

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

Our Ref: DS
Your Ref:

Date: 15 February 2018

Dear Councillor,

Finance and Management Committee

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber**, on **Thursday, 15 February 2018 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**

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

Labour Group

Councillors Rhind, Richards, Southerd and Wilkins

AGENDA

Open to Public and Press

- 1** Apologies and to note any Substitutes appointed for the Meeting.
- 2** To receive the Open Minutes of the following Meetings:-

Finance and Management Committee 30th November 2017 Open Minutes **4 - 7**

Audit Sub-Committee 13th December 2017 Open Minutes **8 - 11**
- 3** To note any declarations of interest arising from any items on the Agenda
- 4** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 5** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 6** Reports of Overview and Scrutiny Committee
- 7** DISCRETIONARY BUSINESS RATES REVALUATION RELIEF SCHEME **12 - 15**
- 8** COUNCIL TAX PREMIUM ON LONG-TERM EMPTY PROPERTIES **16 - 18**
- 9** ENVIRONMENTAL EDUCATION SERVICE - SERVICE DEVELOPMENT PROPOSAL **19 - 21**
- 10** TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2018-19 **22 - 46**
- 11** FINAL BUDGET PROPOSALS 2018-2019 and FINANCIAL PLAN to 2023 **47 - 71**
- 12** COMMITTEE WORK PROGRAMME **72 - 75**

Exclusion of the Public and Press:

- 13** 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.
- 14** To receive the Exempt Minutes of the following Meetings:-
Finance and Management Committee 30th November 2017 Exempt Minutes
Audit Sub-Committee 13th December 2017 Exempt Minutes
- 15** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 16** SERVICE ASSISTANT (EVENTS)
- 17** PLANNING SERVICE REVIEW
- 18** LAND IN SWADLINCOTE
- 19** ACCOUNTS SUBMITTED FOR WRITE-OFF and APPLICATION FOR
HARDSHIP RELIEF

FINANCE AND MANAGEMENT COMMITTEE

30th November 2017

PRESENT:-

Conservative Group

Councillor Harrison (Chairman), Councillor Mrs Plenderleith (Vice-Chairman) and Councillors Mrs Coyle, Mrs Hall (substituting for Councillor Mrs Coe), Ford, Hewlett, Smith, Watson and Wheeler

Labour Group

Councillors Rhind, Richards, Southerd and Wilkins

FM/87 **APOLOGIES**

Apologies were received from Councillor Mrs Coe (Conservative Group)

FM/88 **DECLARATIONS OF INTEREST**

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

FM/89 **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/90 **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/91 **REPORTS OF THE OVERVIEW AND SCRUTINY COMMITTEE**

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

FM/92 **CORPORATE PLAN 2016-21: PERFORMANCE REPORT (1 JULY – 30 SEPTEMBER 2017)**

The Director of Finance and Corporate Services presented the report to Committee, highlighting the implementation of the new website and the benefit processing situation.

Members raised queries relating to the mandatory training. The Director responded and clarified that the deadline for the mandatory training to be completed is 31st July 2018.

RESOLVED:

Members noted progress against performance targets.**FM/93 BUDGET and FINANCIAL MONITORING 2017/18**

The Director of Finance and Corporate Services presented the report to Committee highlighting the Housing Revenue Account, Council Tax Income and Expenditure, Capital Expenditure and Financing, Council House Capital Works and New Build Scheme, and the positive Treasury Management situation.

The Chairman, whilst noting the Borrowing Capacity, queried whether this could be increased by submitting an application to which the Director explained that this will require a review by the Housing Department.

Councillor Hewlett noted the change in the profile of revenue reserve contributions to the Debt Repayment, to which the Director gave an explanation of the retention and spending of any surpluses.

Councillor Southerd, noted the risk of Appeals to the Business Rates Retention to which the Director explained that businesses have the right to lodge an appeal with the Valuation Office if they are not in agreement with the change in business rates.

Councillor Richards queried the retention of Agency and Consultancy staff. The Director explained that agency staff were retained on a short term rather than a long term contractual basis.

RESOLVED:

Members approved the latest budget and financial position for 2017/18, as detailed in the report.

FM/94 COMMENTS, COMPLIMENTS, COMPLAINTS & FREEDOM OF INFORMATION REQUESTS 1 APRIL 2017 TO 30 SEPTEMBER 2017

The Director of Finance and Corporate Services presented the report to Committee. The Director noted that due to a typographical error, the words comments and compliments had been omitted from the recommendation.

RESOLVED:

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

FM/95 CHANGE TO ESTABLISHMENT – DIRECT SERVICES UNIT**RESOLVED:**

Members approved that a post of HGV Sweeper Driver be added to the establishment with immediate effect.

FM/96 **REFUSE COLLECTION RESOURCES**

RESOLVED:

1.1 Members approved the establishment of one additional refuse driver / chargehand post, three additional refuse loader posts and two clinical driver posts.

1.2 Members agreed to increase the Council's vehicle fleet by one additional 26t refuse collection vehicle and one 7.5t refuse collection vehicle, to be covered by retaining one current vehicle and hiring an appropriate vehicle until new replacements can be purchased in 2019/20.

1.3 Members gave approval to continue to provide the bulky waste collections and bin deliveries services in-house.

FM/97 **COMMITTEE WORK PROGRAMME**

RESOLVED:

Members approved the updated work programme.

FM/98 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

RESOLVED:-

That, in accordance with Section 100(A)(4) of the Local Government Act 1972 (as amended), the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.

MINUTES

The Exempt Minutes of the Meetings held on 21st September 2017 and 12th October 2017 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.

THE FUTURE OF BUILDING CONTROL IN SOUTH DERBYSHIRE

Members approved the recommendation in the report.

PREMISES IN SWADLINCOTE

Members approved the recommendations in the report.

DELIVERY OF THE PROCUREMENT SERVICE

Members approved the recommendations in the report.

**STAFFING AMENDMENTS – COMMUNITY AND PLANNING
DIRECTORATE**

Members approved the recommendation in the report.

REVIEW OF COUNCIL STRUCTURE – APPOINTMENT OF CONTRACTOR

Members approved the recommendation in the report.

**REVIEW WRITE OFF: COUNCIL TAX, BUSINESS RATES & BENEFIT
OVERPAYMENTS**

Members approved the recommendation in the report.

The meeting terminated at 7.35pm.

COUNCILLOR J HARRISON

CHAIRMAN

AUDIT SUB-COMMITTEE

13th December 2017

PRESENT:-

Conservative Group

Councillor Grant (Chairman) and Councillor Mrs Wyatt

Labour Group

Councillors Dunn and Shepherd

AS/27 **APOLOGIES**

The Sub-Committee was informed that no apologies had been received.

AS/28 **MINUTES**

The Open Minutes of the Meeting held on 20th September 2017 were taken as read, approved as a true record and signed by the Chairman.

AS/29 **DECLARATIONS OF INTEREST**

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

AS/30 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO.10**

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

AS/31 **TO RECEIVE ANY QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11**

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

MATTERS DELEGATED TO SUB-COMMITTEE

AS/32 **LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**

The external auditor presented the report to the Sub-Committee, making particular reference to the 2018/19 Financial Settlement, the Derbyshire pilot for NNDR retention, the New Homes Bonus and preparations for the earlier final accounts closure timetable for 2018.

Councillor Dunn queried two statements in the external audit report, namely the reference to council's receiving an average of '486,500 planning applications per year' and evidence to support the view that following the General Election the Article 50 EU exit negotiations could result in a more 'business-friendly Brexit'. The external auditor acknowledged that the first was an erroneous figure, the second speculation on their part.

The Strategic Director (Corporate Services) addressed the Key Questions posed in the report relating to Brexit, the 2018/19 Financial Settlement, planning application charges, adult social care, council-owned trading companies and the 2018 financial accounts early closure timetable.

The Chairman queried the impact of the Universal Credit roll-out. The Director clarified that it was estimated that it may affect up to a third of current claimants, adversely impacting on rent arrears and, as a result, the bad debt provision position was being reviewed.

RESOLVED:-

Members considered the key questions posed by the Council's External Auditors contained in their recent sector update.

AS/33 **LOCAL CODE OF CORPORATE GOVERNANCE REVIEW 2017/18**

The Monitoring Officer presented the report to the Sub-Committee.

Members queried the revisions required relating to the Conflicts of Interest Policy and issues relating to whistleblowing, both matters addressed by the Monitoring Officer.

RESOLVED:-

1.1 Members approved the review against the Council's Local Code of Corporate Governance for 2017/18, as detailed in Appendix 1 to the report.

1.2 Members approved progress on the work plan to strengthen the Council's governance arrangements in 2017/18, as detailed in Appendix 2 to the report.

AS/34 **INTERNAL AUDIT PROGRESS REPORT**

The internal auditor presented the report to the Sub-Committee.

Councillor Dunn queried the status of the dry waste recycling contract and associated risk. The Monitoring Officer confirmed that all reasonable steps had been taken to have the contract signed and that the company in question was operating to the contractual arrangements.

Councillor Shepherd requested an update on the risks associated with the backup server healthcheck. The Strategic Director (Corporate Services) reported on the current situation relating to the eight points in the report.

The Chairman queried the response time between notification of an issue and management action and what assistance the Sub-Committee could provide to ensure progress. The internal auditor suggested that the Sub-Committee concentrate its attentions to the items marked as moderate or significant risk, perhaps inviting the relevant officers to attend the Sub-Committee's meetings to detail their responses to issues as identified.

Councillor Dunn raised the Waste Less, Save More project, in particular, payments and the initial bid process. The Monitoring Officer confirmed that the payments matter had been investigated and that the bid process was due to be reviewed, with a report to be submitted to both the appropriate committee in due course. Councillor Shepherd wished for it to be noted that Members should be part of this process and kept informed of progress.

RESOLVED:-

Members considered the report of the Audit Manager and agreed that any issues identified are referred to the Finance and Management Committee or subject to a follow-up report as appropriate.

AS/35 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

RESOLVED:-

That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.

MINUTES

The Exempt Minutes of the Meeting held on 20th September 2017 were received.

EXEMPT QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO.11

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

The Meeting terminated at 4.50pm.

COUNCILLOR J GRANT

CHAIRMAN

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 7
DATE OF MEETING:	15th FEBRUARY 2018	CATEGORY: OPEN DELEGATED
REPORT FROM:	STRATEGIC DIRECTOR OF CORPORATE RESOURCES	
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/business rates/valuation 2017/committee reports/discretionary rate relief schemes update Jan 2018
SUBJECT:	DISCRETIONARY BUSINESS RATES REVALUATION RELIEF SCHEME	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 2017/18 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 2017/18 has increased by 5% or greater when compared to 2016/17.
 - The business does not qualify for any other relief, excluding the “Support for Pubs Scheme” in 2017/18.
 - 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 90% of the total increase in rates payable between 2016/17 and 2017/18.
- 1.3 That the updated scheme for 2017/18 is rolled forward to 2018/19 based on the same criteria except that Relief is limited to 45% of the total increase in rates payable between 2016/17 (the base year) and 2018/19.

2.0 Purpose of Report

- 2.1 To consider an update on allocating the Council's budget for supporting businesses in South Derbyshire adversely affected by the 2017 Business Rates Revaluation.
- 2.2 The initial scheme was approved by the Committee in October 2017 and this update proposes an amendment to that initial scheme to ensure the Council's allocation is fully utilised in this financial year, 2017/18.

3.0 Detail

Background

- 3.1 In the Government's March 2017 Budget, additional funding of £300m nationally was allocated over the 4 financial years, 2017/18 to 2020/2021. This funding is 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.
- 3.3 However, it is for each council to decide locally its own scheme for best allocating this funding. Unlike other business rate reliefs, there is no national scheme and each council has full discretion under existing 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 suggested relief should be restricted to local businesses only and not national chains or groups.

The Council's Funding

- 3.5 The Council has been allocated funding of £202,000 for 2017/18. Indicative figures are £98,000 for 2018/19, £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. This has been confirmed by the Government despite some lobbying by the local government sector.

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; this led to the following criteria being approved.

A business will receive Discretionary Revaluation Relief in 2017/18 where:

- Its RV is less than £200,000.
 - Its Business Rates payable in 2017/18 has increased by 10% or greater when compared to 2016/17 (*the national funding formula was based on 12.5%*)
 - The business does not qualify for any other relief.
 - 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 90% of the total increase in rates payable between 2016/17 and 2017/18 (*this was an additional factor approved to ensure that the maximum funding was not exceeded and to allow a contingency*).
- 3.8 The Scheme has been implemented and this has supported over 80 local businesses. To-date, the total cost of relief awarded totals £126,000.
- 3.9 Having identified and finalised the list of businesses fulfilling the approved criteria, the total amount allocated is less than that estimated and below the total funding of £202,000 for 2017/18.

Proposals to Utilise the Remaining Funding

- 3.10 To ensure that the Council utilises the remaining funding, two amendments to the original scheme are proposed.

Additional Support to Pubs

- 3.11 Besides the Revaluation Relief, the Government also announced a “Support for Pubs Scheme” through a one-off £1,000 discount (on their Business Rates) in 2017/18 for public houses with a RV of less than £100,000. This relief has also been implemented and has benefitted approximately 10 pubs in the District. It has been funded separately by the Government.
- 3.12 Even with this additional support, some pubs have seen large increases in their Rates. Due to this separate scheme, they were excluded from the original Revaluation Relief Scheme as they were already receiving support via the discount.
- 3.13 Having reviewed this situation, it is now considered fairer if these pubs were brought into the Council’s Revaluation Relief Scheme. Effectively, the pub discount is not in itself a relief and these pubs would have, or still do, qualify for the Revaluation Relief.

Reducing the Increase in Business Rates from 10% to 5%

- 3.14 As highlighted earlier in the report, the current scheme supports businesses where their actual Business Rates payable has increased by 10% or more between 2016/17 and 2017/18. If this percentage is reduced to 5% and all other criteria remains unchanged, it will support up to a further 100 businesses across the District.
- 3.15 Alongside the proposal to include pubs subject to the discount as highlighted above, the total cost of the scheme would be £197,000.

Proposed Scheme 2018/19

- 3.16 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.
- 3.17 The Council's Scheme for 2017/18 grants relief of up to 90% of the increase in rates payable. To accord with the reduction in funding in future years, relief would 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)

- 3.18 Therefore, the Council's proposed scheme for 2018/19 will remain the same with the relief limited to **45%** of the total increase in rates payable between 2016/17 (the base year) and 2018/19.

4.0 Financial Implications

- 4.1 As detailed in the report.

5.0 Corporate Implications

- 5.1 None

6.0 Community Implications

- 6.1 The aim of the Revaluation Relief Scheme is to support local businesses in the area that create employment across the District.

7.0 Background Papers

- 7.1 None

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 8
DATE OF MEETING:	15th FEBRUARY 2018	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/revenues and benefits/section 13a/proposal for 100% empty property premium
SUBJECT:	COUNCIL TAX PREMIUM ON LONG-TERM EMPTY PROPERTIES	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 12

1.0 Recommendations

- 1.1 That consideration is given to increasing the Council Tax Premium from 50% to 100% on properties that remain empty for longer than 2 years.
- 1.2 That if approved, the increased Premium of 100% is effective from the financial year 2018/19.
- 1.3 That properties which have been actively marketed for sale or let are considered exempt from the Premium under the Council's Discretionary Policy.
- 1.4 That the Council Tax exemption for properties undergoing significant structural repairs is increased from 12 months to 2 years.

2.0 Purpose of Report

- 2.1 To report a new discretion given to local billing authorities that will allow the Council Tax Premium on long term empty properties to be increased from 50% to 100%. This discretion was introduced in the Government's 2017 Autumn Budget in November.

3.0 Detail

- 3.1 With the aim of bringing empty properties back into use, the Government introduced certain discretions, back in April 2013, for billing authorities to charge additional Council Tax on empty properties. The Council introduced these discretions locally and adopted the following Policy:

- A free period with no Council Tax payable, of three months, after a property becomes empty, thereafter a full charge is made.
- An empty property premium of 50%, on top of the full charge is levied after a property remains empty for two years or more.

3.2 A long-term empty property is defined as one which has stood unoccupied for longer than 2 years and is substantially unfurnished. Certain properties are excluded and these include:

- Properties where a person has been moved into residential care or hospital
- Properties where the occupant is away serving in the armed forces
- Properties that have been repossessed
- Properties classified as being derelict
- Properties that have been compulsory purchased awaiting demolition

3.3 Alongside this Premium, the Council also has a discretionary policy to reduce the Premium in exceptional cases, through a local discount. This applies where there are unavoidable circumstances that render a property impossible or extremely difficult to either let or sell. For example:

- Properties within retirement schemes where covenants/restrictions on sales and lets apply.
- Unused accommodation within retail or commercial units that cannot be made available to let or sale for access or security reasons.

3.4 This policy has been applied in a handful of cases since 2013.

3.5 The relevant property owners have been made aware that the Council is considering increasing the Premium, subject to Committee approval. Some feedback has raised other circumstances where property owners are having genuine difficulties in selling their property or making it habitable.

3.6 Two specific circumstances have been identified as follows:

- Where the owner has been actively engaged in attempting to sell the property over a period of time and can demonstrate this. It is proposed that these circumstances are added to the Council's discretionary policy and considered for the local discount.
- Where a property is subject to significant structural repairs or renovation. Currently, these properties are exempt from Council Tax for 12 months. It is proposed that this exemption is extended to 2 years.

3.7 It is envisaged that these circumstances will be rare and the policy would only be applied in exceptional circumstances.

4.0 Financial Implications

4.1 The Premium currently applies to 104 properties.

- 4.2 The increase from 50% to 100% would generate additional income of approximately £80,000 per year, of which £9,000 would directly benefit the Council.
- 4.3 In addition, a reduction in the number of empty homes generates additional New Homes Bonus at the national average Band D Council Tax rate of £1,590 per property.
- 4.4 The projected level of long-term empties is expected to increase to approximately 130 by April 2018. This is currently under review with remedial activity and intervention being progressed.

5.0 Corporate Implications

- 5.1 The discretion would be enacted under provisions contained within the Local Government Finance Act 1992.

6.0 Community Implications

- 6.1 The objective of Government Policy nationally of increasing the Premium, is to bring forward the use of empty properties to increase the supply of housing across the Country.

7.0 Background Papers

- 7.1 None

REPORT TO:	FINANCE and MANAGEMENT COMMITTEE	AGENDA ITEM: 9
DATE OF MEETING:	15th FEBRUARY 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (SERVICE DELIVERY)	OPEN
MEMBERS' CONTACT POINT:	KATE ALLIES kate.allies@south-derbys.gov.uk 01283 535039	
SUBJECT:	ENVIRONMENTAL EDUCATION SERVICE: SERVICE DEVELOPMENT PROPOSAL	
WARD(S) AFFECTED:	LINTON	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That a grant offer from Veolia UK of £55,890 towards the cost of £69,862 for a project to install dipping platforms and science related play facilities at Rosliston Forestry Centre is approved.
- 1.2 That the applications to finance the funding shortfall are supported.

2.0 Purpose of Report

- 2.1 To report details concerning a grant application and subsequent offer from Veolia UK to finance a service development at Rosliston Forestry Centre, together with the subsequent financial implications and potential risks /benefits of accepting the grant. The recommendations were considered and approved for referral to the Committee by the Environmental and Development Services Committee on 25th January 2018.

3.0 Detail

- 3.1 Business income to the Environmental Education Project has suffered in recent years through the loss of pond dipping facilities which were popular with schools and generated income for the service. Veolia UK funded a new pond in 2015 and have now offered a grant to support the installation of dipping platforms and some science education play equipment.
- 3.2 The grant offered is £55,890 out of a total project cost of £69,862. However, to comply with the operation of the Land Fill Community Fund, the Council is required to pay 10% (£5,589) to guarantee the funding being paid; this is standard practice.
- 3.3 Acceptance of the grant would include a commitment to raise the remaining funds of £13,972 for the project and the fee of £5,589 to the landfill operator (Veolia) totalling £19,561.

- 3.4 The Environmental Education Project team are in negotiation with 3 potential funders to fill the gap between the grant award and the total cost of the project. The National Forest Company have indicated that they are likely to fund around 25% of the shortfall or at least a minimum of £2,000. They have promised a quick turnaround on the application which was submitted in December 2017.
- 3.5 An application for £10,000 has been submitted to the Big Lottery 'Awards for All' fund. The outcome is expected shortly and other options are also being explored.
- 3.6 If the proposal to introduce pond dipping is approved, the Council will need to identify resources in the interim to finance the potential shortfall in order to secure the support of Veolia and the National Forest Company. Ultimately, these resources may be required in the longer-term if other funding applications are unsuccessful.
- 3.7 The risk is that in doing so, the remaining Environmental Education Projects Reserve, which is generally used to supplement such projects, will be almost fully used (*see Section 4, Financial Implications*). This could then affect the sustainability of other projects from 2018-19 if other external funding is not generated.
- 3.8 However, this particular project would help to improve the business generating resources of the Service. Pond dipping is expected to bring in a minimum of £3,000 per year (1 visit @£100 x 30 per year). This is considered to be a prudent estimate based on previous experience and recent requests for the activity.
- 3.9 The Service continues to seek grant funding for other parts of the Team's work in order to cover core costs and contribute towards reserves. For example, there is another application pending (for the Heritage Trail) which would reduce the reliance on reserves for 2017-18 and 2018-19.
- 3.10 The team have a good track record of raising the funds needed to ensure their contracts can be delivered and extended and occasionally using reserves for capital projects is a key part of that.
- 3.11 Developing the business further by using reserves to create an income generating resource is considered a risk worth taking for the future of the project and this report is part of a creative strategy to resolve the on-going sustainability of project work.

4.0 Financial Implications

- 4.1 As highlighted, the Environmental Education Service is reliant on external funding to deliver its project-based work. The net cost of the entire Service is £70,000 per year and this is included in the Base Budget of the Council.
- 4.2 The Committee also has access to an earmarked reserve to help subsidise and meet the costs of delivering the various projects should external funding not be generated. This Reserve has gradually been drawn down in recent years and has been highlighted as a potential risk in the Committee's Budget.
- 4.3 As reported to the Committee on 4th January, it is estimated that the level of the Reserve will be approximately £25,000 by 31st March 2018. This is assuming a drawdown of £12,000 in 2017/18 to finance other committed costs.
- 4.4 If the remaining reserve is used to finance the shortfall of the cost of this capital project (£19,500 less £2,000 committed by the National Forest) this will leave only a small amount (£7,500) in the Reserve should other funding being generated.

- 4.5 The cost of project work is currently £10-15,000 per year and this is the amount required each year, not funded by the Council, to finance specific projects. As previously reported, this becomes at risk in any case from 2019/20 without on-going external funding.
- 4.6 Current Environmental Education Project staff, who are employed to deliver specific projects, have contracts until the end of March 2020. A commitment to finance this particular Project would bring the sustainability of other projects into question much sooner if the full cost is not met externally.

5.0 Corporate Implications

- 5.1 Turning down the Veolia grant would make it difficult for the Council to reapply to Veolia in future for any other projects.
- 5.2 Raising Aspirations is an important part of Corporate and Service Plans. Making Science Education engaging and fun through pond dipping and play activities (Science Trail) is a key element to raising aspirations amongst our young people and encouraging them to be interested in science.

6.0 Community Implications

- 6.1 The engagement of young people and families in Pond Dipping has always been one of the most popular and successful ways of engaging people with nature and encouraging them to value and look after their local environment.
- 6.2 This resource will enable this activity to be offered again in South Derbyshire and benefit local schools which struggle to maintain their own ponds and family groups who continually ask for pond dipping as part of the summer programme for families. There is support for the project within the community including documents submitted to Veolia as part of the successful application.

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 10
DATE OF MEETING:	15th FEBRUARY 2018	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/2017-18/Feb
SUBJECT:	TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2018/19	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 The Treasury Management Strategy for 2018/19 is approved.
- 1.2 The Prudential Indicators and Limits for 2018/19 to 2022/23 are approved.
- 1.3 The Investment Policy for 2018/19 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, 2018/19 to 2022/23. This is in accordance with the requirements of the Local Government Act 2003, updated for provisions contained in the Localism Act 2011. Three main areas are covered:
 - The CIPFA Prudential Code (2011) which requires the reporting of the Indicators for Capital Finance in Local Authorities.
 - The Treasury Strategy in accordance with the CIPFA Code of Practice on Treasury Management.
 - The Investment Strategy in accordance with Central Government guidance (2010).

3.0 Summary

The Prudential System for Capital Finance

- 3.1 The Council is required to manage its treasury and capital expenditure activities under a National Code. The main aims of the National Prudential System are to ensure that:
- Capital investment plans of local authorities are affordable and sustainable.
 - Treasury management decisions are taken in accordance with best professional practice.
 - Financial planning and asset management are integrated into the Council's overall corporate planning arrangements.
- 3.2 Treasury operations are measured within a set of prudential indicators. The main purpose of these indicators is to provide the limits and benchmarks to control the level of capital expenditure, borrowing and investment. The Council is expected to operate comfortably within these limits.
- 3.3 The Prudential System allows councils the freedom to borrow on a prudential basis. Any new borrowing has to be accommodated within any maximum debt limits or caps set by Central Government and the Council has to demonstrate that it can afford to service and repay the debt within its financial plans.
- 3.4 CIPFA published new versions of its Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes (TM Code) and The Prudential Code for Capital Finance in Local Authorities (Prudential Code) in late December 2017. This will apply from April 2018 and will inform the strategy for 2019/20 onwards.

The Treasury Management Strategy

- 3.5 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

- 3.6 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 Implications

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

COUNTERPARTY LIST 2018/19
(As at February 2018)

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 	£1m	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 Bank of Scotland 	£2m with any one Bank	6 months
<ul style="list-style-type: none"> Close Brothers Santander UK / Abbey National Treasury Services 	£2m with any one Bank	6 months
<ul style="list-style-type: none"> Barclays Bank Goldman Sachs International 	£2m with any one Bank	100 days
<ul style="list-style-type: none"> Royal Bank of Scotland /National Westminster Bank 	£1m with any one Bank	35 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



Treasury Management Strategy Statement 2018/19
February 2018

Introduction

The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (DCLG) issued revised *Guidance on Local Authority Investments* in March 2010 that requires the Authority to approve an investment 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 both the CIPFA Code and the DCLG Guidance.

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 risk are therefore central to the Authority's treasury management strategy.

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 June 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 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 during the year 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

The Current Economic Situation and Outlook

The MPC increased the Base Rate in November 2017 to 0.5%. Further potential movements are reliant on economic data and the likely outcome of the Brexit negotiations. Policymakers have revised lower the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.

The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the EU. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2. Forecasts for future GDP growth have generally been revised downwards.

Labour market data suggests that employment has plateaued, although house prices (outside London) appear to be relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post 2008 financial crisis.

The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger global and Eurozone economic expansions.

Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

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 0.45% 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 over the Medium Term Financial Planning (MTFP) period.

External Debt	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Debt 1st April	57,423	57,423	57,423	57,423	57,423	47,423
New Debt	0	0	0	0	0	0
Maturing Debt	0	0	0	0	-10,000	0
Debt 31st March	57,423	57,423	57,423	57,423	47,423	47,423
Annual Change in Debt	0	0	0	0	-10,000	0
Long-term Investments	1,000	1,000	1,000	1,000	1,000	1,000
Short-term Investments	8,000	5,000	4,000	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	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Authorised Limit - General Fund	5,653	5,316	4,988	4,667	4,667	4,409
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Financing Requirement	67,237	66,900	66,572	66,251	66,251	55,993
Operational Boundary	62,423	62,423	62,423	62,423	52,423	52,423
Gross Debt	57,423	57,423	57,423	57,423	47,423	47,423
Debt Less Investments	49,423	52,423	53,423	53,423	45,423	45,423

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.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
General Fund - Net Indebtedness	£'000	£'000	£'000	£'000	£'000	£'000
CFR / Borrowing Requirement	5,653	5,316	4,988	4,667	4,409	4,214
Estimated Reserves	9,213	8,180	6,742	5,407	3,899	2,052
Net Indebtedness	-3,560	-2,864	-1,754	-740	510	2,162

It has been assumed in the MTFP that the projected budget deficit on the General Fund will be financed from general reserves until budget savings have been identified. During 2018/19, the Council will be addressing the projected deficit. Where reserves are not used, this will maintain balances at a higher level. However, this will be kept under review. If the net indebtedness does become positive, this may require some temporary borrowing at an additional cost, although this is not expected to occur until 2021/22.

HRA and Limit on Indebtedness

Under self-financing, the HRA pool operates within a cap over which no actual borrowing is allowed. This is prescribed by the Government and is set at £66.853m. 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	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
HRA Debt Cap	66,853	66,853	66,853	66,853	66,853	66,853
HRA CFR	61,584	61,584	61,584	61,584	61,584	51,584
Difference	5,269	5,269	5,269	5,269	5,269	15,269
HRA Debt	57,423	57,423	57,423	57,423	47,423	47,423
Borrowing Headroom (Debt Cap minus Debt)	9,430	9,430	9,430	9,430	19,430	19,430

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

Revenue Implications

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	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
General Fund						
Interest Payable	0	0	0	0	0	0
Interest Received	-20	-45	-45	-45	-45	-45
HRA						
Interest Payable	1,757	1,793	1,793	1,793	1,793	1,793
Interest Received	-5	-5	-5	-5	-5	-5
Net Interest Payable	1,732	1,788	1,788	1,788	1,788	1,788

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 31.1.18 £'000
Less than one year		0
Between one and two years		0
Between two and five years	0.45% 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 0.45% up to 3% in 2018/19 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 2018/19 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 Council is expected to have a regular short-term investment requirement to enable it to manage its day-to-day financial affairs. There is no current proposal to enter into longer term and externally managed funds. Where the Council should need to borrow in advance of need, this investment strategy also applies.

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 1st February 2018. 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

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

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

Specified Investments

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.

Performance Indicators

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

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
7-Day Rate (target)	0.51%	0.62%	0.51%	0.47%	0.50%	0.50%	0.36%
Actual Rate	0.78%	0.74%	0.31%	0.33%	0.31%	0.32%	0.25%

As at 31st January 2018, the Council's investment portfolio is as follows:

	Current Rate(s)	Balance at 31.01.18 £000
Local Authorities	0.35% - 0.55%	21,000
DMO	0.25%	9,000
Money Market Funds	0.40%	2,000
CCLA Property Funds	4.30%	1,000
Banks	0.00% - 0.15%	4,251
TOTAL		37,251

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 September 2017 the Council invested £1m in the CCLA Property Fund. 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 2018/19

February 2018

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.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Estimated Capital Expenditure	£	£	£	£	£	£
General Fund	4,060,070	2,484,720	736,000	736,000	736,000	786,000
HRA	1,735,320	2,869,513	1,888,000	1,935,000	1,983,000	1,692,000
TOTAL	5,795,390	5,354,233	2,624,000	2,671,000	2,719,000	2,478,000
Financed by						
Grants and Contributions	1,256,538	990,948	336,000	336,000	336,000	336,000
Council Resources	4,538,852	4,363,285	2,288,000	2,335,000	2,383,000	2,142,000
TOTAL	5,795,390	5,354,233	2,624,000	2,671,000	2,719,000	2,478,000

The current year estimated expenditure on the General Fund relates to the relocation of the Council's Depot and a substantial vehicle upgrade program, which will continue into 2018/19. 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 forecast spike in 2018/19 relates to one-off expenditure on the building of new properties.

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. It is expected that the borrowing requirement will be met internally. If all financing is not secured, expenditure will need to be curtailed or other resources and reserves identified.

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, in future years, money will be set-aside to repay HRA debt in accordance with the maturity profile. This strategy is reflected in the HRA's Financial Plan.

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

Expected CFR	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
CFR b/fwd	67,583	67,237	66,900	66,572	66,251	55,993
Add New Financing	0	0	0	0	0	0
Less MRP	-214	-206	-197	-190	-182	-175
Less VRP	-131	-131	-131	-131	-76	-21
Less Debt Repayment	0	0	0	0	-10,000	0
CFR c/fwd	67,237	66,900	66,572	66,251	55,993	55,798
General Fund Proportion	5,653	5,316	4,988	4,667	4,409	4,214
HRA Proportion	61,584	61,584	61,584	61,584	51,584	51,584
	67,237	66,900	66,572	66,251	55,993	55,798

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, in future years, money will be set-aside to repay the HRA debt in accordance with the maturity profile. This strategy is reflected in the HRA's Financial Plan. The expected CFRs over the current financial planning period to 2022/23 are detailed in the following table.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Expected CFR	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	5,653	5,316	4,988	4,667	4,409	4,214
HRA	61,584	61,584	61,584	61,584	51,584	51,584

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	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Gross Borrowing - HRA	57,423	57,423	57,423	57,423	47,829	47,829
Gross Borrowing - General Fund	0	0	0	0	0	0
Total Gross Borrowing	57,423	57,423	57,423	57,423	47,829	47,829
Total CFR	67,237	66,900	66,572	66,251	55,993	55,798

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 and is the debt cap for HRA self-financing of £66.853m.

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 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	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Authorised Limit - General Fund	5,653	5,316	4,988	4,667	4,409	4,214
Authorised Limit - HRA	66,853	66,853	66,853	66,853	66,853	66,853
Operational Boundary	62,423	62,423	62,423	62,423	52,423	52,423

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	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Estimated Net Interest Received - General Fund	-20,000	-45,000	-45,000	-45,000	-45,000	-45,000
Estimated Band D Properties (per MTFP)	31,647	32,467	33,007	33,547	34,086	34,626
Cost per Band D Property	-£0.63	-£1.39	-£1.36	-£1.34	-£1.32	-£1.30

No red

Estimated Net Interest Payable – HRA	1,762,478	1,797,575	1,797,644	1,797,715	1,797,788	1,497,863
Est Council Dwellings (per MTFP)	3,006	2,988	2,972	2,958	2,945	2,932
Annual Cost per Dwelling	£586.32	£601.60	£604.96	£607.85	£610.56	£510.95

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.

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Estimated Usable Reserves	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	9,213	8,180	6,742	5,407	3,899	2,052
Earmarked	11,206	10,706	10,586	10,544	10,185	9,627
Capital Receipts and Grants	3,011	4,016	5,185	6,251	7,263	8,222
Debt Repayment	3,054	5,465	7,857	10,188	2,458	5,755
HRA	4,397	4,195	3,844	3,476	3,222	2,701
TOTAL	30,881	32,561	34,213	35,866	27,026	28,357

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 be utilised over the financial period. The level of capital receipts is estimated to fluctuate due to the timing of receipts from council house and planned land sales, together with the timing of actual capital expenditure payments.

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	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	2022/23 £
General Fund						
Estimated Council Tax Income	4,942,217	5,169,145	5,357,554	5,551,345	5,750,657	5,955,631
Net Interest Receivable	-20,000	-45,000	-45,000	-45,000	-45,000	-45,000
Proportion	-0.40%	-0.87%	-0.84%	-0.81%	-0.78%	-0.76%
HRA						
Estimated Rental Income	12,320,843	12,165,641	12,315,000	12,328,000	12,581,000	12,902,000
Estimated Interest Payable	1,762,478	1,797,575	1,797,644	1,797,715	1,797,788	1,497,863
Proportion	14.30%	14.78%	14.60%	14.58%	14.29%	11.61%

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.

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 11
DATE OF MEETING:	15 th FEBRUARY 2018	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/2017-18/Feb19
SUBJECT:	FINAL BUDGET PROPOSALS 2018/2019 and FINANCIAL PLAN to 2023	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That a Council Tax increase for 2018/19 of 1.95% is recommended to Full Council on 26th February 2018.
- 1.2 That estimated net General Fund Revenue Expenditure totalling £11,949,397 for 2018/19 is recommended to Full Council on 26th February 2018.
- 1.3 That the Medium-term Financial Plan to 2023 on the Council's General Fund Revenue Account as detailed in **Appendix 1** is approved.
- 1.4 That a strategy and action plan is drawn up to generate budget savings on the General Fund ahead of 2019/20.
- 1.5 That the Financial Plan for the Housing Revenue Account (HRA) to 2028 as detailed in **Appendix 2** is approved.
- 1.6 That the 5-year capital investment and financing plan to 2023 as detailed in **Appendix 3** is approved.
- 1.7 That the Council's National Non-Domestic Rate Return (NNDR 1) for 2018/19, showing retained business rates of £13,123,996 for 2018/19 and £9,727,674 for 2017/18 is noted.
- 1.8 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 2018/19 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 2018/19 by Full Council on 26th February 2018.
- 2.3 The Council's proposed base budget for 2018/19 and projected medium-term financial position was reported in detail to the Committee on 11th January 2018 (*details are available at: [CMIS > Meetings](#)*)
- 2.4 This report does not repeat those details but firms up the position following a period of scrutiny and consultation, together with confirmation of some provisional figures from January.
- 2.5 The report also provides an overview of the Housing Revenue Account and its updated financial projection that was considered and approved by the Housing and Community Services Committee on 11th January 2018. *That report is available at: [CMIS > Meetings](#)*
- 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 2018/19. This took account of the New Homes Bonus allocation, together with proposals contained in the Service Base Budgets for 2018/19. The full impact of the Local Government Provisional Financial Settlement for 2018/19 had not been included and is still under review pending an assessment of the Authority being part of the Derbyshire Pilot to trial 100% Business Rates Retention.

3.2 The overall projection on the General Fund, as reported in January, is summarised in the following table.

General Fund Medium-Term Projection as at January 2018

Year	Budget Surplus (-) / Deficit £	Earmarked Sums £	Balance of General Reserve £
Base Budget 2017/18	-876,205	236,029	-9,073,596
Proposed Budget 2018/19	83,460	482,294	-8,507,842
Projection 2019/20	977,975	381,830	-7,148,037
Projection 2020/21	877,290	380,394	-5,890,353
Projection 2021/22	1,050,306	378,922	-4,461,125
Projection 2022/23	1,392,486	377,413	-2,691,226

- During the last few weeks, a review of the Council's Establishment has been undertaken and a provision for vacant posts currently unbudgeted has been included in the MTFP at a cost of £64k per annum. No other major changes to service base budgets have been identified.
- The provisional Financial Settlement has been confirmed but the impact on the Base Budget for 2018/19 has not been updated. The Business Rates position and loss of Revenue Support Grant after acceptance by the Government into a Derbyshire Business Rates pilot for 2018/19 is still under review. However, it is anticipated that final figures will not adversely affect the Base Budget for 2018/19
- A Community Partnership Scheme allocation of £250k has been included within the MTFP after approval in January.

The Final Financial Settlement for Local Government

Business Rates

3.5 The Council has included amounts from retained rates in its medium-term financial projections. Each year, the Council is required to submit estimated figures to the Government through an annual return (*National Non-Domestic Rates Return 1 2018/19*) by 31st January.

3.6 This Return details the estimated rates available for distribution as Precepts – effectively on-account payments during the year. Following the completion of the annual return for 2018/19, the distributable amounts are estimated as shown in the following table with comparisons to 2017/18.

	2018/19 £	2017/18 £
Central Government	-381,914	12,046,093
South Derbyshire District Council	13,123,996	9,727,674
Derbyshire County Council	13,002,657	2,168,297
Derbyshire Fire and Rescue	259,125	240,922
Total Estimated Income	26,003,864	24,182,986

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

- 3.7 The increase in funding proposed on the NNDR1 between years is due to the Derbyshire Business Rates Pilot. The final detail regarding the full impact to the Council is still under review and will be reported to this Committee in March.
- 3.8 The above figures also include the estimated deficit on the Collection Fund for 2017/18 of £763,829, 50% of which will be funded by Central Government.
- 3.9 It is not intended to change the current assumptions and forecasted amounts in the MTFP from that reported in January at this stage.

Other Updates

- 3.10 The only other change to the proposed Base Budget and MTFP is an increase of 2% on the current level of Grants to Voluntary Bodies and Concurrent Functions totalling £11,898 per annum as approved in January.

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 February 2018

Year	Budget Surplus (-) / Deficit £	Earmarked Sums £	Balance of General Reserve £
Base Budget 2017/18	-876,205	97,029	-9,212,596
Proposed Budget 2018/19	161,270	871,294	-8,180,032
Projection 2019/20	1,055,817	381,830	-6,742,385
Projection 2020/21	955,165	380,394	-5,406,826
Projection 2021/22	1,128,215	378,922	-3,899,689
Projection 2022/23	1,470,430	377,413	-2,051,846

- 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 2018/19

- 3.15 The Base Budget for 2018/19 includes a proposed increase in Council Tax of 1.95% as approved by the Committee in January. As usual, the Committee are required to recommend the level of Council Tax for 2018/19 to the Full Council on 26th February 2018.
- 3.16 The Band D Tax for 2017/18 is £156.17. The 1.95% increase in the MTFP will raise Band D to £159.21, an increase of £3.04 in 2018/19.

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 9th January 2018. This included reducing rents by 1% for council tenants in 2018/19 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 > Meetings](#)

The Position Entering the 2018/19 Budget Round

- 4.3 The position reported in October 2017, estimated a surplus on the HRA in 2018/19 of £1,150k, increasing the HRA's General Reserve to approximately £4.6m.
- 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 2018

- 4.6 Following a review of the Base Budget, the overall surplus is now estimated at £1,099k for 2018/19 compared to a forecast of £1,150k. This is less due to the

inclusion of an Asset Replacement provision to enable the upgrade of the Direct Labour Organisation vehicles on a 7 year rolling basis.

- 4.7 Following the base budget review, the 10-year Financial Plan for the HRA has been reviewed and updated. This is detailed in **Appendix 2**. The overall position has declined marginally compared to the previous forecast due to the slight reduction in the estimated surpluses going forward.
- 4.8 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

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

Risk Area	Effect / Mitigation
Future Rent Levels	<p>The biggest risk in the Financial Plan is considered to be future rent levels. The rent level from 2016/17 to 2019/20 has been set in accordance with statutory requirements i.e. a 1% reduction for each of those years.</p> <p>Beyond this, it has been confirmed that rents will again be allowed to rise and will return to the inflation-linked formula.</p> <p>Clearly, the HRA is dependent on rental income (currently £12.3m per year) for its resources. Even small variations in rent changes (e.g. 0.5%) can have significant implications in monetary terms for the Financial Plan over the longer-term.</p>
Right to Buys	<p>A moderate decrease in current properties from sales continues to be built into the Financial Plan and this reflects the current level of sales.</p> <p>The main risk relates to a sudden surge in sales; although this will generate capital, the loss in on-going rental income could have a much more adverse impact on the HRA.</p>
Supporting People Grant	<p>It has been assumed that this continues (cash limited) over the Financial Plan; this will be subject to policy decisions and directions from the County Council. There have been indications in recent years that this could be reduced from its current level and is subject to annual review.</p> <p>In the meantime, a wider review of Supported Housing has been launched by the Government which will hopefully add more certainty for on-going service provision.</p>
Impairment	<p>This relates to an accounting adjustment. This is currently being reviewed to bring local authorities into line with other organisations in accordance with International Reporting Standards. This is being challenged by the relevant professional bodies.</p> <p>Large impairment adjustments are rare. However, if there was a</p>

	<p>significant event affecting many properties, this would lead to an impairment charge. It is considered that the most likely scenario is a sudden fall in property values as this would affect the overall valuation of the housing stock.</p> <p>The potential for impairment charges could have serious implications for all housing authorities and this is why it is being challenged.</p>
Changes to Central Government Policy	<p>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.</p>
Welfare Reform and Universal Credit (UC)	<p>UC is due to be fully implemented in South Derbyshire in November 2018 but will not affect all Council Tenants. There is a concern amongst housing professionals that changes could see a reduction in payment of rent and an increase in arrears.</p> <p>Currently, Housing Benefit is paid directly to a tenant's Rent Account where this is due. In a system of Universal Credit, the benefit element is effectively paid direct to the Tenant. The Pilot Schemes and evidence locally suggests that this gives the potential for Tenants to default on their rent payments.</p> <p>In order to mitigate this risk, intervention may be necessary between the Landlord and the Tenant. This can place additional pressure on resources and increase the management costs in the HRA.</p>

Future Spending

- 4.10 Although the Financial Plan for the HRA appears sustainable, there are still several risks that could impact on the longer-term projection, so it is important that any future spending decisions are fully analysed for their affordability and the effect upon the longer-term Financial Plan.
- 4.11 In addition, it is important that services are kept under review given that future budgetary pressures may arise in the medium-term.

5.0 Capital Investment

- 5.1 The main areas of spend continue to be on council housing investment and the 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 on this Committee's Agenda (Item 6).

Housing Capital Receipts

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

General Fund Receipts

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

General Fund Capital Receipts	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£	£	£	£	£	£
B/fwd 1st April	-268,283	-273,241	-673,509	-673,509	-673,509	-673,509
Less: Capital Drawdowns	1,761,641	199,732	0	0	0	50,000
Capital Receipts - William Nadin Way	-1,000,000	0	0	0	0	0
Capital Receipts - Chestnut Avenue	-738,599	0	0	0	0	0
Capital Receipts - Fire Station Land	-28,000	0	0	0	0	0
Capital Receipts - Old Depot Land	0	-600,000	0	0	0	0
Balance c/fwd 31st March	-273,241	-673,509	-673,509	-673,509	-673,509	-623,509

- 5.7 It is likely that the Council will receive some additional receipts which are pending (but not finalised) from further land sales.
- 5.8 No prior investment commitments have been made against these additional receipts and should not until monies have been received. The Council has an established evaluation framework in place to prioritise capital investment.

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

- 6.1 In his role as the Council's Section 151 (Chief Finance) Officer, the 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 11th January 2018, highlights the challenge that the Council continues to face to ensure that its financial position remains robust and sustainable over the medium-term.

- 6.3 It is considered that estimates of income and expenditure included in the Base Budget and longer-term financial forecasts are prudent. They provide for inflation and other known variations, together with provisions that recognise both current cost pressures and potential costs associated with growth of the District.
- 6.4 It is noted that additional resources have been approved for “Growth” and that a separate reserve will be set-aside to provide on-going investment to meet additional demand on services.
- 6.5 The Budget for 2018/19 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. It is noted that the full financial benefit for the Council of being part of the Derbyshire 100% Business Rates Retention Pilot have still to be analysed and included in the Budget.
- 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, 2018 to 2023.

Projected Level of Reserves

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Estimated Usable Reserves	£'000	£'000	£'000	£'000	£'000	£'000
General Fund Reserve	9,213	8,180	6,742	5,407	3,899	2,052
Earmarked - General Fund	11,206	10,661	10,496	10,409	10,005	9,402
Capital Receipts and Grants - General Fund	273	674	674	674	674	624
General Fund Reserves	20,692	19,514	17,911	16,490	14,577	12,078
HRA General Reserve	4,397	4,195	3,844	3,476	3,222	2,701
Earmarked - HRA	0	45	90	135	180	225
Capital Reserves – HRA (incl New Build)	2,738	3,342	4,511	5,577	6,589	7,598
Debt Repayment Reserve - HRA	3,054	5,465	7,857	10,188	2,458	5,755
HRA Reserves	10,189	13,047	16,302	19,376	12,449	16,279
TOTAL RESERVES	30,881	32,561	34,213	35,866	27,026	28,357

- 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 above the minimum level of £1.5m by 2022/23.
- 6.12 Although the General Fund is forecast to achieve budget surpluses for 2017/18 based on current projections, a deficit is then forecast from 2018/19.
- 6.13 However, the annual deficits could be financed by drawing down the current level of the General Reserve. Effectively, the financial projection shows the implications of taking that action.
- 6.14 However, it is considered that this is a high risk strategy. Future deficits, as highlighted in Section 3 earlier in the Report, are projected to be significant from 2019/20. If no action is taken to reduce future deficits, it could quickly destabilise the financial position given that any action to achieve budget savings may take time to fully implement.
- 6.15 Meanwhile, the income retained under the Derbyshire 100% Business Rates Pilot and future changes from 2019/20 in the Business Rates funding mechanism are still uncertain and will be updated as more detail emerges.
- 6.16 Effectively, the current base budget remains unsustainable in the medium-term. Provision for certain cost pressures and potential risks have been included in the MTFP, including additional income being set-aside to meet additional demand on services.
- 6.17 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 Although in budgeting terms expenditure is still greater than income over the medium-term, the Council does have a history of under spending on its General Fund. This is reviewed each year and budgets adjusted accordingly. However, future under spends are not guaranteed and therefore, should not be relied upon.
- 6.19 The budget process has again considered in detail the potential implications of Growth on costs and made provision for additional costs of Waste Collection. Projections associated with new residential development have been reviewed. It is noted that projections for new properties have been revised upwards, but latest Planning numbers indicate that these could be higher based on the

current number of developments with outline and approved planning permissions.

- 6.20 The issue is that the full effects of growth are not fully known at present. Some costs are emerging and although provision has been made in the MTFP, it is difficult to currently gauge the full impact. However, it is noted that services such as Grounds Maintenance are being reviewed.
- 6.21 In the meantime, the Council is faces a financial challenge to identify budget savings from within its current General Fund budget. It has been recommended that the Council takes action during 2018/19 to begin to alleviate the projected budget deficit.
- 6.22 This would ease the pressure in future years and help to maintain a sustainable financial position. Therefore, the Council will review service expenditure at its earliest opportunity in order to continue to maintain a sustainable financial position ahead of 2019/20 and this is a recommendation as part of this report.

Housing Revenue Account (HRA)

- 6.23 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.
- 6.24 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.
- 6.25 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

- 6.26 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.
- 6.27 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.

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

Risk Analysis

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

Factor	Potential Implications	Mitigation	Likely impact on Financial position
Changes in Central Government Policy	<ul style="list-style-type: none"> Further reductions in core funding (General Fund) and rent income (HRA) due to the national position or changes in redistribution systems. 	<ul style="list-style-type: none"> The MTFP has analysed and built in provisional allocations for future years, informed by the Financial Settlement and current growth forecasts. 	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. Part of Derbyshire Pilot for 100% Rates Retention Provisions made for Bad Debts and Appeals. 	Medium Only 11% of the Council Tax Fund is transferred to the Council's General Fund. In addition, the effect is not immediate and costs can be spread.
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. Provision for cost of growth increased in 2017/18 Budget Round. Provision for 5 to 7% budgets for 	High This could affect the MTFP either way. Growth is a determining factor for the Council's income and expenditure which could easily vary compared to that forecast.

		planning, land charges income, etc. are currently within actual levels for 2017/18.	
Budget Overspend	<ul style="list-style-type: none"> Underlying cost pressures, due to growth, yet to surface. Unexpected costs. There are on-going cost pressures, for example, maintenance of assets, as identified in the Base Budget review for 2018/19. 	<ul style="list-style-type: none"> Current level of general and specific reserves is healthy and the MTFP allows contingencies for inflation and growth, etc. The Base Budget of both the General Fund and HRA is assumed to increase by around 2% per year. Monitoring arrangements in place allow early identification of issues. 	Medium
Economic Conditions	<ul style="list-style-type: none"> Higher price increases on key costs such as fuel and utilities. Interest rates affect investment returns and debt payments. 	<ul style="list-style-type: none"> Inflation provision for price increases across these key areas. The General Fund is currently “debt free” and not subject to movement in interest rates. The HRA debt is largely fixed. Sufficient balances allow “internal borrowing” if required. Budgeted income from short-term investments is relatively low and not reliant on interest rates increasing. 	Low
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. 	Medium

Consultation and Provision of Information

6.30 The information and broad budget proposals, together with details on where the Council spends its money and how it is financed, have been presented

across the District. This also explained the challenges that the Council faces over the medium-term and how the Council is addressing these.

6.31 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 31st January 2018.

6.32 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.

6.33 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 17th January and 8th February 2018, together with the South Derbyshire Partnership on 31st January 2018.

7.0 Financial Implications

As detailed in the report.

8.0 Corporate Implications

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

9.0 Community Implications

The proposed budgets provide the financial resources to enable all of the on-going services and Council priorities to be delivered to the local community. The formulation of Medium-Term Financial Plans ensures that the Council maintains a sustainable financial position which is a key Outcome in its Corporate Plan.

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at FEBRUARY 2018

	Approved Budget £ 2017.18	Proposed Budget £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23
BASE BUDGET						
Environmental & Development	4,005,133	4,103,021	4,333,952	4,431,893	4,532,294	4,635,219
Housing & Community	2,199,646	2,372,074	2,405,972	2,446,461	2,487,937	2,530,424
Finance & Management	5,186,851	4,870,659	4,973,646	5,096,634	5,222,748	5,352,069
Net Service Expenditure	11,391,630	11,345,754	11,713,569	11,974,987	12,242,979	12,517,712
Accounting Adjustments						
Reverse out Depreciation	-783,025	-871,666	-871,666	-871,666	-871,666	-871,666
Minimum Revenue Provision (MRP)	214,202	205,634	197,409	189,512	181,932	174,654
Voluntary Revenue Provision (VRP - Recycling Bins & Grove Active Zone)	131,226	131,226	131,226	131,226	75,891	20,556
	10,954,034	10,810,948	11,170,538	11,424,059	11,629,135	11,841,256
Add: Known Variations						
External Facilitator - Pay and Grading Review	10,000	10,000	0	0	0	0
Pay and Grading - On-going Costs of Supporting Downgraded Posts	0	0	8,750	8,750	8,750	8,750
Restructure of Land Charges	3,694	0	0	0	0	0
Restructure of Housing	-5,388	0	0	0	0	0
Grants to Voluntary Bodies	-3,207	5,637	5,637	5,637	5,637	5,637
Concurrent Functions	3,329	6,261	6,261	6,261	6,261	6,261
Savings from Shared Services Contract	-400,000	0	0	0	0	0
Reduction to HRA recharges	54,161	0	0	0	0	0
Updates to the Budgeted Establishment	0	64,620	64,620	64,620	64,620	64,620
Boardman Industrial Estate Repairs	0	75,000	0	0	0	0
Senior Management Restructure - Reinvestment of Saving	0	92,000	94,300	96,658	99,074	101,551

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at FEBRUARY 2018

	Approved Budget £ 2017.18	Proposed Budget £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23
Pension Deficit	0	0	18,170	19,606	21,078	22,587
Incremental Salary Increases	0	0	11,065	11,065	11,065	11,065
Apprenticeship Levy (April 2017)	23,695	28,985	29,565	30,304	31,061	31,838
Phased Implementation of National Living Wage	5,990	10,604	14,099	14,099	14,099	14,099
Potential Pay Award 2018/19	0	235,342	241,226	247,257	253,438	259,774
Potential Loss of Industrial Unit Income	0	0	190,000	190,000	190,000	190,000
District Election May 2019	0	0	125,000	0	0	0
TOTAL ESTIMATED SPENDING	10,646,308	11,339,397	11,979,229	12,118,315	12,334,218	12,557,436
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	200,000	500,000	500,000	500,000	500,000	500,000
Contribution to Bad Debt Provision	100,000	0	0	0	0	0
Waste and Recycling	100,000	100,000	100,000	100,000	100,000	100,000
TOTAL PROJECTED SPENDING	11,056,308	11,949,397	12,589,229	12,728,315	12,944,218	13,167,436

GENERAL FUND MEDIUM TERM FINANCIAL PLAN
BUDGET & PROJECTION as at FEBRUARY 2018

	Approved Budget £ 2017.18	Proposed Budget £ 2018.19	Projection £ 2019.20	Projection £ 2020.21	Projection £ 2021.22	Projection £ 2022.23
FINANCING						
Revenue Support Grant	-668,239	-338,367	0	0	0	0
Transitional Grant	-3,230	0	0	0	0	0
Business Rates Retention	-3,093,222	-3,103,510	-3,095,347	-3,113,500	-3,130,509	-3,146,306
Discretionary Business Rate Relief Scheme	-100,832	-49,000	-20,000	-3,000	0	0
Section 31 Grants	-456,133	-371,133	-301,133	-301,133	-301,133	-301,133
New Homes Bonus	-2,613,640	-2,701,973	-2,704,378	-2,749,171	-2,578,703	-2,238,936
Council Tax Income	-4,942,217	-5,169,145	-5,357,554	-5,551,345	-5,750,657	-5,955,631
Core Spending Power	-11,877,513	-11,733,128	-11,478,412	-11,718,149	-11,761,002	-11,642,006
Add Estimated Collection Fund Surplus - Council Tax	-55,000	-55,000	-55,000	-55,000	-55,000	-55,000
TOTAL FINANCING	-11,932,513	-11,788,128	-11,533,412	-11,773,149	-11,816,002	-11,697,006
General Fund yearly Surplus (-) / Deficit	-876,205	161,270	1,055,817	955,165	1,128,215	1,470,430
GENERAL FUND RESERVE BALANCE						
Balance b/fwd	-8,433,420	-9,212,596	-8,180,032	-6,742,385	-5,406,825	-3,899,688
General Fund Yearly Surplus (-) / Deficit (as above)	-876,205	161,270	1,055,817	955,165	1,128,215	1,470,430
Purchase of Town Centre Land	44,335	0	0	0	0	0
Community Partnership Scheme	0	250,000	0	0	0	0
General Fund Capital Bids Remaining	75,925	251,000	0	0	0	0
Pension Earmarked Reserve Drawdown	-43,231	-29,706	-18,170	-19,606	-21,078	-22,587
Contribution to Asset Replacement Fund	20,000	400,000	400,000	400,000	400,000	400,000
Balance c/fwd	-9,212,596	-8,180,032	-6,742,385	-5,406,825	-3,899,688	-2,051,845

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - FEBRUARY 2018

	2017.18 Approved Budget £'000	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
INCOME											
Rental Income	-12,381	-12,166	-12,315	-12,328	-12,581	-12,902	-13,233	-13,575	-14,195	-14,298	-14,677
Non-Dwelling Income	-111	-121	-120	-122	-125	-129	-132	-136	-140	-143	-147
Supporting People Grant	-200	-164	-164	-164	-164	-164	-164	-164	-164	-164	-164
Other Income	-176	-175	-175	-175	-175	-175	-175	-175	-175	-175	-175
Total Income	-12,868	-12,626	-12,774	-12,789	-13,045	-13,370	-13,704	-14,050	-14,674	-14,780	-15,163

EXPENDITURE											
General Management	1,790	1,891	1,935	1,981	2,028	2,075	2,124	2,174	2,225	2,278	2,331
Supporting People	833	783	804	825	848	871	895	920	947	974	1,003
Responsive	1,281	1,268	1,300	1,332	1,365	1,398	1,433	1,468	1,505	1,542	1,580
Planned Maintenance	1,971	1,831	1,876	1,921	1,968	2,016	2,065	2,115	2,167	2,219	2,273
Bad Debt Provision	44	100	123	123	126	129	132	136	142	143	147
Interest Payable & Receivable	1,762	1,798	1,798	1,798	1,798	1,498	1,498	1,228	1,228	1,228	927
Depreciation	3,417	3,754	3,730	3,716	3,703	3,689	3,676	3,664	3,654	3,644	3,634
Net Operating Income	-1,770	-1,201	-1,208	-1,093	-1,209	-1,694	-1,881	-2,345	-2,806	-2,752	-3,268

Known variations:

Reversal of Depreciation	-3,417	-3,754	-3,730	-3,716	-3,703	-3,689	-3,676	-3,664	-3,654	-3,644	-3,634
Capital Expenditure	1,500	1,543	1,588	1,635	1,683	1,392	1,433	1,477	1,516	1,547	1,182
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

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - FEBRUARY 2018

	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
	Approved Budget £'000	Approved Budget £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000
Debt Repayment	1,517	1,211	1,142	1,081	1,020	1,297	1,543	1,187	1,138	1,097	1,452
Major Repairs Reserve	600	600	600	600	600	600	300	600	600	600	600
Asset Replacement Earmarked Reserve	215	45	45	45	45	45	45	45	45	45	45
Apprenticeship Levy	5	6	6	6	6	6	6	6	6	6	6
Potential Pay Award	0	48	49	51	52	53	54	56	57	59	60
Reduction in GF recharges	-54	0	0	0	0	0	0	0	0	0	0
Restructure Costs/(Savings)	47	0	0	0	0	0	0	0	0	0	0
Pension Deficit	11	0	0	0	0	0	0	0	0	0	0
Job Evaluation On-going Support Costs	0	5	5	5	5	5	5	5	5	5	5
Incremental Salary Increases	6	0	6	6	6	6	6	6	6	6	6
HRA Surplus (-) / Deficit	-940	-1,098	-1,097	-981	-1,095	-1,578	-1,764	-2,227	-2,686	-2,630	-3,144

HRA General Reserve

HRA Reserve B/fwd	-3,703	-4,397	-4,195	-3,844	-3,476	-3,222	-2,701	-1,667	-1,394	-1,031	-2,662
(Surplus) / Deficit for year	-940	-1,098	-1,097	-981	-1,095	-1,578	-1,764	-2,227	-2,686	-2,630	-3,144
Earmarked non-traditional properties	0	100	200	100	100	100	0	0	0	0	0
Transfer to Debt Repayment Reserve	250	1,200	1,250	1,250	1,250	2,000	2,800	2,500	3,050	1,000	1,000
HRA Reserve C/fwd	-4,393	-4,190	-3,838	-3,469	-3,214	-2,691	-1,656	-1,382	-1,018	-2,648	-4,793

RESERVES

Debt Repayment Reserve

Balance B/fwd	-1,287	-3,054	-5,465	-7,857	-10,188	-2,458	-5,755	-98	-3,785	-7,973	-70
Depreciation balance	-1,517	-1,211	-1,142	-1,081	-1,020	-1,297	-1,543	-1,187	-1,138	-1,097	-1,452
Transfers to reserve	-250	-1,200	-1,250	-1,250	-1,250	-2,000	-2,800	-2,500	-3,050	-1,000	-1,000
Repayment of loan	0	0	0	0	10,000	0	10,000	0	0	10,000	0
Reserve C/fwd	-3,054	-5,465	-7,857	-10,188	-2,458	-5,755	-98	-3,785	-7,973	-70	-2,522

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION - FEBRUARY 2018

	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
	Approved Budget £'000	Approved Budget £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000	Forecast £'000
Earmarked Reserve											
Balance B/fwd	0	0	-45	-90	-135	-180	-225	-270	-45	-90	-135
Transfers to reserve	-215	-45	-45	-45	-45	-45	-45	-45	-45	-45	-45
Asset Replacement	215	0	0	0	0	0	0	270	0	0	0
Reserve C/fwd	0	-45	-90	-135	-180	-225	-270	-45	-90	-135	-180
Major Repairs Reserve											
Balance B/fwd	-1,267	-1,867	-2,567	-3,367	-4,067	-4,767	-5,467	-5,767	-6,367	-6,967	-7,567
Transfers to reserve	-600	-600	-600	-600	-600	-600	-300	-600	-600	-600	-600
Earmarked non-traditional properties	0	-100	-200	-100	-100	-100	0	0	0	0	0
Reserve Drawdown	0	0	0	0	0	0	0	0	0	0	0
Reserve C/fwd	-1,867	-2,567	-3,367	-4,067	-4,767	-5,467	-5,767	-6,367	-6,967	-7,567	-8,167
New Build Reserve											
Capital Receipts B/fwd	-393	-871	-775	-1,144	-1,510	-1,822	-2,131	-2,333	-2,532	-2,731	-2,931
Lullington Rd Phase 2	0	752	0	0	0	0	0	0	0	0	0
HCA grant	0	-180	0	0	0	0	0	0	0	0	0
RTB Receipts in year	-478	-475	-369	-366	-312	-309	-202	-199	-199	-199	-199
Borrowing in year	0	0	0	0	0	0	0	0	0	0	0
Balance c/fwd	-871	-775	-1,144	-1,510	-1,822	-2,131	-2,333	-2,532	-2,731	-2,931	-3,130

CAPITAL EXPENDITURE & FINANCING JANUARY 2018

	Approved Budget 2017/18 £	Adjustments £	Total Budget 2017/18 £	Budget 2018/19 £	Budget 2019/20 £	Budget 2020/21 £	Budget 2021/22 £	Budget 2022/23 £
COUNCIL HOUSING								
Major Improvements under Self-financing	1,500,000	-200,000	1,300,000	1,743,000	1,588,000	1,635,000	1,683,000	1,392,000
Council New Build Lullington Road	0	0	0	751,513	0	0	0	0
DLO Van Acquisition	0	210,320	210,320	0	0	0	0	0
Major Disabled Adaptations (Council Houses MRA)	300,000	-75,000	225,000	375,000	300,000	300,000	300,000	300,000
Total Expenditure	1,800,000	-64,680	1,735,320	2,869,513	1,888,000	1,935,000	1,983,000	1,692,000

Major Repairs Reserve	1,266,821	-1,266,821	0	0	0	0	0	0
Revenue Contribution	533,179	991,821	1,525,000	2,118,000	1,888,000	1,935,000	1,983,000	1,692,000
Earmarked Reserve	0	210,320	210,320	0	0	0	0	0
Capital Receipts Reserve	0	0	0	571,513	0	0	0	0
HCA Grant	0	0	0	180,000	0	0	0	0

Total Funding

1,800,000	-64,680	1,735,320	2,869,513	1,888,000	1,935,000	1,983,000	1,692,000
------------------	----------------	------------------	------------------	------------------	------------------	------------------	------------------

PRIVATE SECTOR HOUSING

Disabled Facility Grants and other Works	398,000	660,470	1,058,470	836,000	336,000	336,000	336,000	336,000
Strategic Housing Market Assessment	50,000	-50,000	0	50,000	0	0	0	50,000
Private Sector Stock Condition Survey	0	0	0	60,000	0	0	0	0

Total Expenditure

448,000	610,470	1,058,470	946,000	336,000	336,000	336,000	386,000
----------------	----------------	------------------	----------------	----------------	----------------	----------------	----------------

General Fund	0	0	0	186,000	0	0	0	0
Derbyshire County Council	398,000	660,470	1,058,470	650,000	336,000	336,000	336,000	336,000
General Capital Receipts	50,000	-50,000	0	110,000	0	0	0	50,000

Total Funding	448,000	610,470	1,058,470	946,000	336,000	336,000	336,000	386,000
----------------------	----------------	----------------	------------------	----------------	----------------	----------------	----------------	----------------

GENERAL FUND INVESTMENT PROGRAM

Swadlincote Woodlands Nature Reserve	37,000	-37,000	0	37,000	0	0	0	0
Rosliston Forestry Centre - Play Project	130,000	-130,000	0	130,000	0	0	0	0
Community Partnership Scheme	77,211	-1,286	75,925	250,000	0	0	0	0
Eureka Park Community Programme	0	20,000	20,000	0	0	0	0	0
Melbourne Leisure Centre	65,000	-60,500	4,500	0	0	0	0	0
Town Hall	0	14,820	14,820	0	0	0	0	0
Table Tennis Tables	0	1,900	1,900	0	0	0	0	0
Save More Waste Less	0	3,768	3,768	0	0	0	0	0
Open Space Development Project	0	24,487	24,487	0	0	0	0	0
S106 Project	0	13,500	13,500	0	0	0	0	0
Swadlincote Heritage Opportunities project	155,165	0	155,165	268,948	0	0	0	0

Total Expenditure - Community Projects	464,376	-150,311	314,065	685,948	0	0	0	0
---	----------------	-----------------	----------------	----------------	----------	----------	----------	----------

National Forest	16,000	-16,000	0	0	0	0	0	0
Earmarked Reserve	0	0	0	16,000	0	0	0	0
Volunteer Time	6,000	-6,000	0	6,000	0	0	0	0
National Forest	80,000	-80,000	0	80,000	0	0	0	0
National Heritage	0	20,000	20,000	0	0	0	0	0
Revenue Contribution	0	1,720	1,720	0	0	0	0	0
Earmarked Reserve	0	1,308	1,308	0	0	0	0	0
Lottery	0	11,792	11,792	0	0	0	0	0
Tesco	0	1,900	1,900	0	0	0	0	0
Hubbub	0	3,768	3,768	0	0	0	0	0
Section 106	0	16,943	16,943	0	0	0	0	0
Councillor Contribution	0	500	500	0	0	0	0	0
External Contributions		5,000	5,000	0	0	0	0	0
Earmarked Reserve	0	2,044	2,044	0	0	0	0	0
Earmarked Reserve	0	13,500	13,500	0	0	0	0	0

Revenue Contribution	7,000	0	7,000	7,000	0	0	0	0
Earmarked Reserve	10,000	0	10,000	7,000	0	0	0	0
Derbyshire County Council	10,000	0	10,000	10,000	0	0	0	0
Heritage Lottery	128,165	0	128,165	244,948	0	0	0	0
Capital Receipts Reserve	65,000	-60,500	4,500	0	0	0	0	0
General Fund	142,211	-66,286	75,925	315,000	0	0	0	0

Total Funding - Community Projects

464,376	-150,311	314,065	685,948	0	0	0	0
----------------	-----------------	----------------	----------------	----------	----------	----------	----------

FIXED ASSETS

Vehicle Replacements	1,521,203	-450,403	1,070,800	633,040	270,000	270,000	270,000	270,000
Asset Replacement and Investment	0	0	0	130,000	130,000	130,000	130,000	130,000
New Depot/Sale of Depot	0	3,308	3,308	0	0	0	0	0
William Nadin Way	0	928	928	0	0	0	0	0
Boardman Insutrial Units	1,061,000	397,803	1,458,803	0	0	0	0	0
Repairs to Village Halls and Community Facilities	31,700	-31,700	0	31,700	0	0	0	0
Public Buildings - Planned Maintenance Programme	58,032	-58,032	0	58,032	0	0	0	0
Dellner Factory Premises	49,800	15,459	65,259	0	0	0	0	0
Town Centre Land/Property	27,000	17,335	44,335	0	0	0	0	0
Chestnut Avenue, Midway	37,666	6,436	44,102	0	0	0	0	0

Total Expenditure - Fixed Assets

2,786,401	-98,866	2,687,535	852,772	400,000	400,000	400,000	400,000
------------------	----------------	------------------	----------------	----------------	----------------	----------------	----------------

Capital Receipts Reserve	1,438,398	318,743	1,757,141	89,732	0	0	0	0
Earmarked Reserve	1,301,003	-434,944	866,059	363,040	0	0	0	0
General Fund	47,000	17,335	64,335	400,000	400,000	400,000	400,000	400,000

Total Funding - Fixed Assets

2,786,401	-98,866	2,687,535	852,772	400,000	400,000	400,000	400,000
------------------	----------------	------------------	----------------	----------------	----------------	----------------	----------------

ANALYSIS OF GENERAL FUND EARMARKED RESERVES

Specific/Earmarked Reserves	Balance b/fwd 01/04/17 £	Estimated Movement 2017/18 £	Estimated Movement 2018/19 £	Estimated Balance 31/03/19 £
Asset Renewal and Replacement Fund	0	130,000	130,000	260,000
Vehicle Replacement Fund	1,251,203	-800,800	-363,040	87,363
Dilapidation Works - Factory Site per Lease Agreement	78,236	-65,259	-12,977	-0
IT Reserve	140,706	0	-100,000	40,706
Pensions Reserve	182,000	-43,231	-29,706	109,063
Local Plan - Consultation and Implementation	108,904	-50,947	-29,592	28,365
Repton Parish (former Depot proceeds)	33,049	0	0	33,049
Corporate Services Innovation Fund	81,666	0	-25,000	56,666
Rosliston Forestry Centre / Café	138,576	0	-100,000	38,576
Planning - Staffing and Support Costs	62,409	-62,409	0	0
Growth Reserve	300,000	200,000	500,000	1,000,000
Facilities Development Fund	30,000	0	0	30,000
Civic Offices - Maintenance	21,069	0	-21,069	0
Leisure Maintenance	1,000	-1,000	0	0
Corporate Training and Development Programme	41,059	-25,000	-5,000	11,059
	2,469,876	-718,646	-56,384	1,694,846

Specific Grants and Contributions

Public Open Space - Commuted Sums	1,295,584	-84,514	-80,514	1,130,556
Youth Engagement Partnership	579,852	-99,225	-95,322	385,305
School Sports Partnership Project	203,649	-94,598	-100,134	8,917
Community Safety & Crime Reduction	332,336	-67,975	-47,368	216,993
Young People's Cultural Partnership / Arts Development	8,980	-1,674	0	7,306
Get Active in the Forest Partnership	43,973	-15,003	-12,645	28,970
Environmental Education	37,347	-12,382	-12,765	12,200
Tetron Point Storm Water Basin - S106 UK Coal	53,012	0	0	53,012
Swadlincote Woodlands - S106	50,774	0	-16,000	34,774
New Play Equipment and Safety Surfacing	3,577	-370	-3,207	0
Maurice Lea Park NHLF Grant	23,012	0	0	23,012
South Derbyshire Partnership Reserve	20,051	-10,000	-10,000	51
Homelessness Prevention	88,598	-6,138	-1,209	81,251
Welfare Reform, Fraud and Compliance	247,073	-50,000	-50,000	147,073
Community Right to Bid	20,728	0	0	20,728
Community Right to Challenge	16,547	0	0	16,547
Property Records - Data Sharing	7,131	0	0	7,131
Electoral Registration	30,318	-23,208	-7,110	-0
Garden Village Fund	214,285	14,285	0	228,570
Heritage Grants	32,000	7,000	-39,000	0
Town Centre Improvement Reserve	26,397	0	-26,397	0
	3,335,224	-443,802	-501,671	2,402,396

Section 106 - Earmarked Funds

5,062,449 1,501,009 0 6,563,458

TOTAL GENERAL FUND EARMARKED RESERVES

10,867,549 338,561 -558,055 10,660,700

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 12
DATE OF MEETING:	15th FEBRUARY 2018	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE AND CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (EXT 5811)	DOC:
SUBJECT:	COMMITTEE WORK PROGRAMME	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: G

1.0 Recommendations

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

2.0 Purpose of Report

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

3.0 Detail

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

4.0 Financial Implications

4.1 None arising directly from this report.

5.0 Background Papers

5.1 Work Programme.

Finance and Management Committee – 15th February 2018 Work Programme

Work Programme Area	Date of Committee meetings	Contact Officer (Contact details)
Reports Previously Considered By Last 3 Committees		
Information Technology and Digital Strategy 2017 to 2020	12 th October 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Update on the Council's Medium-Term Financial Position	12 th October 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Proposed Local Council Tax Support Scheme 2018/19	12 th October 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Discretionary Business Rate Relief Schemes	12 th October 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Disabled Facilities Grants – the 2017/18 allocation	12 th October 2017	Eileen Jackson Strategic Housing Manager (01283) 595763
Corporate Plan 2016-21: Performance Report (1 July – 30 September 2017)	30 th November 2017	Keith Bull Head of Communications (01283 598705)

Budget and Financial Monitoring 2017/18	30 th November 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Compliments, Complaints and Freedom of Information Requests 1 st April to 30 th September 2017	30 th November 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Change to Establishment – Direct Services Unit	30 th November 2017	Adrian Lowery Direct Services Manager (01283) 595764
Refuse Collection Resources	30 th November 2017	Adrian Lowery Direct Services Manager (01283) 595764
Implications Of The Homelessness Reduction Act 2017	11 th January 2018	Eileen Jackson Strategic Housing Manager (01283) 595763
Lone Worker Device	11 th January 2018	Tony Guest Health And Safety Officer (01283) 595872
Service Base Budgets 2018/19	11 th January 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Budget Report 2018/19 Incorporating the Consolidated Budget Proposals and Medium Term Financial Plan to 2023	11 th January 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811

Provisional Programme of Reports to be considered by Committee		
Discretionary Business Rates Revaluation Relief Scheme	15 th February 2017	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Council Tax Premium on Long-Term Empty Properties	15 th February 2017	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Environmental Education Service: Service Development Proposal	15 th February 2017	Kate Allies Environmental Development Manager (01283) 535039
Treasury Management Strategy 2018/19 and Prudential Indicators 2018/19	15 th February 2017	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Final Budget Proposals 2018/2019 and Financial Plan to 2023	15 th February 2017	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Budget and Financial Monitoring 2017/18	15 th March 2018	Kevin Stackhouse Strategic Director (Corporate Resources) (01283) 595811
Corporate Plan 2016-21: Performance Report (1 October – 31 December 2017)	15 th March 2018	Keith Bull Head of Communications (01283) 598705