review of service expenditure at its earliest opportunity in order to maintain a sustainable financial position ahead of 2018/19.

### **Housing Revenue Account (HRA)**

- 6.19 The financial position has now become much tighter with the reduction in overall rental income for the next 4-years. The on-going effects over the longer-term are significant.
- 6.20 In order to maintain a minimum working balance of £1m and to ensure that sufficient amounts are set-aside to repay debt, future allocations for capital expenditure to maintain properties at decent standards, have been reduced.
- 6.21 The reduction has meant that provision for a Phase 2 Programme of New Build/Property Acquisition can be accommodated.
- 6.22 Based on the updated projections, there is no pressing need to review day-to-day service expenditure. However, the Council should be mindful of reducing resources and that the later part of the Financial Plan assumes that the Government will return to rent increases after 2020.

6.23 In the meantime, this leaves limited scope for increasing the overall Base Budget of the HRA. Efficiencies/budget savings should be investigated wherever possible in order to sustain the longer-term financial position on the HRA.

### Earmarked Reserves

6.24 The Council also maintains various reserves that are used to meet one-off/known commitments or to defray expenditure over a number of years, for example, ICT upgrades, vehicle replacements, community development projects and grounds maintenance.

6.25 It is considered that current reserves will remain sufficient overall to meet commitments over the life of the current MTFP. Reserves held to finance on-going community and sports development spending, will need to be kept under careful review if external and partnership contributions significantly reduce.

6.26 A list of all other reserves and funds is detailed in **Appendix 4** showing current balances.

### Risk Analysis

6.27 The following table summarises the key risks and issues detailed in the report and during this particular Budget Round; it assesses the potential impact upon the Council's reserves as projected in the updated MTFP.

Factor	Potential Implications	Mitigation	Likely impact on Financial position
<b>Changes in Central Government Policy</b>	<ul style="list-style-type: none"> <li>Further reductions in core spending power (General Fund) and rent income (HRA) due to the national position or changes in redistribution systems.</li> </ul>	<ul style="list-style-type: none"> <li>The MTFP has analysed and built in provisional allocations for future years, informed by the Financial Settlement. These assume that proposals for reducing allocations of NHB from 2017/18 are implemented.</li> </ul>	<p><b>High</b></p> <p>Cumulatively, a 1% variance in core funding equates to about £1/2m over the MTFP; a ½% reduction in rents equates to £3/4m over 10-years.</p>
<b>Council Tax and the Collection Fund</b>	<ul style="list-style-type: none"> <li>Collection rates reduce due to the economic climate.</li> <li>Demand for Council Tax Support increases when resources are fixed.</li> <li>Empty properties increase reducing New Homes Bonus.</li> </ul>	<ul style="list-style-type: none"> <li>"In built" surplus in the Collection Fund.</li> <li>Local growth is continuing and even at a moderate pace is beneficial.</li> <li>Continued membership of the Derbyshire Business Rates Pool.</li> </ul>	<p><b>Medium</b></p> <p>Only 11% of the Collection Fund Balance is transferred to the Council's General Fund. In addition, the effect is not immediate and costs can be spread.</p>

<p><b>Growth</b></p>	<ul style="list-style-type: none"> <li>• A key factor influencing future levels of grant funding under the business rates redistribution system and NHB.</li> <li>• The number of local businesses declines which reduces base income.</li> <li>• Affects Council Tax income and other income streams such as Planning Fees</li> </ul>	<ul style="list-style-type: none"> <li>• The MTFP projects some continuing growth in Business Rates but has not included funding from Section 31 Grants.</li> <li>• Provisions made for appeals and bad debts.</li> <li>• Council Tax Base only increased by 1.25% per year compared to 3% in Government forecasts.</li> <li>• Future budgets for planning, land charges income, etc. are currently within actual levels for 2015/16.</li> </ul>	<p><b>High</b></p> <p>This could affect the MTFP either way. Growth is a determining factor for the Council's income and expenditure and tends to be subject to external factors. This will directly impact on the General Fund.</p>
<p><b>Budget Overspend</b></p>	<ul style="list-style-type: none"> <li>• Underlying cost pressures, due to growth, yet to surface.</li> <li>• Unexpected costs. There are on-going cost pressures as identified in the Base Budget review for 2016/17.</li> </ul>	<ul style="list-style-type: none"> <li>• Current level of general and specific reserves is healthy and the MTFP allows contingencies for inflation and growth, etc. The Base Budget of both the General Fund and HRA is assumed to increase by 2% per year.</li> <li>• Monitoring arrangements in place allow early identification of issues.</li> </ul>	<p><b>Medium</b></p>
<p><b>Economic Conditions</b></p>	<ul style="list-style-type: none"> <li>• Higher price increases on key costs such as fuel and utilities.</li> <li>• Interest rates affect investment returns and debt payments.</li> </ul>	<ul style="list-style-type: none"> <li>• Central inflation contingency held for price increases across these key areas.</li> <li>• The General Fund is currently "debt free" and not subject to movement in interest rates. The HRA debt is largely fixed.</li> <li>• Sufficient balances allow "internal borrowing" if required.</li> <li>• Budgeted income from short-term investments is relatively low.</li> </ul>	<p><b>Low</b></p>

<b>Welfare Reform</b>	<ul style="list-style-type: none"> <li>In particular the implementation of Universal credit.</li> </ul>	<ul style="list-style-type: none"> <li>This could lead to more vulnerable residents have difficulty paying Council Tax and Rent if overall benefit is reduced.</li> <li>The Council could be left with staff that currently administer and process housing benefit locally.</li> </ul>	<p><b>Medium</b></p> <p>Although the full impact will not be known for the next 2-years</p>
-----------------------	---	--	---

## Consultation and Provision of Information

6.28 The information and broad budget proposals, together with details on where the Council spends its money and how it is financed, have been presented across the District. This also explained the challenge that the Council faces over the medium-term and why this has arisen.

6.29 Specifically, this dissemination of information has been undertaken via:

- Local Area Forums
- Consultation with the local businesses, together with the Community and Voluntary Sector, including a presentation at the South Derbyshire Partnership on 20th January 2016.

6.30 In addition, the proposals have been subject to the Council's scrutiny process and a report back from the Overview and Scrutiny Committee will be provided at the meeting.

6.31 Although there were questions and queries, no substantive issues were raised. A record of discussions has been minuted at each Area Forum, at the Overview and Scrutiny Committees on 20th January and 10<sup>th</sup> February 2016, together with the South Derbyshire Partnership on 20<sup>th</sup> January.

### 7.0 Financial Implications

As detailed in the report.

### 8.0 Corporate Implications

There are no other legal, employment or corporate implications apart from those highlighted in the report.

### 9.0 Community Implications

The proposed budgets provide the financial resources to enable all of the on-going services and Council priorities to be delivered to the local community.

## GENERAL FUND MEDIUM TERM FINANCIAL PROJECTION (February 2016)

	Approved Budget 2015/16 £	Proposed Budget 2016/17 £	Projection 2017/18 £	Projection 2018/19 £	Projection 2019/20 £	Projection 2020/21 £
<b>BASE BUDGET - Net Service Expenditure</b>	10,944,226	10,892,575	11,114,545	11,340,434	11,570,313	11,885,247
Reverse out Depreciation	-645,650	-718,739	-718,739	-718,739	-718,739	-718,739
Minimum Revenue Provision (MRP)	232,781	223,470	214,531	205,950	197,712	189,803
Voluntary Revenue Provision (VRP - Green bins for kerbside recycling)	109,663	109,663	109,663	109,663	109,663	109,663
<b>Known / Anticipated Changes to the Base Budget</b>						
External Facilitator - Pay and Grading Review	100,000	0	0	0	0	0
Pay and Grading - on-going costs	0	35,000	35,000	35,000	35,000	35,000
Incremental Salary Increases	0	0	17,000	17,000	17,000	17,000
Electoral Services Restructure	11,500	0	0	0	0	0
Phased implementation of the National Living Wage	0	0	5,990	10,604	14,099	14,099
Provision for Auto Enrolment (October 2017)	0	0	37,720	75,440	75,440	75,440
Pay and Grading - on-going costs	0	130,000	130,000	130,000	130,000	130,000
Increase in Planning Fee Income	0	0	-150,000	0	0	0
Contingent Sum - Inflation	89,704	221,970	225,889	229,879	314,933	322,350
Contingent Sum - Growth	100,000	100,000	100,000	100,000	100,000	100,000
Payment to Parish Councils - Share of Council Tax Support Grant	43,627	43,627	43,627	43,627	43,627	43,627
District Election May 2019	0	0	0	0	125,000	0
<b>TOTAL ESTIMATED SPENDING - CURRENT BASE BUDGET</b>	<b>10,985,851</b>	<b>11,037,566</b>	<b>11,165,226</b>	<b>11,578,858</b>	<b>12,014,048</b>	<b>12,203,489</b>
<b>Add Provisions</b>						
Apprenticeship Levy (April 2017)	0	0	27,500	27,500	27,500	27,500
Waste Collection and Recycling	0	100,000	100,000	100,000	100,000	100,000
On-going Reduction in DWP Benefits Administration Grant	0	0	65,024	89,322	104,688	110,000
<b>TOTAL PROJECTED SPENDING</b>	<b>10,985,851</b>	<b>11,137,566</b>	<b>11,357,750</b>	<b>11,795,680</b>	<b>12,246,236</b>	<b>12,440,989</b>

	Approved Budget 2015/16 £	Proposed Budget 2016/17 £	Projection 2017/18 £	Projection 2018/19 £	Projection 2019/20 £	Projection 2020/21 £
<b>FINANCING</b>						
Revenue Support Grant	-1,811,467	-1,199,194	-668,239	-338,367	0	0
Transitional Grant	0	-3,244	-3,230	0	0	0
Business Rates Retention	-2,709,000	-3,170,000	-3,010,000	-3,099,000	-3,199,000	-3,199,000
New Homes Bonus	-2,322,405	-2,855,000	-2,417,000	-1,834,000	-1,716,000	-1,716,000
Council Tax Freeze Grant 2015/16	-50,794	0	0	0	0	0
Council Tax Income	-4,598,852	-4,747,044	-4,902,078	-5,061,354	-5,224,977	-5,393,057
<b>Core Spending Power</b>	<b>-11,492,518</b>	<b>-11,974,482</b>	<b>-11,000,547</b>	<b>-10,332,721</b>	<b>-10,139,977</b>	<b>-10,308,057</b>
Add Estimated Collection Fund Surplus - Council Tax	-57,000	-20,000	-20,000	-20,000	-20,000	-20,000
<b>TOTAL FINANCING</b>	<b>-11,549,518</b>	<b>-11,994,482</b>	<b>-11,020,547</b>	<b>-10,352,721</b>	<b>-10,159,977</b>	<b>-10,328,057</b>
<b>General Fund - Yearly Surplus (-) / Deficit</b>	<b>-563,667</b>	<b>-856,917</b>	<b>337,202</b>	<b>1,442,959</b>	<b>2,086,259</b>	<b>2,112,933</b>
<b>GENERAL FUND RESERVE BALANCE</b>						
Balance b/f	-6,135,000	-5,787,667	-6,211,584	-5,454,382	-3,921,423	-1,815,164
General Fund - Yearly Surplus (-) / Deficit (as above)	-563,667	-856,917	337,202	1,442,959	2,086,259	2,112,933
Purchase of Town Centre Land	230,000	0	0	0	0	0
Pay and Grading Review - one-off costs	0	200,000	150,000	70,000	0	0
Melbourne Sporting Partnership (Section 106 Funding)	0	213,000	0	0	0	0
Contribution to Vehicle Replacement Fund	20,000	20,000	20,000	20,000	20,000	20,000
Provision for Capital Funding / Replacement Fund Contributions	661,000	0	250,000	0	0	250,000
<b>Balance c/f</b>	<b>-5,787,667</b>	<b>-6,211,584</b>	<b>-5,454,382</b>	<b>-3,921,423</b>	<b>-1,815,164</b>	<b>567,769</b>

## APPENDIX 2

## HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - REVISED @ FEBRUARY 2016

	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27
<b>All Figures in £'000</b>	<b>Approved Budget</b>	<b>Budget</b>	<b>Forecast</b>									
<b>INCOME</b>												
Rental Income	-12,526	-12,457	-12,346	-12,231	-12,058	-12,301	-12,790	-12,881	-13,218	-13,569	-13,929	-14,298
Non-Dwelling Income	-117	-111	-110	-109	-108	-110	-113	-116	-119	-122	-126	-129
Supporting People Grant	-240	-240	-240	-240	-240	-240	-240	-240	-240	-240	-240	-240
Other Income	-165	-181	-181	-181	-181	-181	-181	-181	-182	-182	-182	-183
<b>Total Income</b>	<b>-13,048</b>	<b>-12,989</b>	<b>-12,877</b>	<b>-12,761</b>	<b>-12,587</b>	<b>-12,832</b>	<b>-13,324</b>	<b>-13,418</b>	<b>-13,759</b>	<b>-14,113</b>	<b>-14,477</b>	<b>-14,850</b>
<b>EXPENDITURE</b>												
General Management	1,577	1,765	1,788	1,812	1,836	1,861	1,886	1,912	1,938	1,964	1,991	2,019
Supporting People	932	798	810	823	836	850	864	880	895	912	930	948
Responsive & Planned Maintenance	3,341	3,219	3,456	3,544	3,625	3,707	3,792	3,878	3,968	4,059	4,154	4,251
Bad Debt Provision	44	44	43	43	42	43	45	45	46	47	49	50
Interest Payable & Receivable	1,681	1,690	1,840	1,891	1,891	1,891	1,892	1,592	1,592	1,323	1,323	1,291
Depreciation	2,876	2,985	3,042	3,015	3,005	2,995	2,985	2,976	2,969	2,962	2,955	2,947
<b>Net Operating Income</b>	<b>-2,597</b>	<b>-2,489</b>	<b>-1,897</b>	<b>-1,633</b>	<b>-1,352</b>	<b>-1,484</b>	<b>-1,861</b>	<b>-2,135</b>	<b>-2,351</b>	<b>-2,846</b>	<b>-3,075</b>	<b>-3,344</b>
Reversal of Depreciation	-2,876	-2,985	-3,042	-3,015	-3,005	-2,995	-2,985	-2,976	-2,969	-2,962	-2,955	-2,947
Capital Expenditure	3,500	3,500	2,452	2,452	2,452	2,452	1,997	1,997	1,997	1,997	1,997	1,997
Debt Repayment	0	0	2,877	850	553	543	988	979	972	965	958	950
New Build Contribution	2,287	1,000	0	0								
Incremental Salary Increases		6	6	6	6	6	6	6	6	6	6	6
<b>HRA (Surplus) / Deficit</b>	<b>314</b>	<b>-968</b>	<b>396</b>	<b>-1,340</b>	<b>-1,346</b>	<b>-1,478</b>	<b>-1,855</b>	<b>-2,129</b>	<b>-2,345</b>	<b>-2,840</b>	<b>-3,069</b>	<b>-3,338</b>

HRA Reserve B/fwd	-2,381	-2,067	-1,748	-1,102	-1,242	-1,338	-1,317	-1,172	-1,300	-1,145	-1,485	-1,254
(Surplus) / Deficit for year	314	-968	396	-1,340	-1,346	-1,478	-1,855	-2,129	-2,345	-2,840	-3,069	-3,338
Transfer to Debt Repayment Reserve	0	1,287	250	1,200	1,250	1,500	2,000	2,000	2,500	2,500	3,300	2,500
<b>HRA Reserve C/fwd</b>	<b>-2,067</b>	<b>-1,748</b>	<b>-1,102</b>	<b>-1,242</b>	<b>-1,338</b>	<b>-1,317</b>	<b>-1,172</b>	<b>-1,300</b>	<b>-1,145</b>	<b>-1,485</b>	<b>-1,254</b>	<b>-2,093</b>

#### Debt Repayment Reserve

Balance B/fwd	-1,703	-1,703	-2,990	-6,117	-8,167	-9,970	-12,013	-5,001	-7,980	-1,452	-4,917	-8,255
Depreciation balance	0	0	-2,877	-850	-553	-543	-988	-979	-972	-965	-958	-950
Transfers to reserve	0	-1,287	-250	-1,200	-1,250	-1,500	-2,000	-2,000	-2,500	-2,500	-3,300	-2,500
Repayment of loan	0	0	0	0	0	0	10,000	0	10,000	0	920	11,450
<b>Reserve C/fwd</b>	<b>-1,703</b>	<b>-2,990</b>	<b>-6,117</b>	<b>-8,167</b>	<b>-9,970</b>	<b>-12,013</b>	<b>-5,001</b>	<b>-7,980</b>	<b>-1,452</b>	<b>-4,917</b>	<b>-8,255</b>	<b>-255</b>

#### New Build Reserve

Capital Receipts B/fwd	-2,013	-480	-1,361	-1,090	-1,591	-1,983	-2,327	-2,633	-2,909	-3,107	-3,295	-3,480
New Build Expenditure - P1	3,866	1,443	0	0	0	0	0	0	0	0	0	0
Contribution to Reserve	-2,287	-1,000	0	0	0	0	0	0	0	0	0	0
Acquisitions - Alexander Road	220	0	0	0	0	0	0	0	0	0	0	0
Proposed Lullington Rd	300	300	0	0	0	0	0	0	0	0	0	0
Proposed Yard Close	225	750	1,000	0	0	0	0	0	0	0	0	0
Proposed Acquisition - Rowley Close	910	0	0	0	0	0	0	0	0	0	0	0
HCA grant	-190	-220	-220	0	0	0	0	0	0	0	0	0
RTB Receipts in year	-591	-703	-509	-501	-392	-344	-306	-275	-198	-188	-185	-168
Borrowing in year	-920	-1,450	0	0	0	0	0	0	0	0	0	0
<b>Balance c/fwd</b>	<b>-480</b>	<b>-1,361</b>	<b>-1,090</b>	<b>-1,591</b>	<b>-1,983</b>	<b>-2,327</b>	<b>-2,633</b>	<b>-2,909</b>	<b>-3,107</b>	<b>-3,295</b>	<b>-3,480</b>	<b>-3,648</b>

#### New Build Properties

	<b>23</b>	<b>41</b>	<b>26</b>	<b>0</b>								
--	-----------	-----------	-----------	----------	----------	----------	----------	----------	----------	----------	----------	----------

## APPENDIX 3

## CAPITAL EXPENDITURE &amp; FINANCING (as at January 2016)

	Approved Budget 2015/16 £	Approved B/fwd 2014/15 £	Adjs 2015/16 £	Total Budget 2015/16 £	Approved Budget 2016/17 £	Approved Budget 2017/18 £	Approved Budget 2018/19 £	Approved Budget 2019/20 £	Approved Budget 2020/21 £
<b>COUNCIL HOUSE IMPROVEMENTS</b>									
Major Improvements under Self-financing	3,150,000			3,150,000	3,150,000	2,102,000	2,102,000	2,102,000	2,102,000
Major Disabled Facilities Grant (Council Houses MRA)	300,000			300,000	300,000	300,000	300,000	300,000	300,000
Minor Disabled facilities Grant (Council - HRA)	50,000			50,000	50,000	50,000	50,000	50,000	50,000
Council New Build Programme Phase 1	5,495,000			5,495,000	2,493,000	1,000,000	0	0	0
<b>Total Expenditure</b>	<b>8,995,000</b>	<b>0</b>	<b>0</b>	<b>8,995,000</b>	<b>5,993,000</b>	<b>3,452,000</b>	<b>2,452,000</b>	<b>2,452,000</b>	<b>2,452,000</b>
<b>Financed from</b>									
Major Repairs Reserve	2,876,000			2,876,000	2,985,000	2,452,000	2,452,000	2,452,000	2,452,000
Revenue Contribution	2,911,000			2,911,000	1,338,000	780,000	0	0	0
Capital Receipts Reserve	2,098,000			2,098,000	0	0	0	0	0
HCA Grant	190,000			190,000	220,000	220,000	0	0	0
Loan	920,000			920,000	1,450,000	0	0	0	0
<b>Total Financing</b>	<b>8,995,000</b>	<b>0</b>	<b>0</b>	<b>8,995,000</b>	<b>5,993,000</b>	<b>3,452,000</b>	<b>2,452,000</b>	<b>2,452,000</b>	<b>2,452,000</b>
<b>PRIVATE SECTOR HOUSING RENEWAL</b>									
Disabled Facility Grants and other Works	398,000	81,097		479,097	398,000	398,000	336,000	336,000	336,000
Decent Homes	0	73,436		73,436	0	0	0	0	0
Private Sector Stock Condition Survey	0	22,750		22,750	0	0	60,000	0	0
Empty Property Landlord Grants	0	42,943	0	42,943	0	0	0	0	0
Strategic Housing Market Assessment	0	40,000	0	40,000	0	60,000	0	0	0
<b>Total Expenditure</b>	<b>398,000</b>	<b>260,226</b>	<b>0</b>	<b>658,226</b>	<b>398,000</b>	<b>458,000</b>	<b>396,000</b>	<b>336,000</b>	<b>336,000</b>

**Financed from**

External Contributions	0	73,436		73,436	0	0	0	0	0
General Fund	62,000	62,750		124,750	62,000	62,000	0	0	0
Derbyshire County Council	336,000	81,097		417,097	336,000	336,000	336,000	336,000	336,000
General Capital Receipts	0	42,943		42,943	0	60,000	60,000	0	0

**Total Financing**

<b>398,000</b>	<b>260,226</b>	<b>0</b>	<b>658,226</b>	<b>398,000</b>	<b>458,000</b>	<b>396,000</b>	<b>336,000</b>	<b>336,000</b>
----------------	----------------	----------	----------------	----------------	----------------	----------------	----------------	----------------

**GENERAL FUND INVESTMENT PROGRAM****COMMUNITY SERVICES**

Swadlincote Woodlands Nature Reserve	6,000	0	0	6,000	31,000	0	0	0	0
Melbourne Leisure Centre	0	0	0	0	76,600	0	0	0	0
Melbourne Sports Partnership	750,000	0	0	750,000	735,786	632,631	0	0	0
Eureka Park - Community Programme	0	350,000	0	350,000	0	0	0	0	0
Rosliston Forestry Centre - Play Project	130,000	0	0	130,000	0	0	0	0	0
Grove Hall Active Zone Redevelopment	500,000	479,300	0	979,300	0	0	0	0	0
Community Partnership Scheme	150,000	12,700	0	162,700	150,000	0	0	0	0
Etwall Lesiure Centre - Fitness / Community Facilities	25,000	353,500	0	378,500	0	0	0	0	0

**ENVIRONMENTAL AND DEVELOPMENT SERVICES**

Swadlincote Heritage Opportunities project	30,986	0	0	30,986	147,616	200,866	134,118	0	0
Noise and Antisocial Behaviour Prevention	9,900	0	0	9,900	0	0	0	0	0
Partnership Schemes in Conservation Areas	3,080	0	0	3,080	0	0	0	0	0

**PROPERTY AND OTHER ASSETS**

New Depot	0	0	0	0	3,000,000	500,000	0	0	0
Vehicle Replacements	50,000	0	0	50,000	1,232,064	250,000	250,000	250,000	250,000
Chestnut Avenue, Midway - Leisure Project	5,000	0	0	5,000	22,402	0	0	0	0
Bretby Villa	188,050	0	0	188,050	50,000	0	0	0	0
Dellner Factory Premises	147,893	0	0	147,893	100,000	0	0	0	0
Repairs to Village Halls and Community Facilities	0	0	0	0	31,700	0	0	0	0
Public Buildings - Planned Maintenance Programme	0	0	0	0	58,032	0	0	0	0

**Total Expenditure - General Fund**

<b>1,995,909</b>	<b>1,195,500</b>	<b>0</b>	<b>3,191,409</b>	<b>5,635,200</b>	<b>1,583,497</b>	<b>384,118</b>	<b>250,000</b>	<b>250,000</b>
------------------	------------------	----------	------------------	------------------	------------------	----------------	----------------	----------------

**Financed from**

Derbyshire County Council	250,000	0	0	250,000	0	0	0	0	0
Section 106	0	0	0	0	0	213,000	0	0	0
Rugby Football Union	0	0	0	0	20,000	0	0	0	0
Sport England	0	0	0	0	150,000	0	0	0	0
Melbourne Parish Council	18,000	0	0	18,000	0	0	0	0	0
Football Foundation	34,214	0	0	34,214	565,786	0	0	0	0
Leisure Management Contractor	0	70,000	0	70,000	0	0	0	0	0
Partnership Funding	0	2,000	0	2,000	0	0	0	0	0
Tennis Club	0	4,000	0	4,000	0	0	0	0	0
Section 106	0	31,500	0	31,500	0	0	0	0	0
Revenue Contributions	25,000	0	0	25,000	0	0	0	0	0
Earmarked Reserves	0	20,000	0	20,000	0	0	0	0	0
Renewals (Sinking) Fund	0	106,000	0	106,000	0	0	0	0	0
Section 106	0	24,277	0	24,277	0	0	0	0	0
Heritage Lottery	0	325,723	0	325,723	0	0	0	0	0
Revenue Contributions	3,080	0	0	3,080	0	0	0	0	0
Sport England	500,000	0	0	500,000	0	0	0	0	0
Badminton England	0	15,000	0	15,000	0	0	0	0	0
Police & Crime Commissioner	0	17,500	0	17,500	0	0	0	0	0
Earmarked Reserves	0	179,300	0	179,300	0	0	0	0	0
Prudential borrowing	0	167,500	0	167,500	0	0	0	0	0
Vehicle Replacement Reserve	50,000	0	0	50,000	1,232,064	250,000	250,000	250,000	250,000
Derbyshire County Council	14,686	0	0	14,686	10,000	10,000	10,000	0	0
Revenue Contributions	0	0	0	0	7,000	7,000	7,000		
Earmarked Reserves	10,000	0	0	10,000	0	0	0		
Heritage Lottery	6,300	0	0	6,300	130,616	183,866	117,118	0	0

National Forest	80,000	0	0	80,000	0	0	0	0	0
National Forest	0	0	0	0	16,000	0	0	0	0
Volunteer Time	6,000	0	0	6,000	0	0	0	0	0
External Funding	5,000	0	0	5,000	22,402	0	0	0	0
Earmarked Reserves	147,893	0	0	147,893	100,000	0	0	0	0
General Fund	397,950	100,000	0	497,950	215,000	0	0	0	0
General Capital Receipts	447,786	132,700	0	580,486	3,166,332	919,631	0	0	0

**Total Financing - General Fund**

<b>1,995,909</b>	<b>1,195,500</b>	<b>0</b>	<b>3,191,409</b>	<b>5,635,200</b>	<b>1,583,497</b>	<b>384,118</b>	<b>250,000</b>	<b>250,000</b>
------------------	------------------	----------	------------------	------------------	------------------	----------------	----------------	----------------

**TOTAL EXPENDITURE - ALL SCHEMES**

<b>11,388,909</b>	<b>1,455,726</b>	<b>0</b>	<b>12,844,635</b>	<b>12,026,200</b>	<b>5,493,497</b>	<b>3,232,118</b>	<b>3,038,000</b>	<b>3,038,000</b>
-------------------	------------------	----------	-------------------	-------------------	------------------	------------------	------------------	------------------

**General Capital Receipts**

Melbourne Sports Partnership	447,786			447,786		419,631			
Melbourne Leisure Centre				0	76,600				
New Depot				0	3,000,000	500,000			
Community Partnership Scheme		12,700		12,700					
Repairs to Village Halls and Community Facilities				0	31,700				
Public Buildings - Planned Maintenance Programme				0	58,032				
Etwall Leisure Centre - Fitness / Community Facilities		120,000		120,000					
	<b>447,786</b>	<b>132,700</b>	<b>0</b>	<b>580,486</b>	<b>3,166,332</b>	<b>919,631</b>	<b>0</b>	<b>0</b>	<b>0</b>

**General Fund**

Community Partnership Scheme	150,000			150,000	150,000				
Noise and Antisocial Behaviour Prevention	9,900			9,900					
Swadlincote Woodlands Nature Reserve	0			0	15,000				
Rosliston Forestry Centre - Play Project	50,000			50,000					
Bretby Villa	188,050			188,050	50,000				
Grove Hall Active Zone Redevelopment		100,000		100,000					
	<b>397,950</b>	<b>100,000</b>	<b>0</b>	<b>497,950</b>	<b>215,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Appendix 4

<b>Earmarked - Estimated Balances at Year End</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	£	£	£	£	£	£	£
<b>Specific / Earmarked Reserves - Council Funds</b>							
Vehicle Replacement Fund	782,064	957,064	732,064	257,064	182,064	107,064	282,064
Dilapidation Works - Factory Site per Lease Agreement	260,870	60,870	0	0	0	0	0
IT Reserve	195,526	100,526	25,526	75,526	100,526	125,526	50,526
Pensions Reserve	182,000	182,000	182,000	0	0	0	0
Local Plan - Consultation and Implementation	164,000	39,000	0	0	0	0	0
Repton Parish (Former Depot proceeds)	33,049	33,049	33,049	33,049	33,049	33,049	33,049
Corporate Services Innovation Fund	81,666	81,666	0	0	0	0	0
Rosliston Forestry Centre / Café	45,772	55,772	40,772	20,772	10,772	20,772	30,772
Planning - Staffing and Support Costs	167,000	132,000	27,000	0	0	0	0
Civic Offices - Maintenance	32,000	32,000	0	0	0	0	0
Leisure Maintenance	5,000	0	0	0	0	0	0
Corporate Training	19,775	0	0	0	0	0	0
<b>Total - Specific / Earmarked Reserves</b>	<b>1,968,722</b>	<b>1,673,947</b>	<b>1,040,411</b>	<b>386,411</b>	<b>326,411</b>	<b>286,411</b>	<b>396,411</b>

### Specific Grants and Contributions

Public Open Space - Commuted Sums	517,403	440,753	347,603	347,603	347,603	347,603	347,603
Youth Engagement Partnership	568,803	336,803	185,003	185,003	185,003	185,003	185,003
Schools Sport Partnership Project	182,861	106,011	31,011	31,011	31,011	31,011	31,011
Community Safety & Crime Reduction	401,292	294,292	228,292	228,292	228,292	228,292	228,292
Young People's Cultural Partnership / Arts Development	30,287	28,537	20,387	20,387	20,387	20,387	20,387
Rosliston Business Units	10,719	10,719	0	0	0	0	0
Get Active in the Forest Partnership	89,084	73,184	46,384	46,384	46,384	46,384	46,384
Environmental Education	57,539	57,539	57,539	57,539	57,539	57,539	57,539
Tetron Point Storm Water Basin - S106 UK Coal	53,012	53,012	53,012	53,012	53,012	53,012	53,012
Swadlincote Woodlands - Section 106	50,774	50,774	50,774	50,774	50,774	50,774	50,774
Rosliston Forestry Centre	35,892	35,892	15,892	0	0	0	0

New Play Equipment and Safety Surfacing	26,007	6,007	0	0	0	0	0
Maurice Lea Park NHLF Grant	23,012	23,012	23,012	0	0	0	0
BCU Funding	21,110	21,110	21,110	0	0	0	0
LSP Reserve	25,357	25,357	25,357	0	0	0	0
Housing Strategy	34,559	34,559	34,559	0	0	0	0
Homelessness Prevention	187,365	187,365	187,365	97,365	0	0	0
Community Right to Bid	20,728	20,728	20,728	0	0	0	0
Community Right to Challenge	16,547	16,547	16,547	90	90	90	90
Property Records - Data sharing	7,131	7,131	7,131	0	0	0	0
Fraud Initiatives - Partnership Funding	92,000	47,000	0	0	0	0	0
Heritage Lottery Grants	17,500	17,500	0	0	0	0	0
Electoral Registration	38,401	38,401	38,401	38,401	0	0	0
<b>Total - Specific Grants and Contributions</b>	<b>2,507,383</b>	<b>1,932,233</b>	<b>1,410,107</b>	<b>1,155,861</b>	<b>1,020,095</b>	<b>1,020,095</b>	<b>1,020,095</b>