

Date: 8th February 2017

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber**, on **Thursday, 16 February 2017 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 Atkin, Mrs Coe, Mrs Coyle Hewlett, 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 1st December 2016 and of the Audit Sub-Committee Meeting held on 14th December 2016.
Finance and Management Committee 1st December 2016 Open Minutes | 4 - 7 |
| | Audit Sub-Committee 14th December 2016 Open Minutes | 8 - 11 |
| 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 | TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2017-18 | 12 - 38 |
| 8 | FINAL BUDGET PROPOSALS 2017-18 and FINANCIAL PLAN to 2022 | 39 - 66 |
| 9 | COMMITTEE WORK PROGRAMME REPORT | 67 - 70 |

Exclusion of the Public and Press:

- 10** The Chairman may therefore move:-
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 paragraph of Part I of the Schedule 12A of the Act indicated in the

header to each report on the Agenda.

- 11** To receive the Exempt Minutes of the Meeting held on 1st December 2016.

Finance and Management Committee 1st December 2016 Exempt Minutes

- 12** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

- 13** MELBOURNE SPORTING PARTNERSHIP

- 14** STAFFING AMENDMENTS – COMMUNITY AND PLANNING
DIRECTORATE

FINANCE AND MANAGEMENT COMMITTEE

1st December 2016

PRESENT:-

Conservative Group

Councillor Harrison (Chairman), Councillor Mrs Plenderleith (Vice-Chairman) and Councillors Atkin, Mrs Coe, Mrs Coyle, Hewlett, Watson and Wheeler

Labour Group

Councillors Rhind, Richards, Southerd and Wilkins

FM/88 **APOLOGIES**

Apologies were received from Councillor Smith (Conservative Group).

FM/89 **MINUTES**

The Open Minutes of the Meetings held on 22nd September 2016 and 13th October 2016 were taken as read, approved as a true record and signed by the Chairman.

FM/90 **DECLARATIONS OF INTEREST**

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

FM/91 **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/92 **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/93 **REPORTS OF THE OVERVIEW AND SCRUTINY COMMITTEE**

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

FM/94 **COMMUNICATIONS STRATEGY 2016/21 AND INTERNAL COMMUNICATIONS STRATEGY 2016/18**

The Chief Executive presented the report to Committee.

Councillor Atkin commended the report contents, but queried media coverage of South Derbyshire matter. Page 4 of 70
The Communications Manager gave assurances that contact is maintained with all local media.

Councillor Mrs Coyle commented that as Members cannot access certain information via their iPads and that as staff at the depot did not have access to the intranet, other means of communication needed to be maintained or developed.

Councillor Richards also made reference to the wording of consultations, stating that when individuals fail to understand the content they are less likely to respond.

RESOLVED:

Members agreed to adopt the draft Communications Strategy 2016/21 and Internal Communications Strategy 2016/18.

FM/95 **CORPORATE PLAN 2016-21: PERFORMANCE REPORT
(1 JULY–30 SEPTEMBER 2016)**

The Director of Finance and Corporate Services presented the report to the Committee, making particular reference to the benefit processing situation, now back on track, and the sickness figures, recently showing an upward trend due to some long-term absences.

Members raised queries relating to the sickness absences, responded to by the Director, and in relation to figures relating to responses to challenged benefit decisions. The Director undertook to source further information in relation to the latter query.

RESOLVED:

Members noted progress against performance targets.

FM/96 **BUDGET AND FINANCIAL MONITORING 2016/17**

The Director of Finance and Corporate Services delivered the report to the Committee, highlighting issues of note including the downturn in Building Control income, the potential for additional costs from the markets operation, the healthy Collection Fund position and the positive Treasury Management situation.

Councillors Wheeler and Rhind queried the retention rates relating to housing receipts, to which the Director gave an explanation of the sliding retention rates now applicable under the new rules.

Councillor Southerd, noting the competitive market in which Building Control operates, queried whether they could vary the services offered / charges made. The Director confirmed that their charges may be varied and the Chief Executive stated that the Council is currently considering other options in this area. Councillor Southerd also voiced his concerns relating to the potential for enhanced private sector involvement in planning matters.

RESOLVED:

Members approved the latest budget and financial position for 2016/17.

FM/97 **COMPLAINTS, COMPLIMENTS & FREEDOM OF INFORMATION REQUESTS 1 APRIL TO 30 SEPTEMBER 2016**

RESOLVED:-

Members noted the complaints and FOI requests as detailed in the report.

FM/98 **COMMITTEE WORK PROGRAMME**

RESOLVED:-

Members considered and approved the updated work programme.

FM/99 **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 Meeting held on 13th October 2016 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.

A REVIEW OF THE LAND CHARGES UNIT (Paragraph 2)

Members approved the recommendations in the report.

THE TRANSFER OF CORPORATE SERVICE AND STRUCTURE PROPOSALS (Paragraphs 2 and 3)

Members approved the recommendations in the report.

PREMISES AT SWADLINCOTE (Paragraph 3)

Members approved the recommendations in the report.

The meeting terminated at 7.35pm.

COUNCILLOR J HARRISON

CHAIRMAN

AUDIT SUB-COMMITTEE

14th December 2016

PRESENT:-

Conservative Group

Councillor Grant (Chairman) and Councillor Mrs Wyatt.

Labour Group

Councillors Dunn and Shepherd.

AS/19 **APOLOGIES**

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

AS/20 **MINUTES**

The Open Minutes of the Meetings held on 21st September 2016 were taken as read, approved as a true record and signed by the Chairman.

AS/21 **DECLARATIONS OF INTEREST**

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

AS/22 **TO RECEIVE ANY 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.

AS/23 **TO RECEIVE ANY QUESTIONS FROM 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.

Councillors Shepherd joined the Meeting at 4:05pm

MATTERS DELEGATED TO SUB-COMMITTEE

AS/24 **LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**

The representative from the Council's external auditors, Ernst & Young, introduced the report to Members, outlining the latest developments and audit matters affecting the Local Government Sector.

Councillor Dunn addressed the Sub-Committee referring to page 11 of the report stating his concern that the sub-section 'schools no longer required to convert to academies' could infer that schools were now allowed to remain under local authority, but clarified this is not necessarily the case. The external auditor explained that the document is an update on current law aimed at briefing the Committee on the latest developments and audit matters affecting the Local Government Sector.

RESOLVED:-

The Committee noted the key questions raised by the Council's External Auditors contained in their quarterly sector update.

AS/25 **INTERNAL AUDIT PROGRESS REPORT**

The internal auditor presented the report to the Sub-Committee, updating Members that audits were progressing according to the approved Internal Audit Plan. However, he highlighted that some audits would be deferred due to additional resources being used on investigations. In addition, some audits would be refocused to ensure potential control issues with the ending of the Northgate Contract were covered. The Chairman noted and commended the Director of Finance and Corporate Services and his team for the improvement in recommendation implementation, with those outstanding down from above 40 last year to 18 this year.

Councillor Dunn queried the ongoing whistleblowing investigation and the internal auditor responded that the report is in the process of being finalised. The external auditor added that they had been kept updated with developments.

RESOLVED:-

The report of the Audit Manager was considered and noted.

AS/26 **INTERNAL AUDIT CHARTER**

The Head of the Audit Partnership presented this report to Members highlighting that the document outlined the approach to Audits undertaken. The addition of Amber Valley and Ashfield District Council, together with the Derbyshire Fire and Rescue Service in January 2016 has broadened the scope and meant changes to the Partnership Board. The Committee was advised that another Derbyshire Authority had opted not to approve the CMAP Audit Charter and had hired an external consultant to conduct an assessment.

Councillor Dunn questioned the cost of hiring the consultant to which the auditor responded that there is no cost to South Derbyshire District Council as the other authority would incur these. Councillor Shepherd expressed his concern that the other authority had currently decided not to approve the charter and queried whether South Derbyshire needed to act on this information. The auditor reassured Members that due to the continuous self-assessments conducted, this additional check would not be necessary. The auditor clarified that any feedback from the consultant would be submitted to the Committee.

RESOLVED:-

That the Internal Audit Charter for the Central Midlands Audit Partnership (CMAP) be approved.

AS/27 **LOCAL CODE OF CORPORATE GOVERNANCE**

The Director of Finance and Corporate Services presented the report to Members highlighting that when assessed against the new framework, the Council's governance arrangements had met the criteria demonstrating that it has a sound system of corporate governance in place.

Councillor Dunn referred to page 52 of the report querying whether in the absence of an Information Government Officer if recruiting to the post would be financially effective. The Director of Finance and Corporate Services responded that the Council was close to finalising an agreement with Derby City Council to buy-in this service.

RESOLVED:-

- 1) That the changes to the national framework for delivering good governance in local government were considered and noted.***
- 2) That the Council would adopt the new national framework for its Local Code of Corporate Governance.***
- 3) That the assessment of the Council's arrangements within the new framework as detailed in Appendix 1 was considered and noted.***
- 4) That the areas identified to strengthen governance were considered and approved.***
- 5) That progress on the approved actions stemming from the Council's Annual Governance Statement for 2015/16 were considered and approved.***

AS/28 **AUDIT AND ACCOUNTS: FORTHCOMING CHANGES**

The Director of Finance and Corporate Services presented the report to the Sub-Committee, explaining that after the current external auditors contract ends in 2018, Members would need to consider the future appointment of external audit. The preferred option would need to be approved by March 2017. The Director of Finance and Corporate Services outlined the options available, recommending that the collective procurement route would best fit with the Council's requirements.

RESOLVED:-

- 1. That the report be considered and noted.***
- 2. That the Council would opt into the national procurement framework for the appointment of its External Auditors from the financial year 2018/19 and this would be recommended to Full Council on 19th January 2017.***

AS/29 **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 paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.

EXEMPT 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.

The Meeting terminated at 4.50pm.

COUNCILLOR J GRANT

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	16th FEBRUARY 2017	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/treasury management/strategies/strategy 2017-18
SUBJECT:	TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2017/18	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 The Treasury Management Strategy for 2017/18 is approved.
- 1.2 The Prudential Indicators and Limits for 2017/18 to 2021/22 as set out in **Appendix 1** are approved.
- 1.3 The Investment Policy for 2017/18 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, 2017/18 to 2021/22. 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.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Estimated Capital Expenditure	£	£	£	£	£	£
General Fund	4,464,091	3,721,566	821,165	606,000	606,000	656,000
HRA	5,700,000	1,800,000	1,843,000	1,888,000	1,935,000	1,983,000
TOTAL	10,164,091	5,521,566	2,664,165	2,494,000	2,541,000	2,639,000

- 3.7 The reduction in estimated expenditure on the General Fund beyond the current financial year 2016/17 is due to the completion of several capital projects that were commenced in earlier years. In particular, these relate to the provision of new leisure facilities and the relocation of the Council's Depot.
- 3.8 The reduction in HRA expenditure is also due to the completion of previous investment in upgrading the Council Housing stock and one-off expenditure in 2016/17 regarding the building of new properties.
- 3.9 Overall, the capital expenditure programme is financed from Government grants, external contributions, Council reserves and capital receipts. Some external borrowing may be undertaken in 2017/18 depending upon the timing of capital payments for completing the Council's New Build Programme.
- 3.10 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 (approximately £400,000).

Capital Financing Requirement (CFR) and Debt Outstanding

- 3.11 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.
- 3.12 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

- 3.13 The Council operates two separate Debt Pools, one for the General Fund and one for 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.
- 3.14 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 been undertaken on a prudential basis.
- 3.15 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.
- 3.16 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 2021/22 are detailed in the following table.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Expected CFR	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	5,999	5,653	5,316	4,988	4,667	4,409
HRA	61,990	61,990	61,990	61,990	61,990	51,990

3.17 The CFR on the General Fund will continue to reduce over the medium-term due to MRP/VRP being applied. These charges for all years are included in the Council's base budget.

3.18 The HRA CFR in 2016/17 includes provision for new borrowing of £406,000 to complete the New Build Programme.

3.19 Effectively, the MRP/VRP creates a cash amount in the Council's budget in order to write down the underlying borrowing requirement.

3.20 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 £10m self-financing debt in 2021/2022 (as highlighted in the above table).

Operational Boundaries and Limits

3.21 These are summarised in the following table.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Debt Limits	£'000	£'000	£'000	£'000	£'000	£'000
Authorised Limit - General Fund	5,999	5,653	5,316	4,988	4,667	4,409
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	52,423

3.22 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.

3.23 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

3.24 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	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Band D Council Tax	-£1.47	-£0.58	-£0.58	-£0.57	-£0.56	-£0.55
Per Council Dwelling	£570	£595	£610	£613	£616	£619

3.25 As there is no actual debt on the General Fund, the impact on Council Tax is positive as this represents interest on cash deposits. Income is expected to decrease in the medium-term in accordance with the reduction in the Bank Base Rate from 0.5% to 0.25% in August 2016.

Estimated Resources

3.26 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.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Estimated Resources Available	£'000	£'000	£'000	£'000	£'000	£'000
TOTAL	17,586	15,430	14,582	12,875	11,360	9,815

3.27 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 until budget savings are identified. When budget savings are identified, the level of resources will remain at a higher level.

3.28 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. Together, these 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 2017/18 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.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Estimated Capital Expenditure	£	£	£	£	£	£
General Fund	4,464,091	3,721,566	821,165	606,000	606,000	656,000
HRA	5,700,000	1,800,000	1,843,000	1,888,000	1,935,000	1,983,000
TOTAL	10,164,091	5,521,566	2,664,165	2,494,000	2,541,000	2,639,000
Financed by						
Borrowing	406,000	0	0	0	0	0
Grants and Contributions	1,716,937	579,165	484,165	336,000	336,000	336,000
Council Resources	8,041,154	4,942,401	2,180,000	2,158,000	2,205,000	2,303,000
TOTAL	10,164,091	5,521,566	2,664,165	2,494,000	2,541,000	2,639,000

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 will only be 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 CFR	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
CFR b/fwd	67,937	67,989	67,643	67,306	66,978	66,657
Add New Financing	406	0	0	0	0	0
Less MRP	-223	-214	-206	-197	-190	-182
Less VRP	-131	-131	-131	-131	-131	-76
Less Debt Repayment	0	0	0	0	0	-10,000
CFR c/fwd	67,989	67,643	67,306	66,978	66,657	56,399
General Fund Proportion	5,999	5,653	5,316	4,988	4,667	4,409
HRA Proportion	61,990	61,990	61,990	61,990	61,990	51,990
	67,989	67,643	67,306	66,978	66,657	56,399

4.12 The new financing in 2016/17 relates to a provision to fund the completion of the new build and property acquisition programme in the HRA. This has previously been approved in the HRA's Business Plan.

4.13 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 Extreme Sports project.

4.14 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

4.15 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.

4.16 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	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
General Fund	7,606	7,984	7,141	5,305	3,426	1,110
Earmarked	4,721	2,971	2,768	2,566	2,364	2,298
Capital Receipts and Grants	3,660	3,334	3,499	3,868	4,234	4,495
HRA	1,599	1,140	1,174	1,136	1,335	1,911
TOTAL	17,586	15,430	14,582	12,875	11,360	9,815

4.17 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 until budget savings are identified. When identified, the level of resources will remain higher.

4.18 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.

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

Limits to Borrowing Activity

4.20 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.

4.21 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.

Estimated Borrowing Compared to the CFR	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Gross Borrowing - HRA	57,829	57,829	57,829	57,829	57,829	47,829
Gross Borrowing - General Fund	0	0	0	0	0	0
Total Gross Borrowing	57,829	57,829	57,829	57,829	57,829	47,829
Total CFR	67,989	67,643	67,306	66,978	66,657	56,399

4.22 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

4.23 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

4.24 This represents the expected external debt during the course of the year, but it is not a limit. It is designed to aid the Chief 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.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Debt Limits						

Authorised Limit - General Fund	5,999	5,653	5,316	4,988	4,667	4,409
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	52,423

Affordability Indicators

4.25 These indicators show the cost of borrowing and capital investment plans on the Council's finances, together with their impact on local taxpayers. This is detailed in the tables below.

Ratio of Financing Costs to Net Revenue Stream

4.26 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 are included in the Council's Medium Term Financial Plan (MTFP) and are shown in the following table.

Financing Ratios	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
General Fund						
Estimated Council Tax Income	4,747,044	4,942,217	5,106,415	5,275,137	5,448,498	5,626,613
Net Interest Receivable	-45,500	-18,500	-18,500	-18,500	-18,500	-18,500
Proportion	-0.96%	-0.37%	-0.36%	-0.35%	-0.34%	-0.33%
HRA						
Estimated Rental Income	12,457,000	12,381,270	12,286,000	12,109,000	12,358,000	12,854,000
Estimated Interest Payable	1,689,505	1,776,688	1,826,911	1,827,140	1,827,374	1,827,614
Proportion	13.56%	14.35%	14.87%	15.09%	14.79%	14.22%

4.27 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 but affordable within the HRA's Financial Plan.

Impact of Capital Investment on Council Tax and Housing Rents

4.28 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	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
------------------------	---------	---------	---------	---------	---------	---------

	£'000	£'000	£'000	£'000	£'000	£'000
Estimated Net Interest Received - General Fund	-45,500	-18,500	-18,500	-18,500	-18,500	-18,500
Estimated Band D Properties (per MTFP)	30,990	31,647	32,073	32,499	32,925	33,351
Cost per Band D Property	-£1.47	-£0.58	-£0.58	-£0.57	-£0.56	-£0.55

Estimated Net Interest Payable - HRA	1,689,505	1,776,688	1,826,911	1,827,140	1,827,374	1,827,614
Estimated Dwellings (per MTFP)	2,963	2,987	2,993	2,979	2,966	2,953
Annual Cost per Dwelling	£570.20	£594.91	£610.50	£613.44	£616.21	£618.90

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 2016/17 to 2021/22

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
External Debt	£'000	£'000	£'000	£'000	£'000	£'000
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	-10,000
Debt 31st March	57,423	57,423	57,423	57,423	57,423	47,423
Annual Change in Debt	0	0	0	0	0	-10,000
Long-term Investments	0	0	0	0	0	0
Short-term Investments	11,000	8,000	5,000	4,000	4,000	2,000

Limits compared to Actual Debt	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Authorised Limit - General Fund	5,999	5,653	5,316	4,988	4,667	4,409
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Financing Requirement	67,989	67,643	67,306	66,978	66,657	56,399
Operational Boundary	62,423	62,423	62,423	62,423	62,423	52,423
Gross Debt	57,423	57,423	57,423	57,423	57,423	47,423
Debt Less Investments	46,423	49,423	52,423	53,423	53,423	45,423

General Fund - Net Indebtedness	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
CFR	5,999	5,653	5,316	4,988	4,667	4,409
Estimated Reserves	12,327	10,956	9,909	7,871	5,790	3,408
Net Indebtedness	-6,329	-5,302	-4,593	-2,883	-1,123	1,001

HRA Limit on Indebtedness	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
HRA Debt Cap	66,853	66,853	66,853	66,853	66,853	66,853
HRA CFR	61,990	61,990	61,990	61,990	61,990	51,990
Difference	4,863	4,863	4,863	4,863	4,863	14,863
HRA Debt	57,423	57,423	57,423	57,423	57,423	47,423
Borrowing Headroom (Debt Cap minus Debt)	9,430	9,430	9,430	9,430	9,430	19,430

Interest Payable and Receivable	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund						
Interest Payable	0	0	0	0	0	0
Interest Received	46	19	19	19	19	19
HRA						
Interest Payable	1,680	1,772	1,822	1,822	1,822	1,823
Interest Received	-10	-5	-5	-5	-5	-5



**South
Derbyshire
District Council**

Treasury Management and Investment Strategy 2017/18

February 2017

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 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 further briefing/training session during the year for Members.

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.

External Debt	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
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	-10,000
Debt 31st March	57,423	57,423	57,423	57,423	57,423	47,423
Annual Change in Debt	0	0	0	0	0	-10,000
Long-term Investments	0	0	0	0	0	0
Short-term Investments	11,000	8,000	5,000	4,000	4,000	2,000

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

Limits compared to Actual Debt	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Authorised Limit - General Fund	5,999	5,653	5,316	4,988	4,667	4,409
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Financing Requirement	67,989	67,643	67,306	66,978	66,657	56,399
Operational Boundary	62,423	62,423	62,423	62,423	62,423	52,423
Gross Debt	57,423	57,423	57,423	57,423	57,423	47,423
Debt Less Investments	46,423	49,423	52,423	53,423	53,423	45,423

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.

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
General Fund - Net Indebtedness	£'000	£'000	£'000	£'000	£'000	£'000
CFR	5,999	5,653	5,316	4,988	4,667	4,409
Estimated Reserves	12,327	10,956	9,909	7,871	5,790	3,408
Net Indebtedness	-6,329	-5,302	-4,593	-2,883	-1,123	1,001

2.13 However, the table also shows that in 2021/22, the underlying indebtedness on the General Fund highlights a potential borrowing requirement. It has been assumed in the MTFP that the projected budget deficit on the General Fund will be financed from general reserves until budget savings have been identified.

2.14 During 2017/18, 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, although this is not expected to occur until the end of the current planning period.

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 on the HRA.

HRA Limit on Indebtedness	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
HRA Debt Cap	66,853	66,853	66,853	66,853	66,853	66,853
HRA CFR	61,990	61,990	61,990	61,990	61,990	51,990
Difference	4,863	4,863	4,863	4,863	4,863	14,863
HRA Debt	57,423	57,423	57,423	57,423	57,423	47,423
Borrowing Headroom (Debt Cap minus Debt)	9,430	9,430	9,430	9,430	9,430	19,430

2.17 The Financial Plan for the HRA includes provision for new borrowing to finance the completion of the 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	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
General Fund						
Interest Payable	0	0	0	0	0	0
Interest Received	46	19	19	19	19	19
HRA						
Interest Payable	1,680	1,772	1,822	1,822	1,822	1,823
Interest Received	-10	-5	-5	-5	-5	-5

3.0 The Current Economic Situation and Outlook

- 3.1 Following the outcome of the Referendum to leave the European Union in June 2016, there was some volatility in financial markets, although this has since stabilised. The value of Sterling against other major currencies, such as the Euro and the American Dollar, remains lower compared to their value before the Referendum.
- 3.2 The value of Sterling has depreciated against the Euro and the Dollar by over 15% since the Referendum. Therefore, following the Referendum, the Bank of England's Monetary Policy Committee (MPC) reduced the Bank Base Rate to 0.25% from 0.5% in August 2016.
- 3.3 Over the last few months, economic indicators have highlighted growth continuing in accordance with market expectations, with several signs that the UK economy is proving resilient.
- 3.4 CPI inflation increased quickly between September and December 2016 from 0.6% to 1.6%. This relatively sharp increase, mainly as a consequence of the depreciation in Sterling, has increased the price of imports.
- 3.5 The medium-term outlook for the UK economy is now dominated by the negotiations to leave the EU. It is likely that the longer-term position will be dependent on future trade agreements with the EU and other countries.
- 3.6 It is considered by commentators that the upward rise in inflation due to the currency situation, will continue in 2017/18, exceeding the MPC's target of 2%. This should reduce domestic spending. The MPC's policy will not tolerate increased inflation for a sustained period. However, the currency-led increase in inflation may be ignored due to the potential negative effects of "Brexit" on economic activity that could arise from an increase in interest rates.
- 3.7 Therefore, the Council's treasury advisors consider that the Base Rate will remain at 0.25% for the foreseeable future with only a small chance that the rate may fall further.

Effect on the Council

- 3.7 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, if rates do rise, this should generate extra revenue in addition to that budgeted.
- 3.8 The Council's current long-term borrowing is fixed at relatively low rates, with the variable element of the debt currently costing 0.67% per year. The HRA's Financial Plan allows for this to rise to 3% to its repayment date in 2021/22.

Borrowing Strategy 2017/18 and the Longer-Term Plan

- 4.1 External debt outstanding totals £57.423m as at 31st January 2017. 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 General Fund 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 0.67% in September 2016 to 3% by 2021. 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 0.67% per year to 1.5% in 2017/18, 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 (extending the Kerbside Recycling Scheme) and in 2015/16 for the development of the Extreme Sports Facility in the Grove Hall, Swadlincote. 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 complete the New Build and property acquisition programme 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 2017/18 are as follows:
- Meeting the Council’s cash flow requirements through the Investment Strategy as detailed in Sections 6 and 7.
 - Keeping under review the HRA debt pool and in particular the variable rate of 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 adopted.

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 adopted.

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.

- 6.7 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.
- 6.8 Besides this, the Council refers to the financial press, any implied Government support for banks and other market data. This is supplemented by information and advice from the Council's retained treasury advisors.
- 6.9 Based on these core principles, the strategy in Section 7 (below) has been proposed for adoption.

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 depending on the changing circumstances of selected counterparties.
- 7.4 The approved lending list and policy is detailed 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 The proposed lending list has been updated based in information from the Council's treasury advisors and is relevant as at 31st January 2017. Any proposed changes are reported to the Finance and Management Committee on a quarterly basis.
- 7.6 A summary of the counterparties is shown in the following table.

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

General Lending Policy

- 7.7 Priority is given to specified investments in any investment decision. The length of investment is made in accordance with overall cash flow requirements.
- 7.8 The policy focuses on the credit quality of investment counterparties rather than amounts invested and returns.
- 7.9 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

- 7.10 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.
- 7.11 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 (Arlingclose)

7.12 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 3rd party products/instruments for borrowing or investing.

7.13 They also provide training workshops and seminars. They were appointed through the Council's procurement framework.

Performance Indicators

7.14 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.

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
7-Day Rate (target)	3.57%	0.39%	0.51%	0.62%	0.51%	0.47%	0.50%	0.50%
Actual Rate	4.38%	0.72%	0.78%	0.32%	0.31%	0.33%	0.31%	0.32%

COUNTERPARTY LIST 2017/18

(As at February 2017)

Institution	Limit	Maximum Term
<u>Specified Investments</u>		
<ul style="list-style-type: none"> • UK Debt Management Office (DMO) • Local, Police, Fire and Parish Authorities 	<p>£15m</p> <p>£5m with any one Authority</p>	<p>364 Days</p> <p>364 Days</p>
<i>Named Counterparty</i>		
<ul style="list-style-type: none"> • HSBC 	<p>£2m</p>	<p>364 Days</p>
<u>Non Specified Investments</u>		
<i>Named Counterparties</i>		
<ul style="list-style-type: none"> • Lloyds Bank • Bank of Scotland 	<p>£2m with any one Bank</p>	<p>364 Days</p>
<ul style="list-style-type: none"> • Close Brothers • Santander UK / Abbey National Treasury Services 	<p>£2m with any one Bank</p>	<p>6 months</p>
<ul style="list-style-type: none"> • Barclays Bank • Goldman Sachs International 	<p>£2m with any one Bank</p>	<p>100 days</p>
<ul style="list-style-type: none"> • Royal Bank of Scotland /National Westminster Bank 	<p>£1m with any one Bank</p>	<p>35 days</p>
<ul style="list-style-type: none"> • Nationwide Building Society • Coventry Building Society 	<p>5% of total deposits</p>	<p>6 months</p>
<ul style="list-style-type: none"> • Leeds Building Society 	<p>5% of total deposits</p>	<p>100 days</p>

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	16th FEBRUARY 2017	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/budget round 201718/service base budget reports/final proposals/final budget proposals and financial plan17 18 REF:
SUBJECT:	FINAL BUDGET PROPOSALS 2017/2018 and FINANCIAL PLAN to 2022	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That a Council Tax increase for 2017/18 is recommended to Full Council on 1st March 2017.
- 1.2 That estimated net General Fund Revenue Expenditure totalling £11,147,622 for 2016/17 (revised) and £11,456,426 for 2017/18 is recommended to Full Council on 1st March 2017.
- 1.3 That the Medium-term Financial Plan to 2022 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 £850,000 on the General Fund ahead of 2018/19.
- 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 5-year capital investment and financing plan to 2022 as detailed in **Appendix 3** is approved.
- 1.7 That the Council's National Non-Domestic Rate Return (NNDR 1) for 2017/18, showing retained business rates (before the Tariff) of £9,413,649 for 2016/17 and £9,727,674 for 2017/18 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 2017/18 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.
- 2.2 These proposals will form the basis of setting the Council Tax for 2017/18 by Full Council on 1st March 2017.
- 2.3 The Council's proposed base budget for 2017/18 and projected medium-term financial position was reported in detail to the Committee on 12th January 2017 (*details are available at: <http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1992/Committee/416/Default.aspx>*)
- 2.4 This report does not repeat those details but firms up the position following a period of scrutiny and consultation, together with confirmation of some provisional figures from January.
- 2.5 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 2nd February 2017. *That report is available at: <http://south-derbys.cmis.uk.com/south-derbys/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1983/Committee/419/Default.aspx>*
- 2.6 This 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 reserves*

3.0 General Fund Revenue Account

- 3.1 As reported in January, the Council's Base Budget and Medium Term Financial Plan (MTFP) were approved ahead of 2017/18. This took account of the Local Government Provisional Financial Settlement for 2017/18 to 2019/20, together with proposals contained in the Service Base Budgets for 2017/18.
- 3.2 The overall projection on the General Fund, as reported in January, is summarised in the following table.

General Fund: Medium-Term Projection as at January 2017

Year	Budget Deficit / Surplus (-) £	Earmarked Sums £	Balance of General Reserve £
Base Budget 2016/17	-1,199,598	581,211	7,606,886
Proposed Budget 2017/18	-529,104	147,000	7,988,990
Projection 2018/19	819,138	20,000	7,149,852
Projection 2019/20	1,562,427	270,000	5,317,425
Projection 2020/21	1,604,595	270,000	3,442,830
Projection 2021/22	2,041,764	270,000	1,131,066

- 3.3 During the last few weeks, no major changes to service base budgets have been identified. In the meantime, the provisional Financial Settlement has been confirmed and the Base Budget for 2017/18, together with on-going implications for the MTFP, has been updated to include:
- The Business Rates position following submission of the Government's statutory return.
 - Pensions, following the results of the 2016 valuation of the Derbyshire Pension Fund.

The Final Financial Settlement for Local Government

- 3.4 The Final Settlement is expected to be confirmed by the Government shortly. It is anticipated that this will confirm allocations to the Council as contained in the provisional Settlement released in December. Therefore, no changes are required to the Base Budget or MTFP.

Business Rates

- 3.5 The Council has included amounts from retained rates in its medium-term financial projections. Each year, the Council is required to submit estimated figures to the Government through an annual return (*National Non-Domestic Rates Return 1 2017/18*) by 31st January.
- 3.6 This Return details the estimated rates available for distribution as Precepts – effectively on-account payments during the year. Following the completion of the annual return for 2016, the distributable amounts are estimated as shown in the following table.

	£
Central Government (50%)	12,046,093
South Derbyshire District Council (40%)	9,727,674
Derbyshire County Council (9%)	2,168,297
Derbyshire Fire and Rescue Service (1%)	240,922
Total Estimated Income 2017/18	<u>24,182,986</u>

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

- 3.7 The Council's figure is before the payment of the Tariff. In addition, the Tariff amount is also paid over to the Government as part of the national redistribution system, set and fixed as part of the Financial Settlement. The Council's Tariff has been set at £6.25m in 2016/17 and £6.19m in 2017/18.
- 3.8 The above figures also include the estimated deficit on the Collection Fund for 2016/17 as reported to the Committee in January. The amount of approximately £9.73m in the above table is above that included in the proposed Base Budget for 2017/18 of £9.51m.
- 3.9 However, some of this additional growth will be subject to the Derbyshire Pool Levy and this will be kept under review. The MTFP includes an increase in Business Rates of 1% per year. It also assumes that the current deficit on the Collection Fund will continue until 2018/19.
- 3.10 It is not intended to change the current assumptions and forecasted amounts in the MTFP from that reported in January at this stage.

Pensions

- 3.11 Following the Budget Report in January, the Council has since been informed of the results of the triennial valuation of the Derbyshire Pension Fund. This will be used as the basis to determine contribution rates from April 2017 to March 2020.
- 3.12 The valuation of the Pension Fund revealed a level of solvency for the whole Fund of 86.7%, up from 82.5% in 2013. This continues the trend towards full solvency that commenced in 2007. Although there has been an increase in

liabilities of 12% since 2013, the deficit has reduced in cash terms by 15% from £663m in 2013 to £563m in 2016.

3.13 This was due to pay growth and general inflation remaining lower than anticipated, together with investment returns at 18.2% over 3-years, compared to an estimate of 14.4%. However, the current level of interest rates is continuing to have a negative impact with bond yields at all-time lows and forecast to remain lower for much longer.

The Council's Position

3.14 The Council's share of the Deficit is £11.7m, down from £13m in 2013. This has increased the level of solvency from 79% to 83%, although this is still below the average of 86.7% on the overall Fund. Consequently, the Council is still effectively "catching up."

3.15 The Council's contribution to the Fund, as an employer, is made-up of two rates, i.e. a primary and a secondary rate. The primary rate (currently 12.8% of an employee's pensionable pay) is designed to cover the cost of benefits accruing for existing scheme members.

3.16 The secondary rate is a lump-sum payment each year which is allocated to paying-off the deficit in the longer-term. This payment is currently £658,000 in 2016/17.

3.17 The Fund's Actuary has modelled contribution rates for the next 3-years to enable all benefits accruing to be met and to return the Council to a fully funded position over 19-years in accordance with the approved Funding Strategy.

3.18 In doing so, the Actuary has factored in potential investment returns, together with the likely number of pensioners that will still be drawing benefits in the longer-term and the age/profile of current Pension Fund Members.

3.19 As a result, the Council's primary rate has been calculated at 13.8% (fixed for 3-years) which is an increase of 1% on the current rate. In addition, the secondary rate in terms of the lump-sum payment has been calculated at £665,000 in 2017/18, £671,000 in 2018/19 and £678,000 in 2019/20. This is an increase compared to the current payment of £658,000 in 2016/17.

Budget Position

3.20 Pending the notification of the Fund's Valuation, the Budget and MTFP had included an increase of 4% per year between 2016/17 and 2019/20 in the deficit (secondary rate) and assumed no increase in the primary rate. The actual increase in the secondary rate is fairly marginal at £20,000 over 3 years. This is much lower than the 4% provision.

3.21 However, although the primary rate itself has only been increased by 1% (12.8% to 13.8%) this equates to an 8% increase in cash terms. Overall

therefore, there will be an increase in the cost of Pensions compared to that reported in January, as shown in the following table.

	2017.18	2018.19	2019.2	2020.21	2021.22
Increase in Primary Rate	54,948	55,772	56,888	58,025	59,186
Decrease in Secondary Rate	-11,717	-26,066	-36,447	-36,447	-36,447
Overall increase in MTFP	43,231	29,706	20,441	21,579	22,739

3.22 In total, this adds approximately £140,000 into the cost of services over the next 5-years compared to that previously estimated. This will be subject to the next valuation of the Fund in 2019, which will determine contribution rates from 2020/21.

Pensions Reserve

3.23 However, to offset increased costs, a separate earmarked reserve of £182,000 was set up in 2014/15. This was specifically earmarked to offset additional costs arising out of the 2016 Valuation.

3.24 Therefore, in accordance with the Council's Policy on Specific Reserves, the Pension Reserve will be drawn-down to finance the additional cost so that there is a neutral effect on the General Fund. The remaining balance on the Reserve will cover costs (subject to the next Valuation in 2019) for 7-years to 2023/24.

3.25 Future costs and the performance of the Fund will be kept under review. The next Valuation of the Fund is due in 2019 and this will determine contribution rates from 2020/21.

Other Updates

3.26 The only other change to the proposed Base Budget and MTFP is an increase in the cost of the Land Charges Unit of approximately £20,000 over 5-years.

3.27 This follows changes to duties and responsibilities as approved by the Committee in December 2016. As reported, it is anticipated that this cost will be met by increased income over the period of the MTFP.

Updated Projection

3.28 The updated MTFP is detailed in **Appendix 1**. This includes the effects of the changes detailed in the above sections.

3.29 All other budgets and forward projections remain unchanged from that reported in January. The overall change is only marginal and the updated position is summarised in the following table.

General Fund: Medium-Term Projection as at February 2017

Year	Budget Deficit / Surplus (-) £	Earmarked Sums £	Balance of General Reserve £
Base Budget 2016/17	-1,198,868	581,211	-7,606,156
Proposed Budget 2017/18	-482,058	103,769	-7,984,444
Projection 2018/19	852,749	-9,706	-7,141,401
Projection 2019/20	1,586,881	249,559	-5,304,961
Projection 2020/21	1,630,297	248,421	-3,426,242
Projection 2021/22	2,068,661	247,261	-1,110,320

3.30 An assessment of the projected financial position is detailed in **Section 6** later in the report.

Financial Risks

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

Council Tax 2017/18

3.32 The Base Budget for 2017/18 includes a proposed increase in Council Tax of 1.95%. As usual, the Committee are required to recommend the level of Council Tax for 2017/18 to the Full Council on 1st March 2017.

3.33 The proposed increase of 1.95% is below the Government's limit of 2%, above which a local referendum would be required to set a higher increase. As a shire district, the Council does have the option of increasing its Council Tax rate by up to £5 at Band D, without it being subject to a local referendum.

3.34 The Band D Tax for 2016/17 is £153.18. The 1.95% increase in the MTFP will raise Band D to £156.17, an increase of £3 in 2017/18. An increase of £5 would raise Band D in 2017/18 to £158.18 – 3.3%.

3.35 If an increase of 3.3% was applied in 2017/18, this would generate additional revenue of approximately £60,000 per year – cumulatively £340,000 over 5-years. 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.

4.0 Housing Revenue Account (HRA)

- 4.1 The base budget and financial plan of the HRA was considered in detail by the Housing and Community Services Committee on 2nd February 2017. This included reducing rents for council tenants in 2017/18 in accordance with provisions set out in the Government's Welfare Reform Act (2016).
- 4.2 As previously reported, Regulations included in this Act mean that rents are being reduced by 1% for 4 years, 2016/17 to 2019/20 inclusive. 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/1983/Committee/419/Default.aspx>

The Position Entering the 2017/18 Budget Round

- 4.3 During 2016/17, the financial position of the HRA has been reviewed on several occasions. This was to reflect changes to the on-going capital investment and Council House New Build Projects, together with the 2015/16 budget out-turn position.
- 4.4 The position reported in October 2016, estimated a deficit on the HRA in 2017/18 of £266,000, reducing the HRA's General Reserve to approximately £1.12m, only slightly above the minimum level of £1m.
- 4.5 As previously reported, the longer-term financial position for the HRA was significantly changed in 2015 due to the Government legislating to reduce Council House rents by 1% per year to 2020. Consequently, planned capital expenditure was reduced in the 10-year financial plan to reflect this reduction in resources.

HRA Financial Plan as at February 2017

- 4.6 Following a review of the Base Budget, the overall deficit is now estimated at £215,000 for 2017/18 compared to a forecast of £266,000. This is less, mainly due to management and maintenance costs being lower than forecast following the base budget review.
- 4.7 Following the base budget review, the 10-year Financial Plan for the HRA has been reviewed and updated. This is detailed in **Appendix 2**. The overall position has improved marginally compared to the previous forecast due to the slight reduction in the estimated deficit for 2017/18.
- 4.8 Overall, the Plan shows a sustainable position although as previously reported, it is much tighter than 18 months ago.

HRA Financial Risks

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

Risk Area	Effect / Mitigation
Future Rent Levels	<p>The biggest risk in the Financial Plan is considered to be future rent levels. The rent level from 2016/17 to 2019/20 has been set in accordance with statutory requirements i.e. a 1% reduction for each of those years.</p> <p>Beyond this, it has been assumed that rents will again be allowed to rise. The Government has previously indicated that they have only suspended the previous rent policy for these years until Universal Credit (UC) is fully implemented.</p> <p>The Housing Minister, at that time, also stated that future rent increases would return to the inflation-linked formula. However, this is not guaranteed and it is now uncertain how the subsequent delay in the full implementation of UC, possibly to 2021/22, will impact.</p> <p>Clearly, the HRA is dependent on rent income (currently £12.4m per year) for its resources. Even small variations in rent changes (e.g. 0.5%) can have significant implications in monetary terms for the Financial Plan over the longer-term.</p>
Right to Buys	<p>A moderate decrease in current properties from sales continues to be built into the Financial Plan and this reflects the current level of sales.</p> <p>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.</p>
Supporting People Grant	<p>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 and is subject to annual review.</p> <p>In the meantime, an operational review of associated services is being undertaken to consider options if the Grant is withdrawn. Consequently, it is planned to submit a separate report at a later date detailing any proposals.</p>
Impairment	<p>This relates to an accounting adjustment. This is currently being reviewed to bring local authorities into line with other organisations in accordance with International Reporting Standards. This is being challenged by the relevant professional bodies.</p> <p>Large impairment adjustments are 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.</p>

	The potential for impairment charges could have serious implications for all housing authorities and this is why it is being challenged.
Changes to Central Government Policy	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.
Welfare Reform and Universal Credit (UC)	<p>Although UC is still some years away from potentially impacting on all Council Tenants, there is concern amongst housing professionals that changes could see a reduction in payment of rent and an increase in arrears.</p> <p>Currently, Housing Benefit is paid directly to a tenant's Rent Account where this is due. In a system of Universal Credit, the benefit element is effectively paid direct to the Tenant. The Pilot Schemes and evidence locally suggests that this gives the potential for Tenants to default on their rent payments.</p> <p>In order to mitigate this risk, intervention may be necessary between the Landlord and the Tenant. This can place additional pressure on resources and increase the management costs in the HRA.</p>

Future Spending

- 4.10 Given that the Financial Plan for the HRA remains tight 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.
- 4.11 In addition, it is important that services are kept under review given that future budgetary pressures may arise in the medium-term.

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, together with the relocation of the Depot.
- 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 (Item 6).

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 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.

General Fund Receipts

- 5.6 The current balance of receipts and land sales, associated with the development of William Nadin Way Swadlincote, that are still to be received, together with their drawdown to finance capital projects, is detailed in Appendix 2. A summary is shown in the following table.

General Fund Capital Receipts	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £
B/fwd 1st April	-2,790,544	-509,213	-303,798	6,202	6,202	6,202
Less: Capital Drawdowns	2,281,331	1,803,398	310,000	0	0	50,000
Capital Receipts - William Nadin Way	0	-1,000,000				
Capital Receipts - Existing Depot	0	-600,000				
Balance C/fwd 31st March	-509,213	-303,798	6,202	6,202	6,202	56,202

- 5.7 As previously reported, it was expected that by 2018/19, all general receipts would be utilised. The capital drawdown in 2018/19 mainly relates to the annual contribution to the Vehicle Replacement Reserve. This contribution will be made direct from the General Fund after 2018/19 and this change in financing was included in the MTFP some years ago.
- 5.8 It is likely that before 2018/19, the Council will receive some receipts which are pending (but not finalised) from further land sales and this should ensure that any marginal deficit balance as shown in the above table, does not materialise.
- 5.9 No prior investment commitments have been made against these receipts and should not until monies have been received. The Council has an established evaluation framework in place to prioritise capital investment.

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

6.1 In his 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 12th January 2016, highlights the challenge that the Council continues to face 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 forecasts 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 It is noted that additional resources have been approved for "Growth" and that a separate reserve will be set-aside to provide investment to meet additional demand on services.

6.5 The Budget for 2017/18 and forward projections are based on the most up-to-date economic forecasts for inflation and interest rates, etc.

6.6 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.

6.7 The compilation of detailed budgets has been undertaken in conjunction with service managers. 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 quarterly reports to the Council.

6.8 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.

6.9 The following table shows the projected level of Reserves over the planning period, 2017 to 2022.

Projected Level of Revenue Reserves

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Estimated Usable Reserves	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	7,606	7,984	7,141	5,305	3,426	1,110
Earmarked	4,721	2,971	2,768	2,566	2,364	2,298
Capital Receipts and Grants	3,660	3,334	3,499	3,868	4,234	4,495
HRA	1,599	1,134	1,162	1,118	1,311	1,880
TOTAL	17,586	15,423	14,570	12,857	11,335	9,783

6.10 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

6.11 The above table shows that the level of reserves on the General Fund is currently healthy compared to the minimum target of £1m and is forecast to remain above the minimum level of £1m by 2021/22.

6.12 Although the General Fund is forecast to achieve budget surpluses for 2016/17 and 2017/18 based on current projections, a deficit is then forecast from 2018/19, as Revenue Support Grant falls out and the full impact of the revised allocations for the New Homes Bonus take effect.

6.13 However, the annual deficits could be financed by drawing down the current level of the General Reserve. Effectively, the financial projection shows the implications of taking that action.

6.14 However, it is considered that this is a high risk strategy. Future deficits, as highlighted in Section 3 earlier in the Report, are projected to be significant. If no action is taken to reduce future deficits, it could quickly de-stabilise the financial position given that any action to achieve budget savings may take time to fully implement.

6.15 Effectively, the current base budget remains unsustainable in the medium-term. Provision for certain cost pressures and potential risks have been included in the MTFP, including additional income being set-aside to meet additional demand on services.

6.16 It is considered that a balanced approach needs to be undertaken by utilising reserves, identifying some budget savings and at the same time providing for additional costs associated with Growth.

6.17 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.

- 6.18 The budget process has considered in detail the potential implications of Growth on costs and has reviewed projections associated with new residential development. It is noted that projections for new properties have been revised upwards, but latest Planning numbers indicate that these could be higher based on the current number of developments with outline and approved planning permissions.
- 6.19 The issue is that the full effects of growth are not fully known at present. Some costs are emerging and although provision has been made in the MTFP, it is difficult to currently gauge the full impact.
- 6.20 In the meantime, the Council is faces a financial challenge to identify budget savings from within its current General Fund budget. It has been recommended that the Council takes action during 2017/18 to alleviate the projected budget deficit of £850,000 in 2018/19.
- 6.21 This would ease the pressure in future years and help to maintain a sustainable financial position. 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)

- 6.22 The financial position remains tight following changes to national rent policy in 2015/16. However, the HRA is forecast to remain sustainable based on current budgets and service levels. This will allow a minimum reserve balance to be maintained and ensure that sufficient amounts are set-aside to repay debt.
- 6.23 It is noted that the biggest risk is future income from rents and the direction of Central Government Policy following the current 4-year reduction in rent levels. The HRA's Financial Plan assumes that rents will again be allowed to rise beyond 2020, but this is not guaranteed.
- 6.24 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

- 6.25 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.

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

6.27 A list of all revenue reserves and funds is detailed in **Appendix 4** showing current balances. The Policy for using and monitoring these reserves was approved by the Council in October 2016.

Risk Analysis

6.28 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
Changes in Central Government Policy	<ul style="list-style-type: none"> Further reductions in core funding (General Fund) and rent income (HRA) due to the national position or changes in redistribution systems. 	<ul style="list-style-type: none"> The MTFP has analysed and built in provisional allocations for future years, informed by the Financial Settlement and current growth forecasts. 	<p>High</p> <p>Cumulatively a 1% variance in core funding equates to approximately £1/2m over the MTFP; a ½% reduction in rents equates to approximately £3/4m over 10-years.</p>
Council Tax and the Collection Fund	<ul style="list-style-type: none"> Collection rates reduce due to the economic climate. Demand for Council Tax Support increases when resources are fixed. Empty properties increase reducing New Homes Bonus. Business Rates reduce due to appeals and a reduction in liable businesses. 	<ul style="list-style-type: none"> Council Tax Fund in surplus. Tax receipts increasing from new properties. Local Council Tax Support Scheme now matured. Continued membership of the Derbyshire Business Rates Pool. Provisions made for Bad Debts and Appeals. 	<p>Medium</p> <p>Only 11% of the Council Tax Fund is transferred to the Council's General Fund. In addition, the effect is not immediate and costs can be spread.</p>
Growth	<ul style="list-style-type: none"> A key factor influencing future income and cost of service provision. 	<ul style="list-style-type: none"> The MTFP projects continuing growth in Council Tax receipts and New Homes Bonus which based on past performance and 	<p>High</p> <p>This could affect the MTFP either way. Growth is a determining factor for the Council's</p>

		<p>planning data may be less than actuals.</p> <ul style="list-style-type: none"> • Provision for cost of growth increased in 2017/18 Budget Round. • Future budgets for planning, land charges income, etc. are currently within actual levels for 2016/17. 	<p>income and expenditure which could easily vary compared to that forecast.</p>
Budget Overspend	<ul style="list-style-type: none"> • Underlying cost pressures, due to growth, yet to surface. • Unexpected costs. There are on-going cost pressures, for example, maintenance of assets, as identified in the Base Budget review for 2017/18. 	<ul style="list-style-type: none"> • 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 around 2% per year. • Monitoring arrangements in place allow early identification of issues. 	Medium
Economic Conditions	<ul style="list-style-type: none"> • Higher price increases on key costs such as fuel and utilities. • Interest rates affect investment returns and debt payments. 	<ul style="list-style-type: none"> • Central inflation contingency held for price increases across these key areas. • The General Fund is currently “debt free” and not subject to movement in interest rates. The HRA debt is largely fixed. • Sufficient balances allow “internal borrowing” if required. • Budgeted income from short-term investments is relatively low. 	Low
Welfare Reform	<ul style="list-style-type: none"> • In particular the implementation of Universal credit. 	<ul style="list-style-type: none"> • Evidence suggests that this could lead to more vulnerable residents have difficulty paying Council Tax and Rent. • The Council could be left with staff that currently administer and process housing benefit locally. 	<p>Medium</p> <p>Although it is expected that the full impact will not be known until the later part of the current planning period.</p>

Consultation and Provision of Information

6.29 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.

6.30 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 briefing at the South Derbyshire Partnership Board meeting on 25th January 2017.

6.31 In addition, the proposals have been subject to the Council's scrutiny process and a report back from the Overview and Scrutiny Committee has been provided separately.

6.32 Although many questions and queries were dealt with, no substantive issues were raised. A record of discussions has been minuted at each Area Forum, at the Overview and Scrutiny Committees on 18th January and 8th February 2017, together with the South Derbyshire Partnership on 25th January 2017.

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. The formulation of Medium-Term Financial Plans ensures that the Council maintains a sustainable financial position which is a key Outcome in its Corporate Plan.

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at FEBRUARY 2017

	Approved Budget £ 2016.17	Projection £ 2017.18	Projection £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22
BASE BUDGET						
Environmental & Development	3,757,844	3,978,193	4,290,036	4,353,796	4,435,904	4,519,811
Housing & Community	2,337,318	2,185,406	2,351,307	2,385,173	2,427,148	2,606,015
Finance & Management	5,031,576	5,173,525	5,239,579	5,308,438	5,378,440	5,444,683
Net Service Expenditure	11,126,738	11,337,124	11,880,921	12,047,407	12,241,492	12,570,509
Accounting Adjustments						
Reverse out Depreciation	-718,738	-783,025	-783,025	-783,025	-783,025	-783,025
Minimum Revenue Provision (MRP)	223,127	214,202	205,634	197,409	189,512	181,932
Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone)	131,226	131,226	131,226	131,226	131,226	75,891
	10,762,353	10,899,528	11,434,757	11,593,017	11,779,205	12,045,306
Add: Known Variations						
External Facilitator - Pay and Grading Review	0	20,000	0	0	0	0
Pay and Grading - On-going Costs	0	35,000	0	0	0	0
Restructure of Legal & Democratic Services	1,856	0	0	0	0	0
Restructure of Land Charges	730	3,694	3,749	3,824	3,901	3,901
Grants to Voluntary Bodies	0	-3,207	-3,207	-3,207	-3,207	-3,207
Concurrent Functions	0	3,329	3,362	3,396	3,430	3,464
Pension Deficit	0	43,231	29,706	20,441	21,579	22,739
Incremental Salary Increases	0	0	22,130	11,065	11,065	11,065
Provision for Employer's NIC on "off-payroll" payments	0	27,000	27,000	27,000	27,000	27,000
County Withdrawal of Contribution To Etwall Leisure Centre	0	0	22,682	22,682	22,682	22,682
Phased Implementation of National Living Wage	0	5,990	10,604	14,099	14,099	14,099
Provision for Auto Enrolment (October 2017)	0	0	57,920	59,079	60,260	61,465

Reduction in Leisure Management Contract Fee	-32,240	0	0	0	0	0
Contingent Sum - Growth	200,000	200,000	200,000	200,000	200,000	200,000
Contingent Sum - Inflation	114,923	93,654	115,828	118,144	120,507	122,917
District Election May 2019	0	0	0	125,000	0	0
TOTAL ESTIMATED SPENDING	11,047,622	11,328,218	11,924,532	12,194,540	12,260,521	12,531,432

Provisions

Apprenticeship Levy (April 2017)	0	28,208	28,490	28,917	29,496	30,085
Waste and Recycling	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL PROJECTED SPENDING	11,147,622	11,456,426	12,053,021	12,323,457	12,390,016	12,661,518

Approved

Budget	Projection	Projection	Projection	Projection	Projection
£	£	£	£	£	£
2016.17	2017.18	2018.19	2019.20	2020.21	2021.22

FINANCING

Revenue Support Grant	-1,199,194	-668,239	-338,367	0	0	0
Transitional Grant	-3,244	-3,230	0	0	0	0
Business Rates Retention	-3,527,130	-3,668,010	-3,564,091	-3,433,124	-3,430,816	-3,427,989
New Homes Bonus	-2,849,878	-2,601,787	-2,171,399	-2,008,315	-1,860,405	-1,518,254
Council Tax Income	-4,747,044	-4,942,217	-5,106,415	-5,275,137	-5,448,498	-5,626,613
Core Spending Power	-12,326,490	-11,883,483	-11,180,272	-10,716,576	-10,739,719	-10,572,856
Add Estimated Collection Fund Surplus - Council Tax	-20,000	-55,000	-20,000	-20,000	-20,000	-20,000
TOTAL FINANCING	-12,346,490	-11,938,483	-11,200,272	-10,736,576	-10,759,719	-10,592,856

General Fund yearly **Surplus (-) / Deficit**

-1,198,868	-482,058	852,749	1,586,881	1,630,297	2,068,661
-------------------	-----------------	----------------	------------------	------------------	------------------

GENERAL FUND RESERVE BALANCE

Balance b/fwd	-6,988,499	-7,606,156	-7,984,444	-7,141,401	-5,304,961	-3,426,242
General Fund Yearly Surplus (-) / Deficit (as above)	-1,198,868	-482,058	852,749	1,586,881	1,630,297	2,068,661
Purchase of Town Centre Land	47,000	0	0	0	0	0
General Fund Capital Bids Remaining	301,211	127,000	0	0	0	0
Melbourne Sporting Partnership (Section 106 Funding)	213,000	0	0	0	0	0
Pension Earmarked Reserve Drawdown	0	-43,231	-29,706	-20,441	-21,579	-22,739
Contribution to Vehicle Replacement Fund	20,000	20,000	20,000	270,000	270,000	270,000
Balance c/fwd	-7,606,156	-7,984,444	-7,141,401	-5,304,961	-3,426,242	-1,110,320

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION

	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27
	Approved Budget £'000	Forecast £'000									
INCOME											
Rental Income	-12,457	-12,381	-12,286	-12,109	-12,358	-12,854	-12,940	-13,279	-13,631	-13,992	-14,363
Non-Dwelling Income	-111	-111	-110	-108	-111	-114	-117	-121	-125	-128	-132
Supporting People Grant	-240	-240	-240	-240	-240	-240	-240	-240	-240	-240	-240
Other Income	-181	-151	-151	-151	-151	-151	-151	-151	-151	-151	-151
Total Income	-12,989	-12,883	-12,787	-12,608	-12,860	-13,359	-13,448	-13,791	-14,147	-14,511	-14,886
EXPENDITURE											
General Management	1,788	1,785	1,809	1,836	1,866	1,897	1,929	1,961	1,994	2,028	2,062
Supporting People	802	830	844	860	879	899	919	941	963	986	1,010
Responsive	1,247	1,276	1,298	1,323	1,351	1,381	1,410	1,441	1,472	1,504	1,536
Planned Maintenance	1,984	1,968	2,010	2,054	2,100	2,148	2,197	2,248	2,299	2,351	2,405
Bad Debt Provision	44	44	43	42	43	45	45	46	48	49	50
Interest Payable & Receivable	1,690	1,777	1,827	1,827	1,827	1,828	1,528	1,528	1,258	1,259	1,259
Depreciation	2,985	3,417	3,180	3,170	3,160	3,151	3,142	3,135	3,128	3,121	3,114
Net Operating Income	-2,449	-1,786	-1,776	-1,496	-1,634	-2,010	-2,278	-2,491	-2,985	-3,213	-3,450
Reversal of Depreciation	-2,985	-3,417	-3,180	-3,170	-3,160	-3,151	-3,142	-3,135	-3,128	-3,121	-3,114
Capital Expenditure	2,795	1,800	1,843	1,888	1,935	1,983	1,692	1,733	1,777	1,816	1,847
Debt Repayment	0	3,550	1,624	1,282	1,225	1,168	1,450	1,402	1,351	1,305	1,267
New Build Contribution	1,000	0	0	0	0	0	0	0	0	0	0
Potential Restructure Costs	27	41	60	73	73	74	75	77	78	80	82
Pension Deficit	0	11	13	10	11	11	11	12	12	12	13

Accumulated Absence reversal	0	0	0	0	0	0	0	0	0	0	0	0
Pension Reserve adjustments	0	0	0	0	0	0	0	0	0	0	0	0
Potential Early Termination Costs	80	0	0	0	0	0	0	0	0	0	0	0
Orchard upgrade	0	0	83	0	0	0	0	0	0	0	0	0
Delays on New Build (income deferred)	67	0	0	0	0	0	0	0	0	0	0	0
Job Evaluation On-going Support Costs	0	10	0	0	0	0	0	0	0	0	0	0
Incremental Salary Increases	6	6	6	6	6	6	6	6	6	6	7	7

HRA (Surplus) / Deficit	-1,460	215	-1,328	-1,407	-1,543	-1,919	-2,185	-2,396	-2,888	-3,115	-3,349
--------------------------------	---------------	------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------

HRA Reserve B/fwd	-1,426	-1,599	-1,134	-1,162	-1,118	-1,311	-1,880	-1,966	-1,862	-2,250	-2,064
(Surplus) / Deficit for year	-1,460	215	-1,328	-1,407	-1,543	-1,919	-2,185	-2,396	-2,888	-3,115	-3,349
Earmarked non-traditional properties	0	0	100	200	100	100	100	0	0	0	0
Transfer to Debt Repayment Reserve	1,287	250	1,200	1,250	1,250	1,250	2,000	2,500	2,500	3,300	1,000
HRA Reserve C/fwd	-1,599	-1,134	-1,162	-1,118	-1,311	-1,880	-1,966	-1,862	-2,250	-2,064	-4,414

	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27
	Approved	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Budget	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Debt Repayment Reserve											
Balance B/fwd	-1,703	-2,990	-6,790	-9,714	-12,446	-15,021	-7,539	-11,089	-4,991	-8,842	-13,447
Depreciation balance	0	-3,550	-1,624	-1,282	-1,225	-1,168	-1,450	-1,402	-1,351	-1,305	-1,267
Transfers to reserve	-1,287	-250	-1,200	-1,250	-1,250	-1,250	-2,000	-2,500	-2,500	-3,300	-1,000
Earmarked non-traditional properties	0	0	-100	-200	-100	-100	-100	0	0	0	0
Repayment of loan	0	0	0	0	0	10,000	0	10,000	0	0	10,406
Reserve C/fwd	-2,990	-6,790	-9,714	-12,446	-15,021	-7,539	-11,089	-4,991	-8,842	-13,447	-5,308

New Build Reserve

Capital Receipts B/fwd	-768	0	-478	-953	-1,322	-1,688	-2,000	-2,309	-2,511	-2,710	-2,910
New Build Expenditure - phase 1	1,180	0	0	0	0	0	0	0	0	0	0
Contribution to Reserve	-1,000	0	0	0	0	0	0	0	0	0	0
Easements	0	0	0	0	0	0	0	0	0	0	0
Feasibility / Other costs	13	0	0	0	0	0	0	0	0	0	0
Acquisitions - Alexander Road	219	0	0	0	0	0	0	0	0	0	0
Proposed Lullington Rd	583	0	0	0	0	0	0	0	0	0	0
Acquisitions - Rowley Court	910	0	0	0	0	0	0	0	0	0	0
HCA grant	-95	0	0	0	0	0	0	0	0	0	0
RTB Receipts in year	-636	-478	-475	-369	-366	-312	-309	-202	-199	-199	-199
Borrowing in year	-406	0	0	0	0	0	0	0	0	0	0
Balance c/fwd	0	-478	-953	-1,322	-1,688	-2,000	-2,309	-2,511	-2,710	-2,910	-3,109

CAPITAL EXPENDITURE & FINANCING JANUARY 2017

	Approved Budget 2016/17 £	Adjustments £	Total Budget 2016/17 £	Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £
COUNCIL HOUSING								
Major Improvements under Self-financing	2,445,000	0	2,445,000	1,500,000	1,543,000	1,588,000	1,635,000	1,683,000
Council New Build Programme Phase 1	1,180,000	0	1,180,000	0	0	0	0	0
Council New Build Phase 2 plus Acquisitions	2,700,000	-975,000	1,725,000	0	0	0	0	0
Major Disabled Facilities Grant (Council Houses MRA)	300,000	0	300,000	300,000	300,000	300,000	300,000	300,000
Minor Disabled facilities Grant (Council - HRA)	50,000	0	50,000	0	0	0	0	0

Total Expenditure

6,675,000	-975,000	5,700,000	1,800,000	1,843,000	1,888,000	1,935,000	1,983,000
------------------	-----------------	------------------	------------------	------------------	------------------	------------------	------------------

Major Repairs Reserve	2,795,000	0	2,795,000	1,800,000	1,843,000	1,888,000	1,935,000	1,983,000
Revenue Contribution	1,975,000	-975,000	1,000,000	0	0	0	0	0
Capital Receipts Reserve	1,404,000	0	1,404,000	0	0	0	0	0
HCA Grant	95,000	0	95,000	0	0	0	0	0
Loan	406,000	0	406,000	0	0	0	0	0

Total Funding

6,675,000	-975,000	5,700,000	1,800,000	1,843,000	1,888,000	1,935,000	1,983,000
------------------	-----------------	------------------	------------------	------------------	------------------	------------------	------------------

PRIVATE SECTOR HOUSING

Disabled Facility Grants and other Works	545,112	341,337	886,449	398,000	336,000	336,000	336,000	336,000
Decent Homes	70,464	0	70,464	0	0	0	0	0
Strategic Housing Market Assessment	40,000	-40,000	0	50,000	0	0	0	50,000
Private Sector Stock Condition Survey	0	0	0	0	60,000	0	0	0
Empty Property Landlord Grants	42,163	0	42,163	0	0	0	0	0

Page 62 of 70

Total Expenditure

697,739	301,337	999,076	448,000	396,000	336,000	336,000	386,000
----------------	----------------	----------------	----------------	----------------	----------------	----------------	----------------

External Contributions	70,464	0	70,464	0	0	0	0	0
General Fund	124,000	0	124,000	62,000	0	0	0	0
Derbyshire County Council	421,112	341,337	762,449	336,000	336,000	336,000	336,000	336,000
General Capital Receipts	82,163	-40,000	42,163	50,000	60,000	0	0	50,000
Total Funding	697,739	301,337	999,076	448,000	396,000	336,000	336,000	386,000

GENERAL FUND INVESTMENT PROGRAM

Swadlincote Woodlands Nature Reserve	37,000	-37,000	0	37,000	0	0	0	0
Rosliston Forestry Centre - Play Project	130,000	-130,000	0	130,000	0	0	0	0
Grove Active Zone/Cycling/Tennis	47,674	0	47,674	0	0	0	0	0
Community Partnership Scheme	177,211	-100,000	77,211	100,000	0	0	0	0
Melbourne Leisure Centre	75,000	-65,000	10,000	65,000	0	0	0	0
Melbourne Sports Partnership	1,187,473	-162,153	1,025,320	0	0	0	0	0
Town Hall	0	21,600	21,600	0	0	0	0	0
Table Tennis Tables	0	12,000	12,000	0	0	0	0	0
Save More Waste Less	0	127,610	127,610	0	0	0	0	0
Open Space Development Project	0	23,100	23,100	0	0	0	0	0
Swadlincote Heritage Opportunities project	177,097	-2,097	175,000	155,165	155,165	0	0	0
Total Expenditure - Community Projects	1,831,455	-311,940	1,519,515	487,165	155,165	0	0	0

National Forest	16,000	-16,000	0	16,000	0	0	0	0
Volunteer Time	6,000	-6,000	0	6,000	0	0	0	0
National Forest	80,000	-80,000	0	80,000	0	0	0	0
Earmarked Reserve	25,474	0	25,474	0	0	0	0	0
Councillor Contribution	500	0	500	0	0	0	0	0
Section 106	6,700	0	6,700	0	0	0	0	0
Sport England	15,000	0	15,000	0	0	0	0	0
Football Foundation	455,805	-203,741	252,064	0	0	0	0	0
Sport England	155,000	0	155,000	0	0	0	0	0
Rugby Football Union	20,000	-3,167	16,833	0	0	0	0	0
S106 Receipt	213,000	0	213,000	0	0	0	0	0
Revenue Contribution	0	2,200	2,200	0	0	0	0	0

Earmarked Reserve	0	25,430	25,430	0	0	0	0	0
Donations	0	17,125	17,125	0	0	0	0	0
Revenue Contribution	0	6,000	6,000	0	0	0	0	0
Earmarked Reserve	0	3,808	3,808	0	0	0	0	0
Lottery	0	11,792	11,792	0	0	0	0	0
Tesco	0	12,000	12,000	0	0	0	0	0
Hubbub	0	127,610	127,610	0	0	0	0	0
Friends of Newhall Park	0	23,100	23,100	0	0	0	0	0
Revenue Contribution	7,000	0	7,000	7,000	7,000	0	0	0
Earmarked Reserve	10,000	0	10,000	7,000	0	0	0	0
Derbyshire County Council	10,000	0	10,000	10,000	0	0	0	0
Heritage Lottery	150,097	-2,097	148,000	131,165	148,165	0	0	0
Capital Receipts Reserve	418,668	-65,000	353,668	65,000	0	0	0	0
General Fund	242,211	-165,000	77,211	165,000	0	0	0	0
Total Funding - Community Projects	1,831,455	-311,940	1,519,515	487,165	155,165	0	0	0

FIXED ASSETS

Vehicle Replacements	1,251,203	-1,251,203	0	1,521,203	270,000	270,000	270,000	270,000
New Depot	3,000,000	-2,990,000	10,000	0	0	0	0	0
William Nadin Way	0	11,000	11,000	0	0	0	0	0
Boardman Industrial Units	0	1,854,500	1,854,500	1,061,000	0	0	0	0
Repairs to Village Halls and Community Facilities	31,700	-31,700	0	31,700	0	0	0	0
Public Buildings - Planned Maintenance Programme	58,032	-58,032	0	58,032	0	0	0	0
Dellner Factory Premises	89,800	-49,800	40,000	49,800	0	0	0	0
Bretby Villa	47,000	-27,000	20,000	27,000	0	0	0	0
Chestnut Avenue, Midway	47,666	-37,666	10,000	37,666	0	0	0	0
Total Expenditure - Fixed Assets	4,525,401	-2,579,901	1,945,500	2,786,401	270,000	270,000	270,000	270,000
Capital Receipts Reserve	3,387,398	-1,501,898	1,885,500	1,438,398	250,000	0	0	0
Earmarked Reserve	1,071,003	-1,031,003	40,000	1,281,003	0	0	0	0
General Fund	67,000	-47,000	20,000	67,000	20,000	270,000	270,000	270,000

Total Funding - Fixed Assets

4,525,401	-2,579,901	1,945,500	2,786,401	270,000	270,000	270,000	270,000
------------------	-------------------	------------------	------------------	----------------	----------------	----------------	----------------

Total Expenditure - HRA	6,675,000	-975,000	5,700,000	1,800,000	1,843,000	1,888,000	1,935,000	1,983,000
Total Expenditure - GF	7,054,595	-2,590,504	4,464,091	3,721,566	821,165	606,000	606,000	656,000
	13,729,595	-3,565,504	10,164,091	5,521,566	2,664,165	2,494,000	2,541,000	2,639,000
Total Funding	13,729,595	-3,565,504	10,164,091	5,521,566	2,664,165	2,494,000	2,541,000	2,639,000

General Fund Contributions

Vehicle Replacements	20,000	-20,000	0	40,000	20,000	270,000	270,000	270,000
Swadlincote Woodlands Nature Reserve	15,000	-15,000	0	15,000	0	0	0	0
Rosliston Forestry Centre - Play Project	50,000	-50,000	0	50,000	0	0	0	0
Bretby Villa	47,000	-27,000	20,000	27,000	0	0	0	0
Community Partnership Scheme	177,211	-100,000	77,211	100,000	0	0	0	0
Disabled Facility Grants and other Works	124,000	0	124,000	62,000	0	0	0	0
	433,211	-212,000	221,211	294,000	20,000	270,000	270,000	270,000

General Capital Receipts - Contributions

Vehicle Replacements	250,000	-250,000	0	500,000	250,000	0	0	0
New Depot	3,000,000	-2,990,000	10,000	0	0	0	0	0
William Nadin Way	0	11,000	11,000	0	0	0	0	0
Boardman Industrial Units	0	1,854,500	1,854,500	1,061,000	0	0	0	0
Repairs to Village Halls and Community Facilities	31,700	-31,700	0	31,700	0	0	0	0
Public Buildings - Planned Maintenance Programme	58,032	-58,032	0	58,032	0	0	0	0
Chestnut Avenue, Midway	47,666	-37,666	10,000	37,666	0	0	0	0
Melbourne Sports Partnership	343,668	0	343,668	0	0	0	0	0
Melbourne Leisure Centre	75,000	-65,000	10,000	65,000	0	0	0	0
Empty Property Landlord Grants	42,163	0	42,163	0	0	0	0	0
Strategic Housing Market Assessment	40,000	-40,000	0	50,000	0	0	0	50,000
Private Sector Stock Condition Survey	0	0	0	0	60,000	0	0	0
	3,888,229	-1,606,898	2,281,331	1,803,398	310,000	0	0	50,000

ANALYSIS OF EARMARKED RESERVES

	Actual Balance b/fwd 1/4/16 £	Estimated Movement 2016/17 £	Estimated Movement 2017/18 £	Estimated Balance c/fwd 31/3/18 £
Specific / Earmarked Reserves - Council Funds				
Vehicle and Plant Replacement Fund	981,494	225,000	-750,000	456,494
Dilapidation Works - Factory Site per Lease Agreement	102,777	0	-50,000	52,777
IT Reserve	100,526	-50,000	25,000	75,526
Pensions Reserve	182,000	0	-43,231	138,769
Local Plan - Consultation and Implementation	50,941	-39,066	-11,875	0
Repton Parish (Former Depot proceeds)	33,049	0	0	33,049
Corporate Services Innovation Fund	81,666	0	-50,000	31,666
Rosliston Forestry Centre / Café	56,929	10,000	-25,000	41,929
Planning - Staffing and Support Costs	130,576	-106,319	-24,257	0
Facilities Development Fund	30,000	-15,000	-15,000	0
Civic Offices - Maintenance	32,000	-10,000	-22,000	0
Leisure Maintenance	5,000	-5,000	0	0
Corporate Training and Development Programme	19,775	-10,000	-9,775	0
Total - Specific / Earmarked Reserves - Council Funds	1,806,733	-385	-976,138	830,210
Specific Grants and Contributions				
Public Open Space - Commuted Sums	1,295,583	-93,141	-34,514	1,167,928
Youth Engagement Partnership	555,145	-117,575	-84,014	353,556
Schools Sport Partnership Project	185,298	-96,812	-84,598	3,888
Community Safety & Crime Reduction	342,392	-66,154	-67,975	208,263
Young People's Cultural Partnership / Arts Development	2,674	-1,778	0	896
Rosliston Business Units	10,719	-10,719	0	0
Get Active in the Forest Partnership	43,315	0	0	43,315
Environmental Education	20,783	-8,165	0	12,618
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	0	53,012
Swadlincote Woodlands - Section 106	50,774	0	0	50,774
Rosliston Forestry Centre - The Glade	35,892	0	-35,892	0
New Play Equipment and Safety Surfacing	26,007	0	-26,007	0
Maurice Lea Park NHLF Grant	23,012	0	-23,012	0
South Derbyshire Partnership Reserve	27,528	-15,000	0	12,528
Homelessness Prevention	150,794	-25,000	-35,000	90,794
Welfare Reform, Fraud and Compliance	159,000	-50,000	-75,000	34,000
Community Right to Bid	20,728	0	0	20,728
Community Right to Challenge	16,547	0	0	16,547
Property Records - Data sharing	7,131	0	0	7,131
Electoral Registration	38,401	-15,000	-23,401	0
Total - Specific Grants and Contributions	3,064,734	-499,344	-489,413	2,075,977
Section 106 - Earmarked Funds	2,869,000	-350,000	-500,000	2,019,000
TOTAL EARMARKED RESERVES	7,740,467	-849,729	-1,965,551	4,925,187

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	16th FEBRUARY 2017	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE AND CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (EXT 5811)	DOC:
SUBJECT:	COMMITTEE WORK PROGRAMME	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: G

1.0 Recommendations

1.1 That the Committee considers and approves the updated work programme.

2.0 Purpose of Report

2.1 The Committee is asked to consider the updated work programme.

3.0 Detail

3.1 Attached at Annexe 'A' is an updated work programme document. The Committee is asked to consider and review the content of this document.

4.0 Financial Implications

4.1 None arising directly from this report.

5.0 Background Papers

5.1 Work Programme.

**Finance and Management Committee – 1st December 2016
Work Programme 2016 onwards**

Work Programme Area	Date of Committee meetings	Contact Officer (Contact details)
Reports Previously Considered By Last 3 Committees		
Updated Medium Term Financial Position	13 th October 2016	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
A Review of the Local Council Tax Support Scheme	13 th October 2016	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Risk based Verification Framework for Housing Benefit	13 th October 2016	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Communications Strategy 2016 - 2021 and Internal Communications Strategy 2016 -18	1 st December 2016	Keith Bull Head of Communications (01283 228705)
Corporate Plan: Performance Monitoring 2016/17 Quarter 2	1 st December 2016	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Budget and Financial Monitoring 2016/17	1 st December 2016	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)

Compliments, Complaints and Freedom of Information Requests April to September 2016	1 st December 2016	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Service Base Budgets 2017/18	12 th January 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Budget 2017 (Incorporating Consolidated Base Budgets 2017/18 and the MTFP to 2022)	12 th January 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Provisional Programme of Reports To Be Considered by Committee		
Treasury Management Strategy and Prudential Indicators 2017/18	16 th February 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Final Budget Proposals 2017/18 and Financial Plan to 2022	16 th February 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Corporate Plan: Performance Monitoring 2016/17 Quarter 3	16 th March 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Corporate Plan: Review of Work Plan 2017/18	16 th March 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)

Budget and Financial Monitoring 2016/17	16 th March 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
--	-----------------------------	--