

Please ask for Democratic Services
Phone (01283) 595722 / 595848
Typetalk 18001
DX 23912 Swadlincote
democraticservices@south-derbys.gov.uk

Our Ref: DS
Your Ref:

6th February 2019

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber**, on **Thursday, 14 February 2019 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**

Councillor Harrison (Chairman), Councillor Watson (Vice-Chairman) and Councillors Billings, Mrs Coe, Dr Coyle, Ford, Hewlett, MacPherson and Smith

Labour Group

Councillors Rhind, Richards, Southerd and Taylor

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 following Meeting:

Finance and Management Committee 29th November 2018 Open Minutes **4 - 8**
- 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** COUNCIL TAX DISCOUNT: CARE LEAVERS **9 - 19**
- 8** FINAL BUDGET PROPOSALS 2019/2020 AND FINANCIAL PLAN TO 2024 **20 - 41**
- 9** TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2019/2020 **42 - 68**
- 10** PROPOSED LOCAL COUNCIL TAX REDUCTION SCHEME 2019/20 **69 - 73**
- 11** DISCRETIONARY BUSINESS RATES RELIEF **74 - 95**
- 12** CHURCH GRESLEY CEMETERY - LAYOUT CHANGES **96 - 101**
- 13** COMMITTEE WORK PROGRAMME **102 - 108**

Exclusion of the Public and Press:

- 14** 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.
- 15** To receive the Exempt Minutes of the following Meeting:
Finance and Management Committee 29th November 2018 Exempt Minutes
- 16** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 17** COMMUNITY SAFETY ENFORCEMENT OFFICER
- 18** DIRECT ACQUISITION OF COUNCIL HOUSING IN ASTON ON TRENT
- 19** SWADLINCOTE MARKET
- 20** RESTRUCTURE OF LEGAL AND DEMOCRATIC SERVICES (To be Circulated Separately)
- 21** SENIOR MANAGEMENT RESTRUCTURE: CONSULTATION
FEEDBACK (To be Circulated Separately)

FINANCE AND MANAGEMENT COMMITTEE

29th November 2018

PRESENT:-

Conservative Group

Councillor Harrison (Chairman) and Councillor Watson (Vice-Chairman) and Councillors Ford, Billings, Mrs Coe, Hewlett, Patten (substituting for Councillor Dr Coyle), and Pegg (substituting for Councillor Smith)

Labour Group

Councillors Rhind, Richards, Southerd and Taylor

FM/89 **APOLOGIES**

Apologies were received from Councillors MacPherson, Smith and Dr Coyle (Conservative Group).

FM/90 **MINUTES**

The Open Minutes of the Meetings held on 11th October 2018 were taken as read, approved as a true record and signed by the Chairman.

FM/91 **DECLARATIONS OF INTEREST**

Councillor Mrs Coe declared a pecuniary interest in Item 23 by virtue of being a Trustee of Sharpe's Pottery Heritage and Arts Trust advising that she would leave the Chamber whilst the Item was being discussed.

Councillor Mrs Patten declared a pecuniary interest in Item 23 by virtue of being a Trustee of Sharpe's Pottery Heritage and Arts Trust advising that she would leave the Chamber whilst the Item was being discussed.

FM/92 **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/93 **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/94 **REPORTS OF OVERVIEW AND SCRUTINY COMMITTEE**

The Committee was informed that no reports had been received.

MATTERS DELEGATED TO COMMITTEE

FM/95 **CORPORATE PLAN 2016-21: PERFORMANCE REPORT
(1 JULY – 30 SEPT 2018)**

The Strategic Director (Corporate Resources) presented the report to Committee, making particular reference to sickness absences and benefits processing as both not performing to targets due to longer term sickness rates and summer staff changes impacting on processing timescales.

Councillor Richards requested a review of how the figures are presented to the Committee in the future and the Strategic Director (Corporate Resources) noted the request.

RESOLVED:

1.1 The Committee considered the progress against performance targets set out in the Corporate Plan.

1.2 The Committee reviewed the Risk Register and Action Plan for the Committee's services.

FM/96 **BUDGET and FINANCIAL MONITORING 2018/19**

The Strategic Director (Corporate Resources) presented the report to Committee, drawing attention to the General Fund, which was generally on target. However a recent court ruling on Business Rates could negatively impact the budget, as well as the on-going increase in Right to Buy, which continue to be higher than forecast.

RESOLVED:

1.1 The Committee considered and approved the latest budget and financial position for 2018/19 as detailed in the report.

FM/97 **TREASURY MANAGEMENT UPDATE 2018/19**

The Strategic Director (Corporate Resources) presented the report to Committee, noting the report detailed the Council's ranking against other Local Authorities. The Council maintained a healthier credit score due to lower risk investments, but was achieving slightly lower interest rates.

RESOLVED:

1.1 The Committee considered and approved the latest Treasury Management Update for quarter 2 2018/19 as detailed in Appendix 1.

1.2 The Committee approved the updated Counterparty List for investments and bank deposits as detailed in Appendix 2.

FM/98 COMMENTS, COMPLIMENTS, COMPLAINTS & FREEDOM OF INFORMATION REQUESTS - 01 APRIL 2018 TO 30 SEPTEMBER 2018

The Strategic Director (Corporate Resources) presented the report to Committee, commenting complaints and compliments had increased during the previous six months. Freedom of Information requests had also continued to rise with over 100 additional requests received compared to the same period in 2017.

Councillor Richards queried if an analysis of the complaints received is available, especially to ascertain whether any trends could be established. The Strategic Director (Corporate Resources) responded to the query, noting the challenges of capturing such themes, but highlighting the frequency of complaints and compliments over the years have ebbed and flowed.

RESOLVED:

- 1.1 The Committee considered and noted the comments, compliments, complaints and FOI requests, as detailed in the report.***

FM/99 SUNDRY DEBT MANAGEMENT POLICY

The Strategic Director (Corporate Resources) presented the report to Committee, noting the overall policy applies only to Sundry Debt to help those collecting the debts by providing flexibility for staff in responding to those debtors who cannot, compare to will not pay.

The Chairman proposed an amendment to the Policy requesting that the line 'Credits less than £5.00 will not be refunded' be removed as it was felt that any monies owed should be refunded, regardless of value. The amendment was carried by the Committee.

RESOLVED:

- 1.1 The Committee approved the Sundry Debt Management, Recovery and Write-off Policy in Appendix 1 for implementation from 1st December 2018, with the deletion of the sentence 'Credits less than £5.00 will not be refunded' from Section 12 of the Policy.***
- 1.2 The Committee approved for an annual review of the Policy be undertaken and any significant changes are reported to this Committee.***

FM/99 LOCAL COUNCIL TAX REDUCTION SCHEME REGULATIONS

The Strategic Director (Corporate Resources) presented the report to Committee, outlining that it is at the discretion of the Committee to adopt the changes to the Local Scheme under the national benefit regulations.

The Chairman expressed to the Committee the existing regulations should be maintained without implementing a two child limit. Councillor Richards supported this view in light of child poverty levels.

The proposed amendment to maintain the status-quo was carried by the Committee.

RESOLVED:

1.1 The Committee resolved to maintain the current Local Council Tax Reduction Scheme Regulations (South Derbyshire) without placing a two child limit within the calculation of support

FM/100 **EQUALITIES POLICY STATEMENT AND CORPORATE EQUALITIES AND SAFEGUARDING GROUP TERMS OF REFERENCE**

The Strategic Director (Corporate Resources) presented the report to Committee, noting the updated Terms of Reference.

RESOLVED:

1.1 The Committee approved the updated Equalities Policy Statement.

1.2 The Committee approved the updated Terms of Reference for the Corporate Equalities and Safeguarding Group.

FM/102 **COMMITTEE WORK PROGRAMME**

RESOLVED:

The Committee considered and approved the updated work programme.

FM/103 **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 11th October 2018 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.

DIRECT ACQUISITION OF COUNCIL HOUSING AT CADLEY PARK

The Committee approved the recommendations in the report.

THE FUTURE OF BUILDING CONTROL – UPDATE

The Committee approved the recommendations in the report.

EXTENSION OF CONTRACT – PARKLIFE OFFICER (DS97)

The Committee approved the recommendations in the report.

REVIEW OF UNIT AND NEW POST OF STREET NAMING & LLPG OFFICER

The Committee approved the recommendations in the report.

DEBTS SUBMITTED FOR WRITE OFF

The Committee approved the recommendations in the report.

SHARPE'S POTTERY MUSEUM

The Committee approved the recommendations in the report.

A REVIEW OF THE COUNCIL'S MANAGEMENT STRUCTURE

The Committee unanimously approved the recommendations in the report.

The meeting terminated at 7:45pm.

COUNCILLOR J HARRISON

CHAIRMAN

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	14th FEBRUARY 2019	CATEGORY:
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	RECOMMENDED
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@southderbyshire.gov.uk	DOC: u/ks/council tax and precepts/council tax discounts and premiums/care leavers/council tax discounts care leavers Feb 2019
SUBJECT:	COUNCIL TAX DISCOUNT: CARE LEAVERS	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 12

1.0 Recommendations

- 1.1 That consideration be given to making a recommendation to Council for the exercise of a discretion under Section 13A (1) C of the Local Government Act 1992 to exempt by way of a discount Derbyshire County Council Care leavers from Council Tax.

2.0 Purpose of the Report

- 2.1 To consider an exemption/discount from Council Tax for Derbyshire County Council Care leavers to assist in their transition from care into adult life and mitigate their chances of falling into debt. The original proposal was considered by the Committee on 10 January 2019 [January Report](#).
- 2.2 A final decision on whether to grant an exemption was deferred pending the approach being taken at other Derbyshire authorities.

3.0 Detail

Introduction

- 3.1 A report by the Children's Society in 2016 found that when care leavers began to manage their own budgets for the first time they found the process extremely challenging owing to a lack of family support and prior experience of such matters. Further research found that around 57% of leavers had difficulty with money management and in avoiding debt when leaving care.
- 3.2 The Children and Social Work Act 2017 places corporate parenting responsibilities on district councils for the first time requiring them to have regard to children in care and care leavers when carrying out their functions.
- 3.3 Derbyshire County Council is already exercising its corporate parenting powers and has requested that district councils in Derbyshire give consideration to an exemption

from Council Tax for Derbyshire care leavers up to the age of 25, to help them move into adulthood without the added pressures of debt.

- 3.4 The County Council is unable to grant such an exemption/discount from Council Tax as this is a discretionary power at the behest of individual Billing Authorities under Section 13A (1)C of the Local Government Finance Act 1992.
- 3.5 A number of Billing Authorities, across the Country have already set up a variety of local discount/exemption schemes. However, except for Derby City Council, no other authority in Derbyshire has implemented a scheme. Similar to South Derbyshire, other district and borough councils in the County have been considering proposals.

Suggested Criteria

- 3.6 Key issues for consideration are around the technicalities of the scheme. In devising a scheme, it is recommended that the following criteria are considered:
- Should a maximum discount award apply after application of all other discounts and relief that may apply?
 - Eligibility. Does this apply solely to the care leaver only? What should the position be if the care leaver is in a shared household or is co-habiting?
 - Should eligibility run from date of occupation to the date of 25th birthday or from April to March following respectively?
 - Should the discount be restricted to the lower Council Tax Bands at say A, B and C, or equivalents?
 - What burden of proof is required? Should the application be supported by 'certificate' from County Council as to care status?
 - Should discounts only be backdated to 1 April of the year in which application is made
 - If a care leaver establishes permanent employment should the discount remain in place? It could possibly increase if Council Tax Support reduced because of earnings? Would this be fair to other groups or individuals?

Proposed Scheme

- 3.7 Based on the above criteria, a recommended scheme was laid out at the January meeting as detailed below:
- i) A care leaver is defined as a young person aged 18 to 25 who was formerly a child in the care of Derbyshire County Council and who then became a 'care leaver' as defined by The Children (Leaving Care) Act 2000 and is liable for Council Tax on a dwelling within the South Derbyshire District Council area. No reduction will be made for care leavers of other authorities living within the area.

- ii) Applications must be made by the Leaving Care Team, or equivalent, for and on behalf of the care leaver previously registered with Derbyshire County Council in the financial year immediately preceding their 18th birthday.
- iii) Applications may be backdated to 1 April in the year of application if the 18th birthday fell in the previous year.
- iv) Council Tax Discount will be awarded on a single property occupied as the sole or main residence in the District Council's area, from the date of the care leaver's 18th birthday until the day immediately preceding their 25th birthday, as follows:
 - a. Sole occupation by a care leaver of 100% of residual balance of Council Tax payable after the award of any other discount relief or exemption.
 - b. Where a care leaver is jointly liable a proportionate award will be made according to their individual circumstances, e.g. if there's one other occupier then a 50% discount will apply.
 - c. Where the care leaver is not liable for Council Tax no discount will apply.
- v) Discounts will be subject to annual review of eligibility which will include financial circumstances.
- vi) The Scheme may be varied or terminated on 12 months' notice on a decision by the Council

3.8 In principle, a scheme designed in accordance with the above criteria was welcomed. However, the Committee deferred a decision pending the approach being taken by other Derbyshire authorities.

Latest Position

3.9 In addition to South Derbyshire, out of the other 7 District/Borough Councils in the County, three have approved a scheme and are going through political sign-off, two are yet to make any decision and two have indicated that they may/will not be implementing a scheme at this stage. The three authorities, who are likely to implement a scheme, are adopting slightly different parameters.

3.10 In the meantime, Derbyshire authorities have been approached by Mr Terry Galloway, a former care leaver who, along with the Children's Society, is championing support for care leavers to manage their social and financial transition from care to independent living across the D2N2 region. Their letter and correspondence is attached in **Appendices 1 and 2**.

3.11 A county wide scheme has been created in Nottinghamshire.

The Local Care Offer

3.12 Under the Children and Social Care Act 2017, councils are required to produce what is known as a Local Offer for Care Leavers. This should provide information and support that is available to care leavers. The granting of a Council Tax discount is one facet of the wider support that could be made available.

4.0 Financial Implications

- 4.1 The cost of any discount granted under Section 13A of the Local Government Act 1992 is borne entirely by the Billing Authority, South Derbyshire District Council. It is not allocated to the Collection Fund.
- 4.2 The number of eligible care leavers and their individual circumstances is difficult to estimate and care leavers who become liable for Council Tax, may be subject to other discounts.
- 4.3 Operation of the Scheme has the potential to be cumbersome given the number of variables likely in the circumstances of individual care leavers.
- 4.4 Therefore, if a scheme is adopted it would need to be kept under review with case load and cost being reported to the Committee on a quarterly basis. The Council does have the option of terminating the Scheme by giving 12 months' notice under its discretionary powers.
- 4.5 In the meantime, if a scheme is adopted, it is recommended that a budget of £10,000 is set-aside in the General Fund to meet the cost. Depending on circumstances, this would support up to 10 to 12 cases per year.
- 4.6 Detailed guidelines and processes would be produced following Committee approval. Some minor changes may be necessary to computer system software.

5.0 Corporate Implications

Employment Implications

- 5.1 None

Legal Implications

- 5.2 None

Corporate Plan Implications

- 5.3 Adoption of a local discount scheme for care leavers would meet the key aim of *"Enabling People to Live Independently"* (PE 1)

Risk Implications

- 5.4 None

6.0 Community Impact

Consultation

- 6.1 None required.

Equality and Diversity Impact

- 6.2 The introduction of a local discount scheme may be seen as creating a precedent and generate applications from similar and possibly equally deserving groups.

Social Value Impact

- 6.3 Applying a Council Tax exemption would assist care leavers in their transition from care into adult life and mitigate their chances of falling into debt.

Environmental Sustainability

- 6.4 None

7.0 Background Papers

- 7.1 None



By email to: Terry Galloway
terrygalloway@myself.com

Wednesday 23 January 2019

Dear Sir/Madam

The Children's Society strongly encourage district councils to work together to develop their local offer for care leavers for the benefit of all care leavers across the county.

Whilst we acknowledge that there may be additional complexities in developing and delivering a local offer for care leavers shared across districts within a county, we see this as the best approach to ensure consistent and fair support to care leavers, irrespective of where they reside.

Across Derbyshire, The Children's Society estimate that there are 680 care leavers under the age of 25. The corporate parenting approach, set out in the Children and Social Work Act, applies to all of them; as does the provision to have access to the 'local offer' for care leavers.

The provision of the local offer for care leavers presents a fantastic opportunity for local authorities to come together, as corporate parents, to do best by the young people who have left their care but for whom they remain responsible. To work in isolation, does not recognise the reality of care leavers lives; with many living outside of their home authority in 'out of area' or 'distant' placements.

In their guidance, the Department for Education state:

'Some young people who were placed out of area while they were looked-after may wish to remain in that area once they leave care – for example, if they want to Stay Put with their former foster carer. In these circumstances, the well-established convention is that the 'placing' LA continues to meet any costs associated with their on-going support. The requirement to produce a local offer does not alter that long-standing approach and we would expect the local offer to apply equally to those young people.'

'We think there may also be situations where LAs could consider opening up some elements of their local offer to care leavers who are living in their area but who have been placed there, and are supported, by another LA.

Reflecting on the above, there is a strong case for ensuring that the offer across the county applies equally, as opposed to having eight separate offers with different entitlements. Clearly, no care leaver who was initially looked after because of a decision taken by Derbyshire County Council should expect to receive a different level of support because of the District they reside in.

Page 14 of 108

The offer must consider the following in relation to care leavers: health and wellbeing, relationships, education and training, employment, accommodation and participation in society. The offer must be developed in consultation with care leavers and be available in a format accessible to them. The Children's Society recommend that the local offer for care leavers be developed with relevant local partners and is owned by Chief Executives.

We would always encourage local authorities to consider how their measures include the widest possible range of care leavers, including relevant and former relevant children, and unaccompanied and separated young people within the care of the local authority.

The Department for Education and The Children's Society have both produced guidance setting out the expectations of local authorities. These pieces of guidance are both available online.

The Children's Society are happy to provide advice and guidance as required to support the development of a joint local offer for care leavers across the county.

Yours faithfully,



Matthew Hussey
Public Affairs Manager

Terry Galloway

Care Leavers' Council Tax Reduction and
Introduction to the Care Leaver Offer

1. Introduction

This is adapted for the Chief Executives meeting of the District and Borough Councils in the County of Derbyshire by Terry Galloway a Care Leaver, a campaigner and Business owner in Nottinghamshire.

Your Councils have discretion to reduce the council tax of any persons you see fit. This discretion is allowed by section 13A(1)(c) of the Local Government Finance Act 1992.

And your councils now have Corporate Parenting responsibilities by virtue of the Children and Social Care Act 2017 where you are required to produce what is known as a “Local Offer for Care Leavers” which is designed to help support care leavers manage their social and financial transition from local authority care to independent living.

I have been working to produce a single offer across the D2N2 region and have successfully created a Joint offer across all 7 District and Borough Councils in Nottinghamshire. This is now going through the political sign off in each council and is scheduled to be published in March 2019.

The Local Offer for Care Leavers has the following themes;

- (a) health and well-being;*
- (b) relationships;*
- (c) education and training;*
- (d) employment;*
- (e) accommodation;*
- (f) participation in society.*

I am offering to share our learning across all your departments, to give you my insight and to ask that you adopt my Council Tax Exemption for Care Leavers proposal as the first step towards a joint Local Offer for Care Leavers in Derbyshire.

Where you adopt the Council Tax Exemption proposal we can work with your revenues managers so that there is consistency across the County by sharing reports, research and processes we have already developed.

In Nottinghamshire we created the first County Wide Council Tax Exemption for Care Leavers in 2018.

The wider offer requires sub meetings in each theme. And our first meeting of all Derbyshire Housing departments is on 25 February 2019.

2. Council Tax Exemption for Care Leavers and Local Care Leaver Offer

- 2.1 I ask that you aim to have the following Council Tax Exemption Reduction Scheme for Care Leavers in place in your individual councils by 1st April 2019.
- 2.2 That you preserve the stated definitions of Care Leavers in this document.
- 2.3 That you support the creation of a Joint Local Offer for Care Leavers across the 8 Districts and Boroughs of Derbyshire.
- 2.4 That you accept an agenda item each month to your Chief Executives meeting where you will be provided a progress brief on the development of the Local Care Leaver Offer in Derbyshire.

A. Who is eligible for council tax reduction?

For the purposes of this guidance, a care leaver is defined as a person aged between 16 and 25, who is currently resident in the Borough or District with a council tax liability and:

- i. has been in the care of a local authority (looked after) for a period, or cumulative periods equalling at least 13 weeks since the age of 14 and which ended on or after their 16th birthday, or;
- ii. is aged between 16 and 21 and with respect to whom a guardianship order is in force (or was in force on their 18th birthday) and was looked after immediately before the making of that order, or;
- iii. at any time after their 16th birthday but before their 18th birthday, was, but no longer is, looked after, accommodated or fostered.

This definition incorporates the statutory definitions of “former relevant child” and “qualifying care leaver” as defined in the Children Act 1989.

B. How will council tax reduction be applied?

The council tax reduction will take effect from 1st April 2019. Care leavers who become responsible for council tax after this date will be granted a reduction from the date their council tax liability begins.

Care leavers who are liable for council tax on 1st April 2019 will be granted a reduction from 1st April 2019. The reduction will be awarded after all other relevant discounts, reductions and exemptions to the council tax liability have been awarded.

Where the reduction is awarded, it will remain in place until the care leaver reaches the age of 25 years (the care leaver's 25th birthday) or ceases to be liable for the council tax, whichever date occurs first. In these circumstances, the bill will be apportioned.

Where a reduction has been awarded, a council tax bill will be issued showing the detail of the reduction. If a request for reduction is refused, a letter will be issued detailing the reasons for the refusal.

C. How much council tax reduction will be applied?

Where a care leaver has a liability for council tax, the reduction in that liability will be up to 100%.

The amount of reduction awarded will be the relevant amount (after all other discounts, reductions and exemptions) required to reduce the care leaver's council tax liability amount to zero.

If, subsequent to an award, the care leaver's liability for council tax reduces during the period of the award, for example if the care leaver becomes entitled to a single person discount, the care leaver's reduction will be amended to ensure the award does not exceed the care leaver's council tax liability for the period.

Where there is a shared liability for council tax, the reduction will only be paid to cover the share for which the care leaver would be liable.

D. Right of appeal

Under section 16 of the Local Government Finance Act 1992, a person applying for a reduction in council tax who is not happy with the decision of the Council may appeal the decision.

This appeal in the first instance should be made to the Council's Revenues and Welfare Support Service. If after this the person making the request for reduction is still not satisfied, they may then make an appeal to the Valuation Tribunal for England (VTE).

The VTE is an independent body which adjudicates between taxpayers and the Council. Appeals to the VTE must be made directly to the VTE.

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	14th FEBRUARY 2019	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2018-19/Feb19
SUBJECT:	FINAL BUDGET PROPOSALS 2019/2020 and FINANCIAL PLAN to 2024	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That a Council Tax increase for 2019/20 is recommended to Full Council on 27th February 2019.
- 1.2 That estimated net General Fund Revenue Expenditure totalling £13,023,967 for 2019/20 is recommended to Full Council on 27th February 2019.
- 1.3 That the Medium-term Financial Plan to 2024 on the Council's General Fund Revenue Account as detailed in **Appendix 1** is approved.
- 1.4 That the Financial Plan for the Housing Revenue Account (HRA) to 2029 as detailed in **Appendix 2** is approved.
- 1.5 That the 5-year capital investment and financing plan to 2024 as detailed in **Appendix 3** is approved.
- 1.6 That the Council's National Non-Domestic Rate Return (NNDR 1) for 2019/20, showing retained business rates of £10,515,933 for 2019/20 and £13,123,996 for 2018/19 is noted.
- 1.7 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 2019/20 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 2019/20 by Full Council on 27th February 2019. The Committee is required to recommend to Council a level of Council Tax for 2019/20.
- 2.3 The Council's proposed base budget for 2019/20 and projected medium-term financial position was reported in detail to the Committee on 10th January 2019 (details are available at: [CMIS - F&M Committee](#))
- 2.4 This report does not repeat those details but firms up the position following a period of public 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 8th January 2019 (details are available at: [CMIS - HCS Committee](#))
- 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 2019/20. This took account of the Provisional Local Government Finance Settlement for 2019/20, together with proposals contained in the Service Base Budgets for 2019/20.
- 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 Jan 2019

	Budget Deficit / Surplus (-) £	Earmarked against Reserve £	Balance of General Reserve £
Base Budget 2018/19	-831,697	1,835,323	-9,040,105
Projection 2019/20	430,506	791,519	-7,818,081
Projection 2020/21	701,719	361,206	-6,755,156
Projection 2021/22	893,964	358,878	-5,502,314
Projection 2022/23	1,133,774	356,411	-4,012,129
Projection 2023/24	1,524,972	399,217	-2,097,441

Updates Since January

- Further review of the proposed Senior Management restructure has been undertaken and an additional £125,458 has been added to expenditure over the five year plan. The detail regarding the changes to the total estimated cost of the restructure are included within a separate report to this Committee on agenda item 21.
- The restructure of Legal and Democratic Services approved in January 2019 and an update to the roles within the Business and Systems team approved in November 2018 have been included within the base expenditure. The additional cost of these changes is £379,809 over the five year plan.
- Grant payments and Parish Concurrent Expenses have been uplifted by 2% as approved in January and have been included at a cost of £77,950 in the base budget over the five year plan.
- No other major changes to service base budgets have been identified since those reported in January.

The Final Financial Settlement for Local Government

Business Rates

- 3.3 The Council has included amounts from retained Business Rates in its medium-term financial projections. Each year, the Council is required to submit estimated figures to the Government through an annual return (*NDR1*) by 31st January.
- 3.4 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 2019/20, the distributable amounts are estimated as shown in the following table with comparisons to 2018/19.

	2019/20 £	2018/19 £
Central Government	13,683,552	-381,914
South Derbyshire District Council	10,515,933	13,123,996
Derbyshire County Council	1,951,366	13,002,657
Derbyshire Fire Authority	263,229	259,125
Total Estimated Income	26,414,080	26,003,864

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

- 3.5 The change in funding between 2018/19 and 2019/20 is due to the Derbyshire Business Rates Pilot where all rates are maintained with each authority in 2018/19. In 2019/20, approximately 50% of rates collected are due to the Government under the Pooling System which will be re-continued following the one year Pilot.
- 3.6 It should be noted that the Council's actual amount is netted down to approximately £4.9 million (from £13.1 million) in 2018/19 and to £3.5m (from £10.5 million) in 2019/20. This is due to the Levy payment as part of the redistribution system. It also

allows for the share of the current deficit on the Business Rates Collection Fund as previously reported. The increase for the Council in 2018/19 includes an amount of £1m previously set-aside in the MTFP for Economic Regeneration in accordance with the Pilot Agreement with the Government. These net amounts are those included in the MTFP for 2018/19 and 2019/20.

- 3.7 It is not intended to change the current assumptions and forecasted amounts in the MTFP from that reported in January at this stage. It is likely that the actual income will increase, but given the uncertainty surrounding outstanding appeals and in particular the rating of cash machines, it is considered prudent to maintain the original forecasts and keep the position under review.

New Homes Bonus (NHB)

- 3.8 The allocation of NHB was published within the main financial settlement. The Government has not amended the funding formula for 2019/20 allocations.
- 3.9 The growth baseline set at 0.4% by the Government for 2018/19 has remained unchanged for 2019/20 allocations. This is subject to annual review depending on any significant changes to annual growth.
- 3.10 An additional £1.5m income was included within the MTFP in January over the four year period from 2019/20 to 2022/23. The total allocation for 2019/20 is £3.2m and includes on-going amounts from previous years. The allocation specific to 2019/20 is £1.1m and is based on an average Band D national rate of £1,671 per property.

Updated Projection

- 3.11 The updated MTFP is detailed in **Appendix 1**. This includes the effects of the changes detailed in the above sections.
- 3.12 All other budgets and forward projections remain unchanged from that reported in January. The updated position is summarised in the following table.

General Fund: Medium-Term Projection as at Feb 2019

	Budget Deficit / Surplus (-) £	Earmarked against Reserve £	Balance of General Reserve £
Base Budget 2018/19	-832,258	1,835,323	-9,040,666
Projection 2019/20	622,044	791,519	-7,627,103
Projection 2020/21	800,747	361,206	-6,465,150
Projection 2021/22	900,377	358,878	-5,205,895
Projection 2022/23	1,149,301	356,411	-3,700,183
Projection 2023/24	1,792,741	393,217	-1,514,225

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

Financial Risks

- 3.14 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 2019/20

- 3.15 The Base Budget for 2019/20 includes a proposed increase in Council Tax of 1.95%. As usual, the Committee are required to recommend the level of Council Tax for 2019/20 to the Full Council on 27th February 2019.
- 3.16 The Band D Tax for 2018/19 is £159.21. The 1.95% increase in the MTFP will raise Band D to £162.31, an increase of £3.10 in 2019/20.
- 3.17 The Council has the flexibility to increase Council Tax by 3% or £5 at Band D, whichever is the higher, without triggering a local referendum. A £5 increase would raise Band D to £164.21, equivalent to 3.1%.

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 8th January 2019. This included reducing rents by 1% for council tenants in 2019/20 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:

[CMIS - HCS Committee](#)

The Position Entering the 2019/20 Budget Round

- 4.3 The position reported in October 2018, estimated a surplus on the HRA in 2019/20 of £159k, increasing the HRA's General Reserve to approximately £5.2m.
- 4.4 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 at that time.

HRA Financial Plan as at February 2019

- 4.5 Following a review of the Base Budget, the overall surplus is now estimated at £150k for 2019/20 which is only a small reduction of £9k to that previously forecast.
- 4.6 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 a small increase in the estimated surpluses going forward. This is due mainly to the reduction of depreciation charges.

- 4.7 Overall, the Plan shows a sustainable position and is forecast to make surpluses as planned each year over the 10 year period.

HRA Financial Risks

- 4.8 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	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. Beyond this, it has been confirmed that rents will again be allowed to rise and will return to the inflation-linked formula of cpi + 1%. Clearly, the HRA is dependent on rental income (currently £11.9m 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.
Right to Buys	A moderate decrease in current properties from sales continues to be built into the Financial Plan and this reflects the current level of sales. The main risk relates to a sudden surge in sales; although this will generate capital, the loss in on-going rental income could have a much more adverse impact on the HRA.
Supporting People Grant	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. The Telecare and Floating Support Services are currently being reviewed by the County Council and this is being monitored by the Housing and Community Services Committee.
Impairment	This relates to an accounting adjustment but any impact currently would not affect the HRA, although the issue is periodically reviewed to bring local authorities into line with other organisations in accordance with International Reporting Standards. 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 which would be charged to the HRA.
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)	UC was implemented for all new claims in South Derbyshire in November 2018. Although there has been some effect on rent arrears, at present it is not material. The HRA Budget includes an annual provision of £100,000 as a contingency should rent arrears increase significantly for those tenants on UC and this is kept under review. In addition, support and advice is available to tenants to help prevent them from falling into arrears.

Future Spending

- 4.9 Although the Financial Plan for the HRA appears sustainable, there are still several risks that could impact on the longer-term projection (as highlighted above), so it is important that any future spending decisions are fully analysed for their affordability and the effect upon the longer-term Financial Plan.
- 4.10 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 acquisition of vehicles.
- 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 to this Committee on agenda item 8.

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 together with their drawdown to finance capital projects is detailed in Appendix 2. A summary is shown in the following table.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
General Capital Receipts	£	£	£	£	£	£
B/fwd 1st April 2018	-505,845	-1,031,053	-1,291,321	-1,291,321	-1,291,321	-1,291,321
Less: Capital Drawdowns	265,752	139,732	0	0	0	110,000
Capital Receipts - Staley Close	-500,000	0	0	0	0	0
Capital Receipts - Oversetts Road	-290,960	0	0	0	0	0
Capital Receipts - Old Depot Site	0	-400,000	0	0	0	0
C/fwd 31st March 2019	-1,031,053	-1,291,321	-1,291,321	-1,291,321	-1,291,321	-1,181,321

- 5.7 It is likely that the Council will receive some additional receipts which are pending (but not finalised) from further land sales. The current balance includes approximately £3/4m received in 2017/18 from the development of the Chestnut Avenue Recreation Ground and associated land sales.

- 5.8 No prior investment commitments have been made against any of these additional receipts.

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 Strategic Director (Corporate Resources) 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 10th January 2019, 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 continue to be set-aside for "Growth" to provide on-going investment to meet additional demand on services.
- 6.5 The Budget for 2019/20 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, 2019 to 2024.

Projected Level of Reserves

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
ESTIMATED USABLE RESERVES	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserve	9,041	7,627	6,465	5,206	3,700	1,514
Earmarked Reserves	9,677	9,480	9,881	10,281	10,681	11,056
Capital Receipts and Grants	2,172	2,012	1,932	1,852	1,772	1,692
General Fund Reserves	20,890	19,119	18,278	17,339	16,153	14,262
HRA General reserve	5,340	5,290	5,238	3,695	2,125	1,007
Earmarked Reserve	10	55	100	145	190	235
Capital Reserves - incl New Build	5,187	6,714	8,038	9,204	10,367	10,973
Debt Repayment Reserve	5,046	6,470	8,018	1,499	5,674	0
HRA Reserves	15,583	18,529	21,394	14,543	18,356	12,215
TOTAL USABLE RESERVES	36,473	37,648	39,672	31,882	34,509	26,477

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 £1.5m on the General Fund and £1m on the Housing Revenue Account. 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 £1.5m and is forecast to remain just above the minimum level of £1.5m by 2023/24.

6.12 Although the General Fund is forecast to achieve a budget surplus for 2018/19 based on current projections, annual deficits are then forecast from 2019/20.

6.13 These 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. The annual budget deficits are projected to be significant from 2019/20 onwards.

6.15 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. Effectively, the current base budget remains unsustainable in the medium-term based on current projections.

6.16 However, a provision for certain cost pressures and potential risks have prudently been included in the MTFP. In addition, it is likely that income from the New Homes Bonus and the increasing Council Tax Base will exceed projections, although this cannot be guaranteed and prudent estimates continue to be made for future years.

6.17 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.

6.18 Therefore, it is recommended that the Council continues to pursue efficiencies and budget savings where opportunities arise to sustain the financial position.

Housing Revenue Account (HRA)

6.19 The financial position has improved and the HRA is forecast to remain sustainable based on current budgets and service levels. This will allow the existing minimum reserve balance of £1m to be maintained and ensure that sufficient amounts are set-aside to repay debt.

6.20 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. It has been confirmed that rent increases will return to the former calculation of CPI + 1% beyond 2020 and this should help to sustain the HRA if this policy is implemented.

6.21 It is considered that the HRA is financially sustainable over the longer-term but should be kept under review and measures identified to mitigate the financial risks as detailed in the report.

Earmarked Reserves

6.22 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.

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

6.24 A list of all revenue reserves and funds is detailed in **Appendix 4** showing current balances. A review and update regarding the use of these reserves was approved by the Council in October 2018.

Risk Analysis

6.25 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 following the Government's Fair Funding Review.	<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.	High 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.

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. 	Medium Only 11% of the Council Tax yield is transferred to the Council's General Fund.
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 planning forecasts are less than actuals. Separate Growth Provision established in the MTFP, which is set-aside to meet future demand. Future budgets for planning, land charges income, etc. are currently within actual levels for 2018/19. 	High This could affect the MTFP either way. Growth is a determining factor for the Council's income and expenditure which could vary compared to that forecast.
Budget Overspend	<ul style="list-style-type: none"> Unexpected costs. There are on-going cost pressures, for example, maintenance of assets, as identified in the Base Budget review for 2019/20. 	<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 	<ul style="list-style-type: none"> Inflation provision for price increases across 	Low

	costs such as fuel and utilities. <ul style="list-style-type: none"> • Interest rates affect investment returns and debt payments. 	these key areas. <ul style="list-style-type: none"> • 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 and not reliant on interest rates increasing. 	
Welfare Reform	<ul style="list-style-type: none"> • In particular the implementation of Universal credit. Evidence suggests that this could lead to more Council tenants failing to pay rent. 	<ul style="list-style-type: none"> • Additional provision is made in the HRA for rent arrears. • Current incidence of arrears is relatively low and the full roll-out of Universal Credit is still some years away. 	Medium

Consultation and Provision of Information

6.26 The information and broad budget proposals, together with details on where the Council spends its money and how it is financed, will have been presented across the District by the date of the meeting. This also explained the challenges that the Council faces over the medium-term and how the Council is addressing these.

6.27 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 30th January 2019.

6.28 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.

6.29 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 16th January and 13th February 2019, together with the South Derbyshire Partnership on 30th January 2019.

7.0 Financial Implications

7.1 As detailed in the report.

8.0 Corporate Implications

Employment Implications

8.1 None.

Legal Implications

8.2 None.

Corporate Plan Implications

8.3 The proposed budgets and MTFP help to ensure that the Council maintains financial health, which is a key aim in the Corporate Plan.

Risk Impact

8.4 The Financial Risk Register is detailed in the report.

9.0 Community Impact

Consultation

9.1 As detailed in the report, the budget proposals were disseminated through Local Area Forums and separate consultation was undertaken with the local business community.

Equality and Diversity Impact

9.2 None.

Social Value Impact

9.3 None.

Environmental Sustainability

9.4 None.

10.0 Background Papers

10.1 None.

GENERAL FUND MEDIUM TERM FINANCIAL PLAN

BUDGET & PROJECTION as at FEBRUARY 2019

	Approved Budget £ 2018.19	Proposed Budget £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23	Projection £ 2023.24
BASE BUDGET						
Environmental & Development	4,290,775	4,551,034	4,714,311	4,853,095	4,995,579	5,142,273
Housing & Community	2,643,680	2,906,607	3,112,887	3,171,181	3,229,208	3,300,409
Finance & Management	5,075,571	5,175,747	5,343,821	5,513,882	5,686,310	5,861,471
Net Service Expenditure	12,010,026	12,633,388	13,171,020	13,538,157	13,911,097	14,304,153
Accounting Adjustments						
Reverse out Depreciation	-871,666	-842,289	-842,289	-842,289	-842,289	-842,289
Minimum Revenue Provision (MRP)	205,634	197,409	189,512	181,932	174,654	167,668
Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone)	131,226	131,226	131,226	75,891	20,556	20,556
	11,475,220	12,119,734	12,649,469	12,953,691	13,264,018	13,650,087
Add: Known Variations						
Planning Review	-7,443	0	0	0	0	0
Restructures (approved August 2018)	28,742	0	0	0	0	0
Rosliston Management Arrangements (approved August 2018)	27,067	0	0	0	0	0
Additional Grants Approved November 18	7,500	3,000	3,000	3,000	3,000	3,000
Review of Business & Systems Unit (approved November 2018)	1,925	8,447	9,347	10,249	10,249	10,249
Restructure of Legal & Democratic Services (approved January 2019)	0	59,072	62,664	65,959	70,824	70,824
Grants & Concurrent Functions 2% Uplift (approved January 2019)	0	15,590	15,590	15,590	15,590	15,590
Proposed Senior Management Restructure	0	187,548	205,713	224,054	229,656	235,397
Proposed Senior Management Restructure - One-Off Costs Provision	38,716	20,576	21,090	21,618	0	0
Vehicle Maintenance Plan	0	0	17,000	15,000	38,000	35,000
Local Plan	0	0	25,000	40,000	40,000	25,000
Incremental Salary Increases	0	0	48,035	20,610	8,843	8,843
Apprenticeship Levy	31,377	0	0	0	0	0
Costs of Rateable Value finder	100,000	0	0	0	0	0
Temporary Posts, Rosliston and Elections Updates	0	0	-321,245	-325,920	-330,813	-323,768
Potential Cost of New Waste Disposal Site	0	0	27,089	47,400	49,770	52,259
Potential Loss of Industrial Unit Income	0	0	190,000	190,000	190,000	190,000
District Election May 2023	0	0	0	0	0	125,000
TOTAL ESTIMATED SPENDING	11,703,104	12,413,967	12,952,753	13,281,251	13,589,136	14,097,480

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at FEBRUARY 2019

	Approved Budget £ 2018.19	Proposed Budget £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23	Projection £ 2023.24
Provisions						
Provision for Employer's NIC on "off-payroll" payments	10,000	10,000	10,000	10,000	10,000	10,000
Contingent Sum - Growth	315,000	500,000	500,000	500,000	500,000	475,000
Waste and Recycling	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL PROJECTED SPENDING	12,128,104	13,023,967	13,562,753	13,891,251	14,199,136	14,682,480
FINANCING						
Business Rates Retention	-4,985,318	-3,584,572	-3,600,110	-3,614,345	-3,627,200	-3,638,600
Discretionary Business Rate Relief Scheme	-49,000	-20,000	-3,000	0	0	0
New Homes Bonus	-2,701,973	-3,281,951	-3,481,639	-3,476,015	-3,292,293	-2,884,231
Council Tax Income	-5,169,071	-5,405,401	-5,622,257	-5,845,514	-6,075,342	-6,311,909
Core Spending Power	-12,905,362	-12,291,923	-12,707,005	-12,935,874	-12,994,835	-12,834,740
Add Estimated Collection Fund Surplus - Council Tax	-55,000	-110,000	-55,000	-55,000	-55,000	-55,000
TOTAL FINANCING	-12,960,362	-12,401,923	-12,762,005	-12,990,874	-13,049,835	-12,889,740
General Fund yearly Surplus (-) / Deficit	-832,258	622,044	800,747	900,377	1,149,301	1,792,741
GENERAL FUND RESERVE BALANCE						
Balance b/fwd	-10,043,731	-9,040,666	-7,627,103	-6,465,150	-5,205,894	-3,700,182
General Fund Yearly Surplus (-) / Deficit (as above)	-832,258	622,044	800,747	900,377	1,149,301	1,792,741
MSP additional funding	50,000	400,000	0	0	0	0
NNDR Earmarked for Economic Development	1,000,000	0	0	0	0	0
Purchase of Town Centre Land	44,335	0	0	0	0	0
Community Partnership Scheme	250,000	0	0	0	0	0
General Fund Capital Bids Remaining	90,988	0	0	0	0	0
Pension Earmarked Reserve Drawdown	0	-8,481	-38,794	-41,122	-43,589	-6,783
Contribution to Asset Replacement Fund	400,000	400,000	400,000	400,000	400,000	400,000
Balance c/fwd	-9,040,666	-7,627,103	-6,465,150	-5,205,894	-3,700,182	-1,514,225

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - FEBRUARY 2019

	2018.19 Approved Budget £'000	2019.20 Proposed Budget £'000	2020.21 Forecast £'000	2021.22 Forecast £'000	2022.23 Forecast £'000	2023.24 Forecast £'000	2024.25 Forecast £'000	2025.26 Forecast £'000	2026.27 Forecast £'000	2027.28 Forecast £'000	2028.29 Forecast £'000
INCOME											
Rental Income	-12,201	-11,955	-12,204	-12,437	-12,743	-13,062	-13,396	-13,738	-14,093	-14,463	-14,842
Non-Dwelling Income	-121	-124	-126	-129	-133	-136	-140	-144	-148	-152	-156
Supporting People Grant	-164	-164	-164	-164	-164	-164	-164	-164	-164	-164	-164
Other Income	-175	-171	-171	-171	-171	-171	-171	-171	-171	-171	-171
Total Income	-12,661	-12,414	-12,665	-12,901	-13,211	-13,533	-13,871	-14,217	-14,576	-14,950	-15,333
EXPENDITURE											
General Management	1,942	1,880	1,923	1,967	2,013	2,059	2,107	2,155	2,205	2,256	2,308
Supporting People	795	829	851	873	897	921	947	973	1,000	1,029	1,059
Responsive	1,283	1,247	1,278	1,309	1,341	1,374	1,408	1,443	1,479	1,515	1,552
Planned Maintenance	1,860	1,915	1,961	2,009	2,059	2,109	2,160	2,213	2,267	2,322	2,379
Bad Debt Provision	100	100	122	124	127	130	133	137	140	144	148
Interest Payable & Receivable	1,798	1,798	1,798	1,798	1,498	1,498	1,228	1,228	1,228	927	928
Depreciation	4,535	4,312	4,483	4,464	4,445	4,430	4,416	4,401	4,390	4,378	4,367
Net Operating Income	-348	-333	-249	-357	-831	-1,012	-1,472	-1,667	-1,867	-2,378	-2,592
Known variations:											
Reversal of Depreciation	-4,535	-4,312	-4,483	-4,464	-4,445	-4,430	-4,416	-4,401	-4,390	-4,378	-4,367
Capital Expenditure	1,543	1,888	1,935	1,683	1,470	1,433	1,477	1,516	1,547	1,182	1,261
Disabled Adaptations	300	300	300	300	300	300	300	300	300	300	300
Asbestos and Health & Safety Surveys	100	100	100	100	100	100	100	100	100	100	100
Debt Repayment	1,992	1,424	1,548	1,781	1,975	2,297	1,939	1,885	1,843	2,196	2,106
Major Repairs Reserve	600	700	600	600	600	300	600	600	600	600	600
Asset Replacement Earmarked Reserve	45	45	45	45	45	45	45	45	45	45	45

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - FEBRUARY 2019

	2018.19 Approved Budget £'000	2019.20 Forecast £'000	2020.21 Forecast £'000	2021.22 Forecast £'000	2022.23 Forecast £'000	2023.24 Forecast £'000	2024.25 Forecast £'000	2025.26 Forecast £'000	2026.27 Forecast £'000	2027.28 Forecast £'000	2028.29 Forecast £'000
Apprenticeship Levy	6	0	0	0	0	0	0	0	0	0	0
ICT Upgrades	0	0	105	0	0	0	0	0	0	0	0
Senior Management Restructure	0	33	36	40	41	42	42	42	42	42	42
Job Evaluation On-going Support Costs	5	5	5	5	5	5	5	5	5	5	6
Incremental Salary Increases	0	0	10	10	10	10	10	10	10	10	11
HRA Surplus (-) / Deficit	-293	-150	-48	-258	-730	-910	-1,370	-1,565	-1,764	-2,276	-2,489
HRA General Reserve											
HRA Reserve B/fwd	-5,147	-5,340	-5,290	-5,238	-3,695	-2,125	-1,007	-1,026	-1,141	-1,372	-3,398
(Surplus) / Deficit for year	-293	-150	-48	-258	-730	-910	-1,370	-1,565	-1,764	-2,276	-2,489
Earmarked non-traditional properties	100	200	100	100	100	0	0	0	0	0	0
Transfer to Debt Repayment Reserve	0	0	0	1,700	2,200	2,029	1,350	1,450	1,533	250	500
HRA Reserve C/fwd	-5,340	-5,290	-5,238	-3,695	-2,125	-1,007	-1,026	-1,141	-1,372	-3,398	-5,388
RESERVES											
Debt Repayment Reserve											
Balance B/fwd	-3,054	-5,046	-6,470	-8,018	-1,499	-5,674	0	-3,339	-6,674	0	-2,446
Depreciation balance	-1,992	-1,424	-1,548	-1,781	-1,975	-2,297	-1,939	-1,885	-1,843	-2,196	-2,106
Transfers to reserve	0	0	0	-1,700	-2,200	-2,029	-1,400	-1,450	-1,483	-250	-500
Repayment of loan	0	0	0	10,000	0	10,000	0	0	10,000	0	0
Reserve C/fwd	-5,046	-6,470	-8,018	-1,499	-5,674	0	-3,339	-6,674	0	-2,446	-5,052

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - FEBRUARY 2019

	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28	2028.29
	Approved Budget £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000
Earmarked Reserve											
Balance B/fwd	-215	-10	-55	-100	-145	-190	-235	-10	-55	-100	-145
Transfers to reserve	-45	-45	-45	-45	-45	-45	-45	-45	-45	-45	-45
Asset Replacement	250	0	0	0	0	0	270	0	0	0	0
Reserve C/fwd	-10	-55	-100	-145	-190	-235	-10	-55	-100	-145	-190
Major Repairs Reserve											
Balance B/fwd	-2,754	-3,454	-4,354	-5,054	-5,754	-6,454	-6,754	-7,354	-7,954	-8,554	-9,154
Transfers to reserve	-600	-700	-600	-600	-600	-300	-600	-600	-600	-600	-600
Earmarked non-traditional properties	-100	-200	-100	-100	-100	0	0	0	0	0	0
Reserve Drawdown	0	0	0	0	0	0	0	0	0	0	0
Reserve C/fwd	-3,454	-4,354	-5,054	-5,754	-6,454	-6,754	-7,354	-7,954	-8,554	-9,154	-9,754
New Build Reserve											
Capital Receipts B/fwd	-1,529	-1,733	-2,360	-2,984	-3,450	-3,913	-4,219	-4,521	-4,824	-5,023	-5,222
Lullington Rd Phase 2	754	0	0	0	0	0	0	0	0	0	0
Deed of Release	-45	0	0	0	0	0	0	0	0	0	0
Homes England grant	-180	0	0	0	0	0	0	0	0	0	0
RTB Receipts in year	-733	-627	-624	-466	-463	-305	-302	-302	-199	-199	-199
Borrowing in year	0	0	0	0	0	0	0	0	0	0	0
Balance c/fwd	-1,733	-2,360	-2,984	-3,450	-3,913	-4,219	-4,521	-4,824	-5,023	-5,222	-5,421

CAPITAL EXPENDITURE & FINANCING JANUARY 2019

	Approved Budget 2018/19 £	Adjustments £	Total Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £	Budget 2022/23 £	Budget 2023/24 £
COUNCIL HOUSING								
Major Improvements under Self-financing	2,243,000	0	2,243,000	2,688,000	2,635,000	2,383,000	2,170,000	1,833,000
Council New Build Lullington Road	754,000	0	754,000	0	0	0	0	0
DLO Van Acquisition	250,000	0	250,000	0	0	0	0	0
Major Disabled Adaptations (Council Houses MRA)	300,000	0	300,000	300,000	300,000	300,000	300,000	300,000

Total Expenditure

3,547,000	0	3,547,000	2,988,000	2,935,000	2,683,000	2,470,000	2,133,000
------------------	----------	------------------	------------------	------------------	------------------	------------------	------------------

Revenue Contribution	2,543,000	0	2,543,000	2,988,000	2,935,000	2,683,000	2,470,000	2,133,000
Earmarked Reserve	250,000	0	250,000	0	0	0	0	0
Capital Receipts Reserve	574,000	0	574,000	0	0	0	0	0
Homes England Grant	180,000	0	180,000	0	0	0	0	0

Total Funding

3,547,000	0	3,547,000	2,988,000	2,935,000	2,683,000	2,470,000	2,133,000
------------------	----------	------------------	------------------	------------------	------------------	------------------	------------------

PRIVATE SECTOR HOUSING

Disabled Facility Grants and Other Works	440,000	635,307	1,075,307	1,070,320	336,000	336,000	336,000	336,000
Discretionary Top-up Grants for under 18s	75,000	0	75,000	0	0	0	0	0
Healthy Homes Project	34,320	45,680	80,000	0	0	0	0	0
DFG Associated Preventative Works	0	100,000	100,000	0	0	0	0	0
Establishing a Hospital to Home Scheme	0	100,000	100,000	0	0	0	0	0
Dedicated Mental Health Worker	30,000	0	30,000	0	0	0	0	0
Additional Technical Officer	32,000	0	32,000	0	0	0	0	0
Integrated Adaptations of New Build Social Housing	120,000	0	120,000	0	0	0	0	0
Countrywide Stock Modelling Report	3,000	0	3,000	0	0	0	0	0
Strategic Housing Market Assessment	50,000	-50,000	0	50,000	0	0	0	50,000
Private Sector Stock Condition Survey	60,000	0	60,000	0	0	0	0	60,000

Total Expenditure	844,320	830,987	1,675,307	1,120,320	336,000	336,000	336,000	446,000
--------------------------	----------------	----------------	------------------	------------------	----------------	----------------	----------------	----------------

Derbyshire County Council (Better Care Fund)	734,320	792,553	1,526,873	1,070,320	336,000	336,000	336,000	336,000
MHCLG	0	88,434	88,434	0	0	0	0	0
General Capital Receipts	110,000	-50,000	60,000	50,000	0	0	0	110,000

Total Funding	844,320	830,987	1,675,307	1,120,320	336,000	336,000	336,000	446,000
----------------------	----------------	----------------	------------------	------------------	----------------	----------------	----------------	----------------

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	0	130,000	0	0	0
Community Partnership Scheme	250,000	-204,012	45,988	204,012	0	0	0	0
Eureka Park Community Programme	60,160	0	60,160	0	0	0	0	0
Green Bank Pool Filters	0	0	0	50,000	0	0	0	0
Melbourne Caretaker House	0	10,200	10,200	0	0	0	0	0
Drainage Works (MSP)	450,000	-400,000	50,000	400,000	0	0	0	0
Town Hall	13,607	1,469	15,076	0	0	0	0	0
Swadlincote Heritage Opportunities project	182,000	0	182,000	0	0	0	0	0

Total Expenditure - Community Projects	1,122,767	-759,343	363,424	691,012	130,000	0	0	0
---	------------------	-----------------	----------------	----------------	----------------	----------	----------	----------

External Contributions	18,050	-18,050	0	22,563	0	0	0	0
Section 106	0	0	0	6,200	0	0	0	0
Earmarked Reserve	12,950	-12,950	0	2,237	0	0	0	0
Volunteer Time	6,000	-6,000	0	6,000	0	0	0	0
National Forest	80,000	-80,000	0	0	80,000	0	0	0
National Heritage	60,160	0	60,160	0	0	0	0	0
Earmarked Reserve	0	0	0	50,000	0	0	0	0
Earmarked Reserve	0	10,200	10,200		0	0	0	0
Earmarked Reserve	13,607	0	13,607	0	0	0	0	0
National Heritage	0	1,469	1,469	0	0	0	0	0
Revenue Contribution	7,000	0	7,000	0	0	0	0	0
Heritage Lottery	175,000	0	175,000	0	0	0	0	0

Capital Receipts Reserve	0	0	0	0	0	0	0	0
General Fund	750,000	-654,012	95,988	604,012	50,000	0	0	0

Total Funding - Community Projects

1,122,767	-759,343	363,424	691,012	130,000	0	0	0
------------------	-----------------	----------------	----------------	----------------	----------	----------	----------

FIXED ASSETS

Vehicle Replacements	1,032,672	0	1,032,672	517,000	270,000	270,000	270,000	270,000
Asset Replacement and Investment	130,000	0	130,000	130,000	130,000	130,000	130,000	130,000
Old Depot Demolition	75,000	0	75,000	0	0	0	0	0
Midway Extension - Initial Design Stage	0	4,988	4,988	0	0	0	0	0
Boardman Insutrial Units	0	46,764	46,764	0	0	0	0	0
Pinfold Close, Repton	0	14,000	14,000	0	0	0	0	0
Staley Close	0	68,000	68,000	0	0	0	0	0
Oversetts Road	0	11,000	11,000					
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	3,000	0	3,000	0	0	0	0	0
Town Centre Land/Property	0	44,335	44,335	0	0	0	0	0

Total Expenditure - Fixed Assets

1,330,404	99,355	1,429,759	736,732	400,000	400,000	400,000	400,000
------------------	---------------	------------------	----------------	----------------	----------------	----------------	----------------

Capital Receipts Reserve	164,732	41,020	205,752	89,732	0	0	0	0
Earmarked Reserve	765,672	0	765,672	247,000	0	0	0	0
General Fund	400,000	58,335	458,335	400,000	400,000	400,000	400,000	400,000

Total Funding - Fixed Assets

1,330,404	99,355	1,429,759	736,732	400,000	400,000	400,000	400,000
------------------	---------------	------------------	----------------	----------------	----------------	----------------	----------------

ANALYSIS OF EARMARKED RESERVES

	B/fwd April 2018	Movement 2018/19	Movement 2019/20	Estimated Balance
Specific Earmarked Reserves	£	£	£	£
Asset Replacement and Renewal Reserve	0	140,000	80,000	220,000
Vehicle Replacement Fund - HRA	215,000	-205,000	45,000	55,000
Vehicle Replacement Fund	854,949	-732,672	-53,000	69,277
Growth Provision	600,000	285,000	306,000	1,191,000
ICT Reserve	282,465	81,666	-100,000	264,131
Corporate Services Innovation Fund	81,666	-81,666	0	0
Facilities Development Fund	30,000	-30,000	0	0
Pension Reserve	138,769	0	-8,481	130,288
Repton Parish (former Depot proceeds)	33,049	0	-33,049	0
Civic Offices Maintenance	50,099	0	0	50,099
Leisure Maintenance	33,127	9,400	0	42,527
Corporate Training and Development	41,059	-10,000	-10,000	21,059
Rosliston Forestry Centre	161,274	-15,000	-146,274	0
Electoral Registration	4,058	-4,058	0	0
LLPG/GIS Support Reserve	9,000	-9,000	0	0
Planning Software and Staffing Reserve	235,727	-181,513	-54,214	0
Dilapidation Works - Factory Site as per Lease	12,949	-12,949	0	0
	2,783,191	-765,792	25,982	2,043,381
Specific Grants and Contributions				
Welfare Reform, Fraud and Compliance	241,136	-50,000	-50,000	141,136
Garden Village Fund	228,570	0	0	228,570
Town Centre Improvement Reserve	26,397	0	-26,397	0
Heritage Grants	18,000	-18,000	0	0
Environmental Education	33,620	-10,000	-10,000	13,620
Homeless Prevention	173,598	15,000	-35,000	153,598
Schools Sport Partnership Project	189,948	-50,000	-50,000	89,948
Community Right to Bid and Challenge	37,275	-37,275	0	0
Property Records - Data Sharing	7,131	-7,131	0	0
New Play Equipment and Safety Surfacing	3,207	-3,207	0	0
Public Open Space - Commuted Sums	1,263,006	-100,000	-35,000	1,128,006
Swadlincote Woodlands - S106	50,774	0	-2,237	48,537
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	0	53,012
Get Active in the Forest Partnership	43,289	-5,429	-2,911	34,949
Young People's Cultural Partnership	7,306	0	0	7,306
Community Safety and Crime Reduction	331,667	-40,700	-40,706	250,261
Youth Engagement Partnership	637,526	-95,322	-74,921	467,283
South Derbyshire Partnership Reserve	5,027	-800	-4,227	0
Maurice Lea Park NHLF Grant	23,012	0	0	23,012
	3,373,501	-402,864	-331,399	2,639,238
Section 106	5,971,517	900,000	-6,200	6,865,317
TOTAL EARMARKED RESERVES	12,128,209	-268,656	-311,617	11,547,936

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	14th FEBRUARY 2019	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: s/finance/committee/2018-19/Feb 19
SUBJECT:	TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2019/20	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 The Treasury Management Strategy for 2019/20 is approved.
- 1.2 The Prudential Indicators and Limits for 2019/20 to 2023/24 are approved.
- 1.3 The Investment Policy for 2019/20 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, 2019/20 to 2023/24. 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 (2017) 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.

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 detailed in the statement.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 None directly

6.0 Community Impact

6.1 None directly

7.0 Background Papers

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

7.2 Local Government Act 2003 (Part 1)

7.3 Localism Act 2011 – Part 7 Chapter 3



**South
Derbyshire
District Council**

**Treasury Management Strategy Statement 2019/20
February 2019**

Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

Updates on treasury activity are reported to the Finance and Management Committee on a quarterly basis. A further annual report is produced alongside the final accounts each July to detail all activity for the year.

Responsibility for Treasury Management

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.

The Committee is advised by its Section 151 (Chief Finance) Officer who is the Strategic Director (Corporate Resources). This Officer is responsible for the oversight of activity and to ensure that treasury strategy and associated policies are met.

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 Senior Accountant and the Service Accountants.

The Authorising Officers for transactions are the Chief Executive, Strategic Director (Corporate Resources), Financial Services Manager and the Revenues and Customer Services Manager. Any new borrowing or investment has to have the prior approval of the Strategic Director (Corporate Resources).

External Support for Treasury Activity

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

Audit Arrangements

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

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.

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 following the May Elections for Members.

The Strategy

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

External Context

Economic Background

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's Treasury Management Strategy for 2019/20.

UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no change to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

While US growth has slowed over 2018, its economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continue to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.

Credit Outlook

The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower

risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest Rate Forecast

Following the increase in Bank Rate to 0.75% in August 2018, the Authority's Treasury Management Adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity (at the time of writing). As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon.

Effect on the Council

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 help ensure a balanced budget. Therefore, if rates do rise, this should generate extra revenue in addition to that budgeted.

The Council's current long-term borrowing is fixed at relatively low rates, with the variable element of the debt currently costing 0.79% per year. The HRA's Financial Plan allows for this to rise to 3% to its repayment date in 2021/22.

Debt and Investment Projections

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

External Debt	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Debt 1st April	57,423	57,423	57,423	57,423	47,423	47,423
New Debt	0	0	0	0	0	0
Maturing Debt	0	0	0	-10,000	0	-10,000
Debt 31st March	57,423	57,423	57,423	47,423	47,423	37,423
Annual Change in Debt	0	0	0	-10,000	0	-10,000
Long-term Investments	2,000	2,000	2,000	2,000	2,000	2,000
Short-term Investments	25,000	12,000	5,000	4,000	2,000	2,000

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

Limits compared to Actual Debt	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Authorised Limit - General Fund	5,316	4,988	4,667	4,409	4,214	4,026
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Financing Requirement	66,900	66,572	66,251	55,993	55,798	45,610
Operational Boundary	62,423	62,423	62,423	52,423	52,423	42,423
Gross Debt	57,423	57,423	57,423	47,423	47,423	37,423
Debt Less Short-term Investments	32,423	45,423	52,423	43,423	45,423	35,423

The debt cap for HRA self-financing was removed by the Government from October 2018. Borrowing is therefore no longer restricted but it must remain affordable over the plan. To ensure affordability, the Chief Finance Officer has retained the former limit.

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).

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

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. 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 separately for the General Fund and HRA.

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

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.

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

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

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.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
General Fund - Net Indebtedness	£'000	£'000	£'000	£'000	£'000	£'000
CFR / Borrowing Requirement	5,316	4,988	4,667	4,409	4,214	4,026
Estimated Reserves	9,041	7,627	6,465	5,206	3,700	1,514
Net Indebtedness	-3,725	-2,639	-1,798	-797	514	2,512

The 2019/20 Financial Plan outlines the balanced approach needed to address the projected deficit on the General Fund, through a combination of utilising reserves and identifying budget savings.

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, 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 2022/23.

HRA and Limit on Indebtedness

As previously mentioned, the debt cap for HRA self-financing was removed by the Government during 2018/19, but to ensure affordability the Chief Finance Officer has retained the former limit.

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	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
HRA Debt Cap	66,853	66,853	66,853	66,853	66,853	66,853
HRA CFR	61,584	61,584	61,584	51,584	51,584	41,584
Difference	5,269	5,269	5,269	15,269	15,269	25,269
HRA Debt	57,423	57,423	57,423	47,423	47,423	37,423
Borrowing Headroom (Debt Cap minus Debt)	9,430	9,430	9,430	19,430	19,430	29,430

The next debt repayment is a variable rate loan of £10m in 2021/2022 and a fixed rate loan of £10m in 2023/24. 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 these and future loans, in accordance with the debt maturity profile.

Revenue Implications

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	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
General Fund						
Interest Payable	0	0	0	0	0	0
Interest Received	-45	-80	-80	-80	-80	-80
HRA						
Interest Payable	1,793	1,793	1,793	1,793	1,493	1,493
Interest Received	-5	-5	-5	-5	-5	-5

Borrowing Strategy

The Authority currently holds £57.423m of loans. 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. This has proved to be a cheaper form of borrowing with interest earned by having those reserves on deposit.

The maturity analysis of the HRA debt portfolio is as follows:

	Current Rate	Balance as at 29.1.19 £'000
Less than one year		0
Between one and two years		0
Between two and five years	0.79% Variable	10,000
Between five and ten years	2.70% Fixed	10,000
	3.01% Fixed	10,000
More than ten years	3.30% Fixed	10,000
	3.44% Fixed	10,000
	3.50% Fixed	7,423
TOTAL		57,423

The HRA's Financial Plan allows for these repayments by setting-aside resources from 2016/17 onwards.

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. 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.

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. The Plan assumes that the rate on this debt will rise from its current level of 0.79% up to 3% in 2019/20 through to maturity in 2021/22.

Additional Borrowing

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. 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.).

The Council has used the prudential system to finance two 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.

Borrowing in Advance

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.

Sources of Borrowing

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (as per Counterparty List)
- any other bank or building society authorised to operate in the UK

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

In summary, the key matters in the borrowing strategy for 2019/20 are as follows:

- Meeting the Council's cash flow requirements through the Investment Strategy
- Keeping under review the HRA debt pool and in particular the variable rate of borrowing.

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £26 million and £49 million.

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. The list is kept under review and updated depending on the changing circumstances of selected counterparties.

The approved lending list and policy is detailed in the Counterparty List. In accordance with regulations, it sets out where the Council will invest surplus funds and places limits upon the various institutions.

The proposed lending list has been updated based in information from the Council's treasury advisors and is relevant as at 29th January 2019. Any proposed changes are reported to the Finance and Management Committee on a quarterly basis

General Lending Policy

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

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 Debt Management Office and other local authorities, tend to be on a fixed and longer-term basis.

Investment Counterparty and Liquidity Framework

The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. In accordance, 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

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.

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

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.

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

The creditworthiness of counterparties remains paramount in any investment decision and this is reflected in the approved lending policy and counterparty list.

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.

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.

Negative interest rates

If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Performance Indicators

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

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
7-Day Rate (target)	0.51%	0.47%	0.50%	0.50%	0.36%	0.35%
Actual Rate	0.31%	0.33%	0.31%	0.32%	0.25%	0.39%

As at 29th January 2019, the Council's investment portfolio is as follows:

	Current Rate(s)	Balance at 29.01.19 £000
Local Authorities	0.70% - 0.90%	27,000
DMO	0.50%	5,000
Money Market Funds	0.72%	10,000
CCLA Property Funds	4.31%	2,000
Banks	0.50% - 0.65%	2,434
TOTAL		46,434

Treasury Management Prudential Indicators and Limits on Activity

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.

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

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

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

The current maturity structure of the HRA debt portfolio is as follows:

Less than one year	0%
Between one and two years	0%
Between two and five years	17%
Between five and ten years	35%
More than ten years	48%

Total Principal Funds Invested for Greater Than 364 Days

In August 2018 the Council invested a further £1m in the CCLA Property Fund, bringing its total investment in the fund to £2m. This is for an indefinite period, subject to quarterly review and reported to Members within the Quarterly Monitoring Reports.

Other Options Considered

The DCLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The Strategic Director (Corporate Resources), having consulted the Finance and Management Committee, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain



**South
Derbyshire
District Council**

Prudential Indicators 2019/20

February 2019

Introduction

The Local Government Act 2003 requires the Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimated Capital Expenditure and Financing

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.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Estimated Capital Expenditure	£	£	£	£	£	£
General Fund	3,468,490	2,548,064	866,000	736,000	736,000	846,000
HRA	3,547,000	2,988,000	2,935,000	2,683,000	2,470,000	2,133,000
TOTAL	7,015,490	5,536,064	3,801,000	3,419,000	3,206,000	2,979,000
Financed by						
Grants and Contributions	2,031,936	1,098,883	416,000	336,000	336,000	336,000
Council Resources	4,983,554	4,437,181	3,385,000	3,083,000	2,870,000	2,643,000
TOTAL	7,015,490	5,536,064	3,801,000	3,419,000	3,206,000	2,979,000

The current year estimated expenditure on the General Fund relates to the final stage of a substantial vehicle upgrade program plus a variety of projects across the District funded through the Better Care Fund. Subsequent years' expenditure relates to the continuing asset replacement program.

The general downward trend of HRA expenditure relates to the reduction in major repairs. The final phase of the New Build programme is due to complete in 2018/19 increasing the housing stock by 6 dwellings.

Overall, the capital expenditure programme is financed from Government grants, external contributions, Council reserves and capital receipts.

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

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)

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.

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.

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.

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.

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

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

Expected CFR	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
CFR b/fwd	67,237	66,900	66,572	66,251	55,993	55,798
Add New Financing	0	0	0	0	0	0
Less MRP	-206	-197	-190	-182	-175	-168
Less VRP	-131	-131	-131	-76	-21	-21
Less Debt Repayment	0	0	0	-10,000	0	-10,000
CFR c/fwd	66,900	66,572	66,251	55,993	55,798	45,610
General Fund Proportion	5,316	4,988	4,667	4,409	4,214	4,026
HRA Proportion	61,584	61,584	61,584	51,584	51,584	41,584
	66,900	66,572	66,251	55,993	55,798	45,610

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.

Debt Pools

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.

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.

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.

Although no MRP is required for the HRA, money is being 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 2023/24 are detailed in the following table.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Expected CFR	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	5,316	4,988	4,667	4,409	4,214	4,026
HRA	61,584	61,584	61,584	51,584	51,584	41,584

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.

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

The larger CFR on the HRA is forecast to remain fairly static until such time as any new borrowing is undertaken or until the first repayment of £10m self-financing debt in 2021/2022.

Limits to Borrowing Activity

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.

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	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Gross Borrowing - HRA	57,423	57,423	57,423	47,423	47,423	37,423
Gross Borrowing - General Fund	0	0	0	0	0	0
Total Gross Borrowing	57,423	57,423	57,423	47,423	47,423	37,423
Total CFR	66,900	66,572	66,251	55,993	55,798	45,610

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

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. The debt cap for HRA self-financing was removed by the Government in 2018/19.

The Operational Boundary for External Debt

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 Officer 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. 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.

The Limit and Boundary are summarised in the following table.

Debt Limits	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Authorised Limit - General Fund	5,316	4,988	4,667	4,409	4,214	4,026
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Operational Boundary	62,423	62,423	62,423	52,423	52,423	42,423

As noted above, there is no longer a debt cap on the HRA and therefore borrowing is no longer restricted but it must remain affordable over the plan.

To ensure affordability, the Chief Finance Officer has retained the former limit.

Cost of Debt to Finance Capital Expenditure

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).

As there is no actual debt on the General Fund, the impact on Council Tax is positive as this represents interest on cash deposits.

Cost of Servicing Debt	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Estimated Net Interest Received - General Fund	-45,000	-80,000	-80,000	-80,000	-80,000	-80,000
Estimated Band D Properties (per MTFP)	32,467	33,302	33,976	34,649	35,323	35,996
Cost per Band D Property	-£1.39	-£2.40	-£2.35	-£2.31	-£2.26	-£2.22

Estimated Net Interest Payable - HRA	1,797,575	1,797,805	1,797,880	1,797,957	1,498,036	1,498,116
Estimated Dwellings (per MTFP)	2,976	64 of 1,908	2,928	2,913	2,898	2,886
Annual Cost per Dwelling	£603.82	£610.25	£614.03	£617.22	£516.92	£519.10

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

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.

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	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
General Fund	9,041	7,627	6,465	5,206	3,700	1,514
Earmarked	9,687	9,535	9,981	10,426	10,871	11,291
Capital Receipts and Grants	7,359	8,726	9,970	11,056	12,139	12,665
Debt Repayment	5,046	6,470	8,018	1,499	5,674	0
HRA General Reserve	5,340	5,290	5,238	3,695	2,125	1,007
TOTAL	36,473	37,648	39,672	31,882	34,509	26,477

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 or additional income are identified. When identified, the level of resources will remain higher.

It is estimated that the current level of earmarked reserves will gradually increase over the planning period due to S106 receipts and provisions for growth. 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.

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.

Ratio of Financing Costs to Net Revenue Stream

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	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£	£
General Fund						
Estimated Council Tax Income	5,169,071	5,405,401	5,622,257	5,845,514	6,075,342	6,311,909
Net Interest Receivable	-45,000	-80,000	-80,000	-80,000	-80,000	-80,000
Proportion	-0.87%	-1.48%	-1.42%	-1.37%	-1.32%	-1.27%
HRA						
Estimated Rental Income	12,201,000	11,955,000	12,204,000	12,437,000	12,743,000	13,062,000
Estimated Interest Payable	1,797,575	1,797,805	1,797,880	1,797,957	1,498,036	1,498,116
Proportion	14.73%	15.04%	14.73%	14.46%	11.76%	11.47%

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.

COUNTERPARTY LIST 2018/19
(As at January 2019)

Institution	Limit	Maximum Term
<u>Specified Investments</u>		
<ul style="list-style-type: none"> UK Debt Management Office (DMO) 	£15m	364 Days
<ul style="list-style-type: none"> Local, Police, Fire and Parish Authorities 	£5m with any one Authority	364 Days
<u>Non Specified Investments</u>		
<i>Named Counterparties</i>		
<ul style="list-style-type: none"> CCLA LAMIT Property Fund 	£2m	Indefinite period, subject to quarterly review
<ul style="list-style-type: none"> Money Market Funds 	£10m in total and £2m with any one Fund	60 days
<ul style="list-style-type: none"> HSBC Lloyds Bank Plc Bank of Scotland Standard Chartered Bank Close Brothers Santander UK 	£2m with any one Bank	6 months
<ul style="list-style-type: none"> Barclays Bank NatWest Bank Royal Bank of Scotland Ulster Bank Ltd Goldman Sachs International 	£2m with any one Bank	100 days
<ul style="list-style-type: none"> Nationwide Building Society Coventry Building Society 	5% of total deposits	6 months
<ul style="list-style-type: none"> Leeds Building Society 	5% of total deposits	100 days
<i>Foreign Counterparties</i>		
<ul style="list-style-type: none"> AAA rated institutions (<i>subject to separate approval by the Section 151 Officer</i>) 	£1m with any one Bank	1 month
<i>Independent Building Societies</i>		
<ul style="list-style-type: none"> <i>subject to separate approval by the Section 151 Officer</i> 	£1m with any one society	100 days

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	14th FEBRUARY 2019	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/council tax and precepts/council tax support scheme/scheme 2019 20/FM proposal Feb 19
SUBJECT:	PROPOSED LOCAL COUNCIL TAX REDUCTION SCHEME 2019/20	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 12

1.0 Recommendation

- 1.1 That the existing Local Council Tax Reduction Scheme currently in place is continued and approved for 2019/20.
- 1.2 That the detailed parameters are submitted to Full Council on 27 February 2019 for formal adoption.

2.0 Purpose of Report

- 2.1 To review the current Local Council Tax Reduction Scheme (*the Local Scheme*) ahead of 2019/20, in order for the detailed framework to be implemented by 11 March 2019.

3.0 Detail

Background

- 3.1 The Local Scheme was implemented by the Council on 1 April 2013, to provide support, in the form of a discount, to eligible households towards their Council Tax liability. This replaced the National Benefits Scheme for supporting Council Tax.
- 3.2 The detailed parameters of the Council's Local Scheme are largely based on the former National Benefits System to calculate entitlement. Entitlement is based on income received from other welfare benefits, with many claimants being protected and passported through to Council Tax support.
- 3.3 As a local discount scheme, under Council Tax Regulations, all councils have the discretion on how to calculate and award discounts to support residents in paying their Council Tax.

3.4 The Council's Scheme adopted in April 2013 following consultation, has remained unchanged.

Principles of the Local Scheme

3.5 The main principles of the local scheme are detailed below.

- i. Claimants of pensionable age receive exactly the same level of support as existed under the previous National Scheme (this is a statutory requirement).
- ii. Households who qualify for benefit through disability premiums receive exactly the same level of support as existed under the previous national scheme.
- iii. War widow and war disabled claimants receive exactly the same level of support as existed under the previous National Scheme.
- iv. Military compensation payments are fully disregarded in calculating Council Tax support.
- v. Working age claimants on passported benefit* are deducted 8.5% from their entitlement calculated under the Local Scheme.

**(Passported benefits allow certain groups of people entitlement to other benefits if they receive Income Support, Jobseekers Allowance, Employment Support Allowance and Pension Credits)*

- vi. All other working age claimants are deducted 10% from their entitlement calculated under the Local Scheme.
- vii. Full Council Tax support for claimants entering work is paid for 8 weeks, an increase from 4 weeks under the previous National Scheme.

3.6 This means that within the Local Scheme, pensioner, disability, war widow and war disabled households are fully protected. However, the total scheme was originally defined in the context of a finite resource which was distributed to local authorities as part of the annual funding settlement in 2013/14. This was less than previous amounts paid as Council Tax Benefit.

3.7 Therefore, in order to maintain protection for certain groups and to balance the Collection Fund at the outset of the Local Scheme meant that many **working age claimants** became liable for paying more Council Tax.

Total Cost of the Local Scheme

3.8 The Council's scheme currently supports approximately 5,065 eligible households across the District, of which 2,900 are of working age with 2,165 pensionable households.

- 3.9 The number of households claiming support has steadily decreased from over 6,000 when the Scheme was introduced in 2013/14. The overall cost of support has also reduced in real terms. Although changes in recent years arising from welfare reform have impacted upon the Council's Scheme, any additional costs have been absorbed.
- 3.10 The cost of the Local Scheme is accounted for in the Collection Fund. Overall, the cost has steadily reduced from approximately £4.7million in 2013/14 to £4.2 million in 2018/19. Overall Council Tax currently collectable (for all preceptors) is approximately £57m per year.
- 3.11 The main risk of the Scheme is volatility as the number of claimants and individual circumstances can change regularly. Whereas under the National Benefits System, the cost of supporting Council Tax was met by the Government, the cost of local support is met by the local preceptors in the Collection Fund.
- 3.12 However to-date, as detailed above, volatility has not been significant in the Council's Scheme and the cost continues to be contained within the Collection Fund without any adverse effect on the Fund's overall position.

Timescale

- 3.13 Statutorily, the Council has to approve its local scheme each year even if there are no changes. This has to be approved by a meeting of the Full Council before 11 March each year. In respect of 2019/20, the Local Scheme will be proposed at the Council meeting on 27 February 2019, based on the recommendation of this Committee.

Proposed Changes to the Current Scheme

- 3.14 The Committee considered a proposed change to the Local Scheme on 29 November 2018 regarding the inclusion of a two child limit within the calculation of support ([Child Limit Report](#)). This was due to a change in the National Welfare Regulations, although the Council has discretion whether to include national changes in its own scheme.
- 3.15 Having considered this proposal, the Committee approved to maintain the current Local Scheme **excluding** the placement of a two child limit within the calculation of support.

Universal Credit (UC)

- 3.16 The first phase of full implementation of UC in South Derbyshire commenced in November 2018. This phase applied to all new benefit claims. It is currently expected that all existing claimants will be transitioned in stages from July 2019.
- 3.17 However, following a Government announcement on 7 January 2019, this date may slip pending the outcome of a pilot exercise which will seek to transfer 10,000 exiting claimants from legacy benefits onto UC. Overall implementation is still planned to take place by 2023.

- 3.18 The Local Scheme will be kept under review to monitor any knock-on effects from the implementation of UC.

Alternative Schemes

- 3.19 In principle, there is nothing to prevent the Council from calculating and awarding entitlement on any basis it chooses.
- 3.20 Other options would involve targeting support in a different way. Various options were put forward as part of the initial consultation on the new scheme back in 2012/2013.
- 3.21 These included the removal of the second adult rebate, disregarding certain other benefits for the purposes of calculating support, together with a “banded” scheme, whereby support is limited to a lower Council Tax band.
- 3.22 Apart from a banded scheme, other options would only have a minimal impact financially overall. Feedback from the initial consultation, didn’t favour any changes to these parameters.
- 3.23 Any proposed changes would need to be subject to public consultation as this would move the Council’s Scheme away from the current framework.

Other Discretionary Powers to Provide Support

- 3.24 The Council has the discretion to decide whatever support/discount it chooses to award to working age claimants under the relevant Council Tax Regulations.
- 3.25 It should be noted that support for Council Tax cannot be paid from the Discretionary Housing Fund; this is solely for housing benefits.
- 3.26 Although the Council has a separate Discretionary Award Scheme for Council Tax, it deals with each application under local powers in accordance with the Council’s policy approved under Section 13A of the Local Government Finance Act 1992 (as amended). This is used in more extreme hardship cases.

4.0 Financial Implications

- 4.1 As detailed in the report.

5.0 Corporate Implications

Employment Implications

- 5.1 None

Legal Implications

- 5.2 None

Corporate Plan Implications

- 5.3 The Local Scheme contributes to the Corporate Plan key aim of “*protecting and helping support the most vulnerable, including those affected by financial challenges*” (PE 2)

Risk Impact

- 5.4 None

6.0 Community Impact

Consultation

- 6.1 None required

Equality and Diversity Impact

- 6.2 A full Equality Impact Assessment was undertaken in August 2012 on the Council's Local Scheme. A local discretionary scheme that is awarding financial assistance has the potential to discriminate against one of the nine protected characteristics under the 2010 Equality Act and in particular those relating to age and disability.
- 6.3 A person's age and whether they are of working age, together with disability, are factors that are considered in awarding some benefits as this data is collected in assessing entitlement.
- 6.4 Under the Council's Local Scheme, Pensioners receive statutory protection and the Council has used its discretion to protect disability households. Additional liability falls on working age claimants.
- 6.5 It is not considered that the other seven characteristics are affected as they are not relevant to the calculation of Council Tax reduction (*this includes gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion/belief, sex or sexual orientation*).
- 6.6 In addition, the Local Scheme provides additional support to war widows and war disabled claimants under the Armed Forces Covenant.

Social Value Impact

- 6.7 As highlighted above.

Environmental Sustainability

- 6.8 None

7.0 Background Papers

- 7.1 None

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 11
DATE OF MEETING:	14th FEBRUARY 2019	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@southderbyshire.gov.uk	DOC: u/ks/business rates/Discretionary Relief/Discretionary Relief Proposals Feb 19
SUBJECT:	DISCRETIONARY BUSINESS RATES RELIEF	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 12

1.0 Recommendations

- 1.1 That the updated Discretionary Business Rate Revaluation Relief Scheme for 2018/19 to support local businesses in South Derbyshire adversely affected by the 2017 Rating Revaluation List is approved.
- 1.2 That relief is awarded to a business based on the following scheme criteria:
- Its RV is less than £200,000.
 - Its Business Rates payable in 2018/19 has increased by 5% or greater when compared to 2016/17 (the base year).
 - The business does not qualify for any other relief, excluding the “Support for Pubs Scheme” in 2018/19.
 - The business is not part of a national chain or group of companies, i.e. it is a local business in the District.
 - Relief is limited to 55% of the total increase in rates payable between 2016/17 and 2018/19.
- 1.3 That the updated scheme for 2018/19 is continued in 2019/20 based on the same criteria as detailed in 1.2 above, except that Relief is limited to 20% of the total increase in rates payable between 2016/17 (the base year) and 2019/20.

- 1.4 That the Council's Discretionary Business Rates Relief Scheme as detailed in **Appendix 2** is reviewed and proposed amendments as highlighted are approved.
- 1.5 That consideration is given to granting Discretionary Relief for Charitable organisations for a period of two years to cover the financial years 2019/20 and 2020/21.

2.0 Purpose of Report

- 2.1 The report provides an update on allocating the Council's budget for supporting businesses in South Derbyshire adversely affected by the 2017 Business Rates Revaluation. It also considers the Council's Local Scheme for allocating Discretionary Business Rates Relief, together with the organisations that currently benefit from the Discretionary Scheme.

3.0 Detail

Business Rates Revaluation

- 3.1 As part of the Government's 2017 Budget, additional funding of £300m nationally was allocated over the 4 financial years, 2017/18 to 2020/2021. This funding was intended to support businesses adversely affected by the 5-yearly national revaluation which took effect from April 2017. The funding is front-loaded in Year 1 (2017/18) and tapers down by 2020/2021.
- 3.2 In allocating the funding to each local council, the Government based it on a formula which would target support to businesses with a RV less than £200,000, with an increase in Business Rates Payable in 2017/18 of greater than 12.5% compared to 2016/17. *(As detailed later in the report, the Council's Scheme was able to afford 5%).*
- 3.3 It is for each council to decide locally its own scheme for allocating this funding. Unlike other business rate reliefs, there is no National Scheme and each council has full discretion under exiting legislation.
- 3.4 However, the Government indicated that local schemes should support those businesses facing the most significant increase in their bills and occupying lower value (medium-sized) properties that are not subject to other reliefs. In addition, to satisfy state aid rules, it has been recommended that relief should be restricted to local businesses only and not national chains or groups.

The Council's Funding Allocation

- 3.5 The Council was allocated funding of £202,000 for 2017/18 and £98,000 for 2018/19, with indicative amounts of £40,000 for 2019/20 and £6,000 for 2020/21 - £346,000 in total.

- 3.6 The Council can choose to implement a scheme that costs more, but it would not be able to reclaim any difference above its allocation. Where the total amount allocated in a particular year is not used, it will be reclaimed by the Government; no unused funding in one year can be carried forward to the following year.

The Local Scheme in South Derbyshire

- 3.7 In October 2017, the Committee approved a Local Scheme for 2017/18 which was largely based on the principles of the formula used by the Government to distribute the national funding. It was revised slightly to reduce the risk of exceeding the overall funding.
- 3.8 Having identified and finalised the list of businesses fulfilling the approved criteria, the scheme was revised and approved by the Committee in January 2018, to ensure that the funding in 2017/18 was fully maximised.
- 3.9 A total of approximately £178,000 was allocated as relief to businesses across the District. This equated to just less than 90% of the funding (£202,000) allocated to the Council in 2017/18. This relief supported 185 businesses in South Derbyshire.
- 3.10 However, not all of the available funding was allocated. The main reason for this was that it was effectively a moving target. For some businesses, their circumstances changed during the year which meant that they no longer qualified for the relief.
- 3.11 For example, several businesses successfully appealed their valuation in the year and it was subsequently reduced by the District Valuer. Therefore, although these businesses would have qualified when the Council approved its scheme at the start of the year and on which the Government funding was based on, they eventually did not require the support.
- 3.12 In January 2018, the Committee approved to continue with the equivalent Scheme in 2018/19, but to reduce the relief to match the reduction in funding from £202,000 in 2017/18 to £98,000 in 2018/19.

Approved Scheme 2018/19

- 3.13 The parameters of the Scheme in 2018/19 are as follows:

A business will receive Discretionary Revaluation Relief in 2018/19 where:

- Its RV is less than £200,000.
- Its Business Rates payable in 2018/19 has increased by 5% or greater when compared to 2016/17 (the base year)

- The business does not qualify for any other relief, excluding the “Support for Pubs Scheme”.
- The business is not part of a national chain or group of companies, i.e. it is a local business in the District.
- Relief is limited to 45% of the total increase in rates payable between 2016/17 (the base year) and 2018/19.

Eligibility and Take-up 2018/19

- 3.14 Based on the above criteria, as at 31st December 2018, the amount allocated was £67,500 to 157 eligible businesses. Clearly, this amount is currently much lower than the allocation of £98,000 for the year.
- 3.15 Consequently, this provides some scope to support eligible businesses further and increase the likelihood that the Council’s allocation will be fully utilised.
- 3.16 Therefore, it is proposed to increase the limit percentage from 45% to 55%, i.e. *“that relief is limited to 55% of the total increase in rates payable between 2016/17 (the base year) and 2018/19”*. It is estimated that this will then fully utilise the allocation based on current eligibility.

Proposed Scheme 2019/20

- 3.17 The national funding has been structured to transition eligible businesses to the full increase by 2021/22. However, the profile (front-loading) of the funding effectively means that eligible businesses will pay the full increase after 2019/20.
- 3.18 The Council’s Scheme for 2018/19 grants relief of up to 45% of the increase in rates payable. To match the reduction in funding in future years, relief will be limited as shown in the following table

2017/18 – relief limited to 90% (total funding £202,000)
2018/19 – relief limited to 45% (total funding £98,000)
2019/20 – relief limited to 20% (total funding £40,000)
2020/21 – relief limited to 2.5% (total funding £6,000)
2021/22 – full increase paid (no funding)

- 3.19 Therefore, the Council’s proposed scheme for 2019/20 will remain the same (if approved) with the relief limited to **20%** of the total increase in rates payable between 2016/17 (the base year) and 2019/20.

Other Business Rates Relief

- 3.20 In addition to Revaluation Relief detailed above, many businesses qualify for other exemptions, transitional relief and discounts which are awarded by the Council under national schemes (mandatory relief). In addition, councils have

discretion to award further relief in limited circumstances and to “top-up” the mandatory relief where it is not 100%.

3.21 The main relief schemes are as follows:

- Small Business Rates Relief
- Rural Rate Relief
- Charitable Rate Relief
- Hardship Relief
- Part-occupied Relief

3.22 The cost of these reliefs is met through the national funding system.

Small Business Rates Relief

3.23 No business nationally pays any rates on a property with a Rateable Value (RV) of £12,000 or less, i.e. they are awarded 100% relief. For properties with a RV between £12,001 and £15,000, the rate relief is tapered down from 100% to 0%.

3.24 If a property has a RV lower than £51,000, the rates payable are calculated using the small business multiplier, i.e. 48p in the pound compared to the full rate of 49.3p in 2018/19.

Rural Rate Relief

3.25 This applies to businesses in a rural area with a population below 3,000. Qualifying businesses do not pay business rates if:

- Their property is the only village shop or post office with a RV up to £8,500.
- Their property is the only public house or petrol station with a RV up to £12,500.

3.26 The Council also has discretion to award up to 50% relief on other business properties in a rural settlement if the RV is £16,500 or less and the Council is satisfied that the property is being used for a purpose which benefits the local community.

Rural Settlement List

3.27 Prior to the start of every financial year, all councils are required to publish this List, which sets out the areas which are classified as rural on the basis that the population is less than 3,000, based on the 2011 census.

3.28 For South Derbyshire, this effectively includes all Parished areas, excluding Etwall, Hilton, Melbourne, Stenson Fields, Hartshorne, Willington and Woodville, together with the [Special Rate Urban Core](#).

Charitable Rate Relief

- 3.29 Charities and community amateur sports clubs are entitled to 80% mandatory rates relief if their property is used for charitable purposes. The Council has discretion to top-up the 80% relief and award a further 20% relief so that an organisation may not pay any rates under this scheme.
- 3.30 The Council also has discretion to award up to 100% relief to non-profit or voluntary organisations, although many local charitable organisations and sports clubs automatically qualify for other Relief and therefore, pay no rates.

Hardship Relief

- 3.31 The Council has discretion to reduce the business rates by up to 100% for certain businesses subject to the business demonstrating that:
- It would suffer financial difficulties without the relief, and
 - It would be in the interests of local people and the Council is satisfied that the granting of relief would benefit the general body of local taxpayers.
- 3.32 Hardship relief can only be granted in exceptional circumstances and is dealt with on a case-by-case basis.

Part-occupied Relief

- 3.33 The Council has discretion to grant up to 100% relief in respect of non-productive or unused parts of premises on a temporary basis. Again, this is dealt with on a case-by-case basis. The Council has previously used this discretion in support of major businesses in the District to safeguard local employment.

Other Reliefs

- 3.34 From time-to-time, the Government grant other reliefs to support a particular business type or to support national policy. For example, in 2017/18 and 2018/19, all pubs with a rateable value of less than £100,000 received a one-off discount of £1,000 as part of a “support for pubs scheme”.
- 3.35 Since 2017/18, a discount of £1,500 has been available to local newspapers who occupy office space. This discount has been extended into 2019/20.
- 3.36 In addition, the Government’s 2018 Budget, which was announced in November 2018, awarded a discount of one-third (1/3) on rates payable for all retail businesses with a rateable value less than £51,000. This will apply for 2019/20 and 2020/21.
- 3.37 The 2018 Budget also introduced 100% mandatory relief for all public conveniences.

Current Discretionary Relief Awarded

- 3.38 Where the Council awards discretionary relief, 50% of the cost is met by the Council through the Collection Fund. In order for the Council to award discretionary relief, it must adopt a local Policy/Scheme which sets out the criteria for awarding additional relief when applications are received. The Council's Policy is detailed in **Appendix 2**.
- 3.39 The current list of organisations who currently receive discretionary relief under the Policy from the Council is attached at **Appendix 1**.
- 3.40 Following a report to the Committee in October 2017, it was approved that all discretionary relief awarded should be formally reviewed on an annual basis. This arose from changes to the national scheme for awarding exemptions and discounts, etc. which were implemented in April 2017.
- 3.41 Therefore, all organisations on the list in Appendix 1 were given 12 months notice that their relief would end on 31 March 2019, subject to the Council reviewing all reliefs currently granted.
- 3.42 Although the discretionary relief scheme is publicised, it is the responsibility of each organisation to apply for the relief and demonstrate that they qualify. Although this has been requested annually, the Committee may wish to consider granting relief for two years in order to give certainty for qualifying organisations.

Active Nation

- 3.43 Consideration may be given to the relief awarded to Active Nation as the Council's Leisure Management Contractor. Under the Contract, they are responsible for Business Rates at Green Bank and Etwall Leisure Centres and receive 80% mandatory relief as a Charitable Trust.
- 3.44 They operate nationally but work in partnership with the Council to further the health and well-being of local communities in South Derbyshire. The Committee may wish to consider for example, evidence that the 20% discretionary relief is being reinvested in the local facilities prior to relief being awarded.

Sharpe's and Peoples Express

- 3.45 Discretionary relief provided to Sharpe's and Peoples Express, including the Magic Attic and Visitor Centre, is in addition to the annual grant-aid provided to Sharpe's and the Tourist Information Centre.

Rural Rate Relief

- 3.46 The Council currently award rural rate relief to two organisations. Firstly, to Highfields Farm in Etwall who host visits from local organisations and disadvantaged groups and as such provide a community service. They will no longer be eligible as Etwall does not qualify any longer as a rural settlement.
- 3.47 As regards the Ukrainian Youth Association based in Weston-on-Trent, the Council is still awaiting details of an application.

4.0 Financial Implications

- 4.1 The Council's 50% share of the discretionary relief granted, which is approximately £36,000 in 2018/19, is paid from the Collection Fund. Any changes to the relief would eventually impact on the General Fund depending on whether the Business Rates Account overall, achieves a surplus or deficit.
- 4.2 However, given the turnover on Business Rates at approximately £25million per year, the cost to the Council is relatively insignificant.

5.0 Corporate Implications

Employment Implications

- 5.1 None

Legal Implications

- 5.2 None

Corporate Plan Implications

- 5.3 There is no specific aim or target contained in the Corporate Plan. However, it is considered that the awarding of discretionary relief supports local businesses; this is a key part of the "Progress" Theme in the Corporate Plan.

Risk Impact

- 5.4 None

6.0 Community Impact

Consultation

- 6.1 As detailed in the report, all affected organisations have been informed that their entitlement to discretionary relief will cease on 31 March 2019 and that they will need to reapply. Applications have been received from several of the organisations currently receiving discretionary relief.

Equality and Diversity Impact

- 6.2 The proposed Revaluation Relief Scheme is generic and is therefore considered to be neutral regarding protected characteristics under the Equality Act 2010, i.e. there should be no negative impacts.
- 6.3 Relief provided to charitable and rural organisations should be considered on an individual case-by-case basis to ensure that there is no negative impact.

Social Value Impact

- 6.4 The awarding of discretionary relief supports local community groups who provide cultural, recreational and educational facilities for local residents. Several of these groups also seek to support more vulnerable members of the local community and people on low incomes, etc.

Environmental Sustainability

- 6.5 None directly

7.0 Background Papers

- 7.1 None

APPENDIX 1

Relief Granted to Charitable Organisations		Mandatory Relief 2018/19	Discretionary Relief 2018/19
Active Nation UK Limited - Etwall Leisure Centre	20% Discretionary	£60,343.20	£15,085.80
Active Nation UK Limited - Green Bank Leisure Centre	20% Discretionary	£100,572.00	£25,143.00
Goseley Community Centre	20% Discretionary	£749.36	£187.34
Hilton Village Hall	20% Discretionary	£3,510.16	£877.54
Melbourne Community Care Group (Derby Road, Melbourne)	20% Discretionary	£1,508.78	£377.19
People Express (Sharpe's Pottery)	20% Discretionary	£2,685.74	£671.43
Bus Park Community Café, Swadlincote	20% Discretionary	£344.76	£86.19
Swarkestone Cricket Club	20% Discretionary	£1,071.57	£267.89
Shardlow Canal and River Trust (Heritage Centre)	20% Discretionary	£685.03	£171.26
Sharpe's Pottery Heritage and Arts (Unit 13)	20% Discretionary	£779.98	£195.00
Sharpe's Pottery Heritage and Arts (Magic Attic)	20% Discretionary	£3,500.30	£875.08
Sharpe's Pottery Heritage and Arts (Visitor Centre)	20% Discretionary	£7,888.00	£1,972.00
Old Post Centre, Newhall	20% Discretionary	£3,431.28	£857.82
Hilton Harriers FC	20% Discretionary	£3,508.08	£877.02
Our Monkey Club Community Interest Company, Church Gresley	80% Discretionary	£0.00	£19,200.00

Total Relief - Charitable Organisations

£190,578.24	£66,844.56
-------------	------------

Relief Granted to Rural Organisations

Highfields Happy Hens (Open Farm) Etwall	50% Discretionary	0.00	£473.52
Ukrainian Youth Association (UK) Tarasivka Camp Weston-on-Trent	50% Discretionary	0.00	£6,000.00
Total Relief - Rural Organisations		0.00	£6,473.52

Total Discretionary Relief Granted 2018/19

£73,318.08

Cost to the Council at 50%

£36,659.04

DISCRETIONARY BUSINESS RATES POLICY

**Corporate Resources
February 2019**

Version Control

Version	Description of version	Effective Date
1.0	New and updated Policy	October 2013
1.1	Minor amendments and review by Committee	February 2019

Approvals

Approved by	Date
Finance and Management Committee	17 October 2013
Finance and Management Committee (subject to any amendments at Committee)	14 February 2019

Associated Documentation

Description of Documentation	

1.0 Introduction

The Policy sets out the criteria which the Council will use when considering applications for awarding discretionary rate relief:

- To Charitable Organisations and Not-for Profit Making Bodies (Part 1)
- For Rural Rate Relief (Part 2)
- For Hardship Relief (Part 3)

PART 1: CRITERIA TO BE TAKEN INTO ACCOUNT WHEN CONSIDERING APPLICATIONS FOR DISCRETIONARY RATE RELIEF

1.0 General Position

- 1.1 Relief from non-domestic rates is available to charities and other non-profit making organisations in certain circumstances.
- 1.2 Charities using premises for charitable purposes are entitled to an initial 80% relief from non-domestic rates. In addition the Council may give a further discretionary relief of up to 20%.
- 1.3 Relief from non-domestic rates may also be granted to non-profit making organisations with charitable or philanthropic objectives and those involved with education, religion, social welfare, science, literature and the arts. Relief is entirely at the discretion of the Council and can be set at any level up to 100%, but this will be net of any Small Business Rate Relief, or other relief, entitlement whether or not an application has been made that may from time to time be made available under any government scheme such as Supports for Pubs and Retail Relief. The Council will assume that an application has been made and where the organisation is eligible grant relief, on the lower amount.
- 1.4 The Council may also exceptionally consider cases under the general powers to award discretionary rate relief as amended by the Localism Act 2011. See Part 1 Section 3.13.
- 1.5 Certain premises in rural areas, with a population of under 3,000, may qualify for Rural Rate Relief (See Part 2). The Council's Rural Rate Relief Leaflet updated annually at the end of December each year provides details of qualifying rural settlements and types of eligible premises.
- 1.6 Relief may also be granted where ratepayers would otherwise suffer hardship (See Part 3).

2.0 General Scheme

- 2.1 The Council considers each request for relief individually and on its merits. It does not adopt a policy which allows it to deal with a case without full consideration.
- 2.2 The range of bodies eligible for discretionary rate relief is wide. This document contains examples of criteria which might be adopted to assist in deciding whether to grant relief and the level of relief.
- 2.3 Where it applies, Small Business Rates Relief shall be claimed (or otherwise the equivalent value shall be assumed to have been awarded) before the award of discretionary rate relief.
- 2.4 Generally, subject to consideration of each case on its merits, the award of top-up discretionary relief where mandatory charity relief at 80% is in payment is unlikely to be made.

3.0 Criteria

- 3.1 Factors which will assist in making a decision are:
- 3.2 Is membership open to all sections of the community? Are there barriers to membership?

Clubs or organisations which have membership rates set at such a high level so as to exclude the general community or operate an exclusive system whereby membership is determined by the votes of existing members will not normally receive relief.

- 3.3 Does the organisation actively encourage membership from particular groups in the community, e.g. young people, women, older age groups, persons with disability, ethnic minorities, etc.

An organisation which encouraged such membership might expect more consideration than one which made no effort to attract members from groups which the authority considered to be deserving of support.

- 3.4 Are the facilities made available to people other than members, e.g. to schools, open casual public sessions, etc.

The wider use of facilities will be encouraged

- 3.5 Does the organisation provide training or education for its members? Are there schemes for particular groups to develop their skills, e.g. young people, the disabled, retired people?

An organisation that provides such facilities might deserve more support than one which did not.

- 3.6 Is the membership drawn from people mainly resident in the charging authority's area?

Where hereditaments are situated close to an authority's boundary, a substantial proportion of the membership may come from another charging authority area. In considering the weight to be given to the proportion of membership from within the authority's area, authorities should not penalise organisations because of their location.

- 3.7 Have the facilities been provided by self-help?

A club whose members have paid for the provision or improvement of facilities themselves may be deserving of relief compared to one whose facilities have been funded by grant aid. Similarly, a club which uses self-help for construction or maintenance might be more deserving of relief.

- 3.8 Does the organisation run a bar? Would a casual visitor find more active users of the facilities or social visitors ?

The Council will look at the main purpose of the organisation and the balance between, for example, sporting or social activities. How much cross subsidy is there in the accounts of the organisation between the two elements ?

- 3.9 Does the organisation provide facilities which indirectly relieve the authority of the need to do so, or enhance those which it does provide?

The Council will look at the broader context of the needs of the community as a whole.

- 3.10 Is the club affiliated to local or national organisations, e.g. local sports or art councils, national representative bodies and are they actively involved in local or national development of their interests?

Evidence of the impact locally of any national organisation will be considered.

- 3.11 When considering each case on its merits, the financial position of each organisation, as shown in the Accounts for the past two financial years, should show that there is a genuine need for rate relief.

The general measure used for this is that any accumulated balances should not exceed half of the normal annual expenditure of the organisation, unless the organisation can demonstrate that a substantial part of the balance is reserved for repairs or improvements or that funds are otherwise earmarked for specific projects and it is a condition of the funding that they are so used (Ideally this will usually be noted in the Accounts).

Please note that financial consideration will be of importance and will include:

- (i) Accounts for the last financial year together with a statement on the current financial position and any important items likely to affect that position.*
- (ii) The level of subscriptions and the date of the last increase.*
- (iii) The extent to which the organisation relies on its own fundraising efforts.*
- (iv) The pricing of the organisation's facilities and services.*
- (v) The amount of grant and other aid made available to the organisation by the Council or other fund-raising bodies.*
- (vi) What is shown in any trading accounts for subsidiary activities for items such as catering/bar?*
- (vii) What is the relationship between any subsidiary and tmain accounts*

3.12 Applications are normally to be effective from the start of the financial year in which the application is made, or from the date of occupation if later, except in the case of a general review, which will take normally place every two years.

3.13 Exceptionally, applications may be considered for assistance in those cases where it is in the interests of the Council to offer discounts to attract firms, investment and jobs to the area. Such matters will generally be of a strategic nature taking into account the long-term benefit of growth compared to the short-term cost.

3.14 These cases will be considered by the Finance and Management Committee.and not by delegated authority as any expenditure will require budgetary approval .

4.0 Delegated Scheme

4.1 The delegation scheme is set out below:

- (i) Any application where a bar is run that is more than supporting the activities of the organisation, i.e. where the social activities are more than 50% of use or income generated (see paragraph 3.8 above) should be refused.
- (ii) Cases that fulfil the criteria in all the paragraphs above be granted 80% relief.
- (iii) Any applications that fulfil the criteria but where there is a bar be granted 50% of the relief prescribed at ii above.
- (iv) Discretionary relief in addition to mandatory relief will only be granted in exceptional circumstances and not to national charities.

- (v) Any case which will have a financial impact to the Council of more than £2,500 will be submitted to the Finance and Management Committee for consideration.

5. General

- 5.1 In all cases where discretionary relief is granted, with the exception of 4.1 (v) above, the relief will be granted for a maximum period of 2 years.
- 5.2 All decisions will be notified in writing along with reasons for any refusal or restrictions in relief granted.
- 5.3 The mechanics of the procedure are as follows:
- ❑ Report of delegated decisions to be submitted to the Finance and Management Committee.
 - ❑ Appeals to be made within 14 days of the notification of the decision.
 - ❑ Appeals to be on specific points i.e. those that are outlined in the decision to reject or restrict the award.
 - ❑ All appeals to be submitted to the Licensing and Appeals Committee.
 - ❑ No relief shall be awarded where it appears that the ratepayer will receive state aid that is above the current de minimis level.

PART 2: CRITERIA TO BE TAKEN INTO ACCOUNT WHEN CONSIDERING APPLICATIONS FOR DISCRETIONARY RURAL RATE RELIEF

1.0 General Position

- 1.1 The Council also has discretion to remit all or part of the rate bills on other properties in a settlement on the Rural Settlement List if the rateable value is £16,500 or less and the Council is satisfied that the property is used for a purpose which benefits the local community.
- 1.2 The Rural Settlement List is published annually under the provisions of the Local Government and Rating Act, 1997 for use in the Rural Rate Relief Scheme. Areas are included in the list below if they have been prescribed as rural and appear to have a population of less than 3,000 on 31st December in any year

2.0 General Scheme

- 2.1 The Council considers each request for relief individually and on its merits. It does not adopt a policy which allows it to deal with a case without full consideration.
- 2.2 The range of bodies eligible for discretionary rural rate relief is wide.

- 2.3 Where it applies, Small Business Rates Relief shall be claimed (or otherwise the equivalent value shall be assumed to have been awarded) before the award of discretionary rate relief.
- 2.4 Generally, subject to consideration of each case on its merits, the award of top-up discretionary relief where mandatory charity relief at 80% is in payment is unlikely to be made.

3.0 Criteria

3.1 Factors which will assist in making a decision are

- (i) The nature of the business and the service(s) it provides.
- (ii) How the business benefits the local community.
- (iii) Trading accounts for the last two years.
- (iv) Why the business should be granted discretionary relief and the implications of it not receiving relief.
- (v) Any other information in support of the application e.g. steps taken to ensure the continuing viability of the business.
- (vi) The application will then be considered in accordance with the delegated scheme that is in operation. Copies of the scheme are available from the address on the back of this leaflet.

3.2 When considering each case on its merits, the financial position of each organisation, as shown in the Accounts for the past two financial years, should show that there is a genuine need for rate relief.

The general measure used for this is that any accumulated balances should not exceed half of the normal annual expenditure of the organisation, unless the organisation can demonstrate that a substantial part of the balance is reserved for repairs or improvements or that funds are otherwise earmarked for specific projects and it is a condition of the funding that they are so used (Ideally this will usually be noted in the Accounts).

3.3 Applications are normally to be effective from the start of the financial year in which the application is made, or from the date of occupation if later, except in the case of a general review, which will normally take place every two years.

4 Delegated Scheme

4.1 The delegation scheme is set out below:

- (i) Any applications that fulfil the criteria be granted 50% relief.

- (ii) Discretionary relief in addition to mandatory relief will only be granted in exceptional circumstances..
- (iii) Any case which will have a financial impact to the Council of more than £2,500 will be submitted to the Finance and Management Committee for consideration.

4.2 An application should be made in writing

5.0 General

5.1 In all cases where discretionary rural rate relief is granted, the relief will be granted for a maximum period of 2 years.

5.2 All decisions will be notified in writing along with reasons for any refusal or restrictions in relief granted.

5.3 The mechanics of the procedure are as follows:

- Report of delegated decisions to be submitted to the Finance and Management Committee.
- Appeals to be made within 14 days of the notification of the decision.
- Appeals to be on specific points i.e. those that are outlined in the decision to reject or restrict the award.
- All appeals to be submitted to the Licensing and Appeals Committee.

No relief shall be awarded where it appears that the ratepayer will receive state aid that is above the current de minimis level.

PART 3: CRITERIA TO BE TAKEN INTO ACCOUNT WHEN CONSIDERING APPLICATIONS FOR HARDSHIP RELIEF

1.0 General Position

1.1 Relief under this Section of the Policy is available to organisations and businesses that are experiencing unusual or exceptional pressures that threaten the ongoing viability of the business in the Council's area. This may include possibility of relocation, reorganisation business growth or shrinkage or unexpected events outside the control of the organisation.

1.2 Rate relief shall only be awarded on the grounds that :

- i. The ratepayer would sustain hardship if the Council failed to give relief, and
- ii. It is reasonable to grant hardship relief having regard to the interests of the general community of Council Taxpayers in the community.

- 1.3 The interest of Council Taxpayers is wider than the financial interest and takes into account matters such as employment and/or amenities in the area or locality if the business ceased.
- 1.4 An award will not be given to allow a business to establish itself but may be given to allow a business to relocate to alternative premises to ensure the continuation of trading. An application of such a nature must be supported by a clear business plan, including workforce and financial projections. It is expected that some independent evidence as to the continued viability of the business will also be provided to ensure that any relief is applied wisely.
- 1.5 Other forms of rate relief will be considered first and applications for such deemed to have been made, e.g. Section 44a relief.

2.0 General Scheme

- 2.1 The Council considers each request for relief individually and on its merits. It does not adopt a policy which allows it to deal with a case without full consideration.
- 2.2 The range of bodies eligible for Hardship relief is wide.

3.0 Criteria

- 3.1 Factors which will assist in making a decision are;
- 3.2 The business is generally profitable.
- 3.3 The majority of employees are SDDC residents
- 3.4 The business has a track record of good employment practices including recognised training facilities.
- 3.5 The business is able to demonstrate that it has a clear business plan to manage the short-term pressures.
- 3.6 The business adopts good, recognised and sustainable environmental practices to industry standards that cause no detriment to the residents of SDDC.
- 3.7 The business uses, whenever possible, local suppliers.
- 3.8 When considering each case on its own merits, the financial position of each organisation, as shown in the Accounts for the past two financial years, should show that there is a genuine need for rate relief.
- 3.9 Applications are normally to be effective from the start of the financial year in which the application is made, or from the date of occupation if later.

4. Delegated Scheme

4.1 The delegation scheme is set out below:

- (i) Any case which will have a financial impact to the Council of more than £2,500 will be submitted to the Finance and Management Committee for consideration.

5.0 General

5.1 In all cases where hardship relief is granted, the relief will be granted for a maximum period of 1 year.

5.2 All decisions will be notified in writing along with reasons for any refusal or restrictions in relief granted.

5.3 The mechanics of the procedure are as follows:

- Report of delegated decisions to be submitted to the Finance and Management Committee.
- Appeals to be made within 14 days of the notification of the decision.
- Appeals to be on specific points i.e. those that are outlined in the decision to reject or restrict the award.
- All appeals to be submitted to the Licensing and Appeals Committee.
- No relief shall be awarded where it appears that the ratepayer will receive state aid that is above the current de minimis level.

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 12
DATE OF MEETING:	14TH FEBRUARY 2019	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (SERVICE DELIVERY)	OPEN
MEMBERS' CONTACT POINT:	MALCOLM ROSEBURGH 01283 595774 malcolm.roseburgh@south-derbys.gov.uk	DOC:
SUBJECT:	CHURCH GRESLEY CEMETERY – LAYOUT CHANGES	
WARD(S) AFFECTED:	CHURCH GRESLEY, SWADLINCOTE, NEWHALL, WOODVILLE, LINTON, CASTLE GRESLEY	TERMS OF REFERENCE:

1.0 Recommendations

- 1.1 Further to a recommendation from Housing and Community Services Committee on January 29 2019 to seek approval to utilise £17,700 from the General Fund Repairs and Maintenance Reserve to remove two adjacent non-essential paths at Church Gresley Cemetery in order to use the recovered land to provide additional burial space therein.
- 1.2 Further to a recommendation from Housing and Community Services Committee on January 29 2019 to seek approval to cease the practice of allowing people to pre-purchase graves within cemeteries managed by the District Council except where ground conditions restrict the use of double graves.
- 1.3 Further to a recommendation from Housing and Community Services Committee on January 29 2019 to seek approval for officers to investigate the identification of possible cemetery space within the Swadlincote urban core.

2.0 Purpose of the Report

- 2.1 To advise the Committee that Church Gresley Cemetery is approaching capacity for burials.
- 2.2 To seek approval to remove two adjacent paths as identified in the plan attached at Appendix 2 in order to provide extra burial space within Church Gresley Cemetery.
- 2.3 To seek approval for officers to continue working towards identifying potential land within the urban core for future burial use.
- 2.4 To seek approval to stop the practice of allowing people to pre-purchase graves within Council managed cemeteries except where ground conditions restrict the use of double graves.

3.0 Detail

- 3.1 Church Gresley Cemetery is the largest cemetery managed by the District Council. The first interment within the cemetery took place in 1881. Over the last 138 years the cemetery has provided burial space for the residents of Church Gresley, Swadlincote and the surrounding villages.
- 3.2 Over the last ten years there has been an average of 11 new full burials per year undertaken within Church Gresley Cemetery.
- 3.3 Over the last eight years the number of remaining burial spaces has dwindled and necessitated the use of borders so that local residents could continue to be buried within the cemetery. By utilising the last available border and subject to suitable ground conditions there is currently a maximum of ten burial spaces remaining. However the cemetery is now at the stage where all available space has been reviewed and allocated and the only option to allow burials to continue in the cemetery is to dig up two adjacent non-critical paths and utilise the recovered space for burials.
- 3.4 A map showing the general shape and location of Church Gresley Cemetery is attached as Appendix 1. A detailed map showing the location of the paths proposed for removal to accommodate further use of the cemetery for burials is attached as Appendix 2.
- 3.5 It has been estimated that the removal of the paths would allow for provision of between 72 and 108 plots dependent on the ground conditions and the nature of services etc. that are found once the work to remove the paths has been undertaken.
- 3.6 Based on interment averages and the minimum number of plots that the work could create, it is estimated that burial provision at Church Gresley cemetery could be extended for a minimum of six and a half years.
- 3.7 Any extension to burial space at the cemetery would allow time to investigate options for alternative burial provision within or near to the urban core. Opportunities have previously been investigated but no suitable sites have materialised.
- 3.6 To further extend burial provision across the District Council's cemeteries it is proposed to cease the practice of allowing people to pre-purchase a burial plot in advance for future use with the exception of where ground conditions do not permit the use of double graves.
- 3.7 Where it is not possible to accommodate a double grave it is proposed to allow families to purchase an adjacent grave at the same time to allow for spouses/partners to be buried alongside each other.

4.0 Financial Implications

- 4.1 An initial estimate for the cost of the works to enable provision of additional burial space including path removal, single tree removal and adjacent path repairs has been sourced and the works priced at £17,700. This report proposes that the works are funded from the General Fund Repairs and Maintenance Reserve. Subject to Committee approval further quotations would be sought in line with the Council's financial procedures.

- 4.2 Additional finance would be required should future investigations identify potential suitable land for burials in the Swadlincote area. However, should potential sites be identified then further reports to Committee would be necessary.
- 4.3 The cessation of pre-purchasing graves will have negligible immediate impact on ongoing revenue incomes.

5.0 Corporate Implications

5.1 Employment Implications - None

5.2 Legal Implications – None. Provision of burial space is not a statutory requirement.

5.3 Corporate Plan Implications - Whilst there are no direct links to the Corporate Plan, the provision of burial space for the communities of Church Gresley/Swadlincote and its environs links indirectly to the themes of People and Place.

5.4 Risk Impact – Although provision of burial space is not a statutory requirement it is a very emotive issue. The key risk to the Council is reputational in that closure of the cemetery is likely to prove unpopular with local residents notwithstanding the fact that the duty to provide burial space is not statutory and attempts have been made to locate and provide suitable alternatives.

5.5 The decision to remove a path may also prove unpopular with some cemetery users as they may fear it will impact on either their use or the aesthetics of the surrounds. However, it is considered that the path is non-essential and the required vehicular and ambulatory access is allowed for within the proposals.

6.0 Community Impact

6.1 Consultation – None to date.

6.2 Equality and Diversity Impact – Not applicable.

6.3 Social Value Impact - The proposal to remove the paths will enable the local community to continue to bury their loved one within their neighbourhood for an extended period of time rather than having to travel to other cemeteries located within the District or elsewhere.

6.4 The extension in the time of operations at Church Gresley Cemetery consequent to this proposal will also provide additional time to seek alternative burial provision to serve the urban core in the future.

6.5 Environmental Sustainability - Not applicable.

7.0 Conclusions

7.1 The proposals included within the report will safeguard the provision of burials within Church Gresley/Swadlincote area in the interim whilst officers investigate the longer term provision of burial space for the area.

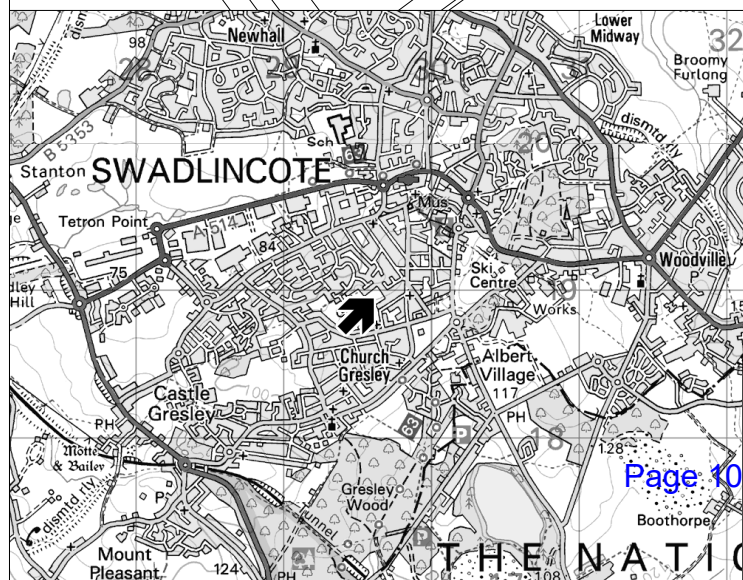
7.2 The cessation of allowing the pre-purchase of graves within District Council managed cemeteries will extend the provision of graves across the district for the future.

8.0 **Background Papers**

8.1 None.



Location Plan: Cemetery, York Road, Church Gresley, Swadlincote DE11 9QB



This map is reproduced from Ordnance Survey material with the permission of Ordnance Survey on behalf of the Controller of Her Majesty's Stationery Office. Crown Copyright. Unauthorised reproduction infringes Crown Copyright and may lead to prosecution or civil proceedings.

South Derbyshire District Council. LA 100019461. 2014



Detail Plan: Cemetery, York Road, Church Gresley, Swadlincote DE11 9QB



Pathway and kerbing to be removed

New kerbing to be installed

Tree to be removed

Scale: 1:1250 at A4



REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 13
DATE OF MEETING:	14th FEBRUARY 2019	CATEGORY: DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	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 – 14th February 2019 Work Programme

Work Programme Area	Date of Committee meetings	Contact Officer (Contact details)
Reports Previously Considered By Last 3 Committees		
Corporate Plan 2016-21: Performance Report (1 January – 31 March 2018)	14 th June 2018	Keith Bull Head of Communications (01283) 598705
Service Plans	14 th June 2018	Keith Bull Head of Communications (01283) 598705
Annual Equalities and Safeguarding Report 2017/18	14 th June 2018	Keith Bull Head of Communications (01283) 598705
Annual Health and Safety Report 2017/18	14 th June 2018	Tony Guest Health and Safety Officer (01283) 595872
Sickness Absence 2017/18	14 th June 2018	David Clamp Head of Organisational Development (01283) 595729
Annual Consultation Report 2017/18	14 th June 2018	Keith Bull Head of Communications (01283) 598705

Annual Communications Report 2017/18	14 th June 2018	Keith Bull Head of Communications (01283) 598705
Compliments, Complaints and Freedom of Information Requests October 2017 to March 2018	14 th June 2018	Kevin Stackhouse Strategic Director Corporate Resources (01283) 595811
Budget Out-Turn and Final Accounts 2017/18	26 th July 2018	Kevin Stackhouse Strategic Director Corporate Resources (01283) 595811
Treasury Management Annual Report 2017/18	26 th July 2018	Kevin Stackhouse Strategic Director Corporate Resources (01283) 595811
Annual Accounts and Financial Statements 2017/18	26 th July 2018	Kevin Stackhouse Strategic Director Corporate Resources (01283) 595811
Better Care Funding Allocation 2018-19	26 th July 2018	Eileen Jackson Housing Strategy Manager (01283) 595763
The Local Authorities' Property Fund	26 th July 2018	Kevin Stackhouse Strategic Director Corporate Resources (01283) 595811
Planning & Land Charges Software	26 th July 2018	Tony Sylvester Planning Services Manager (01283) 595743

Corporate Plan 2016-21: Performance Report (1 April 2018 – 30 June 2018)	30 th August 2018	Keith Bull Head of Communications (01283) 598705
Budget and Financial Monitoring 2018/19	30 th August 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Proposed Capital Investment Strategy and Policy Framework	30 th August 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Updated Treasury Management Investment Strategy and Counterparty List	30 th August 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Toyota City	30 th August 2018	Mike Roylance Economic Development Manager (01283) 595725
Modern Slavery Statement And Procedure Document	11 th October 2018	Chris Smith Communities Manager (01283) 595787
Updated Financial Strategy	11 th October 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
A Review of Earmarked Reserves	11 th October 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811

Updated Medium-Term Financial Plan to 2024	11 th October 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Annual Training and Development Report 2017/18	11 th October 2018	Loyd Baker Service Lead HR and Training (01283) 228770
Potentially Violent Persons' Policy	11 th October 2018	David Clamp Head of Organisational Development (01283) 595729
Corporate Plan 2016-21: Performance Report (1 April 2018 – 30 June 2018)	29 th November 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Budget and Financial Monitoring 2018/19	29 th November 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Treasury Management Quarterly Report 2018/19	29 th November 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Sundry Debt Management Policy	29 th November 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Proposed Local Council Tax Reduction Scheme 2019/20	29 th November 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811

Compliments, Comments, Complaints and FOI Requests 1 st April to 30 th September 2018	29 th November 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Equalities Policy Statement and Corporate Group's Term of Reference	29 th November 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Proposed Service Budgets 2019/20	10 th January 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Consolidated Budget Proposals 2019/20 and Medium-Term Financial Plan to 2023/24	10 th January 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Council Tax Premiums on Empty Properties	10 th January 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Provisional Programme of Reports to be considered by Committee		
Treasury Management Strategy 2019/20	14 th February 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Final Consolidated Budget Proposals 2019/20 and Medium-Term Financial Plan to 2023/24	14 th February 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811

Proposed Local Council Tax Reduction Scheme 2019/20	14 th February 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Discretionary Business Rates Relief	14 th February 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Church Gresley Cemetery – Layout Changes	14 th February 2019	Malcolm Roseburgh Cultural Services Manager (01283) 595774
Corporate Plan 2016-21: Performance Report (1 April 2018 – 30 June 2018)	14 th March 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Budget and Financial Monitoring 2018/19	14 th March 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Treasury Management Quarterly Report 2018/19	14 th March 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Changes to the National Pay Structure for Local Government Employees	14 th March 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Corporate Resources Service Plan 2019/20	25 th April 2019	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811